

Benefits Update: Which to Keep, Which to Reduce

In an ideal world, your CPA firm would be able to offer generous benefits no matter what was happening with the economy and the firm's fortunes. However, in the current economy, many CPA firms—and other employers—are reexamining the benefits that they offer to their employees with an eye toward cost containment and cutbacks—or even eliminating some benefits.

This can be a challenging step despite the need to save money. Employers are constantly reminded about the importance of retaining key talent, as that talent will help in surviving the current economy and being ready for the recovery. As a result, CPA firms and all employers need to carefully assess what and how much to reduce, and balance this against what employees really want and value in benefits.

Guidance on benefits adjustments. Two recent surveys report on what organizations in a variety of industries are doing when reductions are a necessity.

The Families and Work Institute's *National Study of Employers* and the Society of Human Resource Management's *2008 Employee Benefits Survey* provide insights into what others are doing, enabling your firm to adjust its practices and plans accordingly.

First conducted in 1998, the *National Study of Employers* is a comprehensive and far-reaching study of initiatives provided by United States employers to address the changing needs of today's workforce. The study offers information from 1,100 employers with 50 employees or more located throughout the U.S. It provides trend data on changes that have occurred over the past 10 years.

The study addresses such issues as:

- the prevalence of programs, policies, and benefits that address the needs of the changing workforce, including workplace flexibility, care-giving leaves, child and elder care assistance, and health care and economic security benefits;
- whether smaller or larger employers are more likely to provide these programs, policies, and benefits;
- benefits initiatives that have increased or decreased in the past 10 years; and
- employers that provide higher levels of support to their employees.

Surprisingly, the study confirms that even in the face of economic volatility, employers have generally held steady or reduced only benefits that carry hard costs.

In fact, in certain areas, employers have actually expanded benefits. Such areas include domestic partner benefits and access to information on support services. Particularly noteworthy is the fact that having an employee base composed of a greater percentage of women or minorities in senior positions correlates with a more flexible workplace.

Data included in the *2008 National Study of Employers* identify the trends outlined below:

Benefits on the rise:

- *Flexible work schedules:* Seventy-nine percent of employers now allow at least some employees to change their arrival and departure times periodically, up from 68 percent in 1998.

- *Phased retirement:* The 2008 study shows that 53 percent of organizations with 50 employees or more allow some employees to phase into retirement by working reduced hours over a period prior to full retirement.
- *Sabbaticals:* Thirty-eight percent also allow some employees to take sabbaticals (paid or unpaid leaves of six months or more) and return to a comparable job.
- *Elder care:* Thirty-nine percent of employers today provide access to information about services for elderly family members, compared to 23 percent in 1998.
- *Employee assistance programs:* Sixty-five percent of employers provide EAPs today, up from 56 percent in 1998.
- *Wellness programs:* Sixty percent of employers provide wellness programs today, compared to 56 percent in 1998.
- *Maternal benefits:* More employers are providing private space for breastfeeding in 2008—53 percent compared to 37 percent in 1998.
- *Domestic partner benefits:* Employers are more likely to provide health insurance for unmarried partners of employees—31 percent in 2008 versus 14 percent in 1998.

Benefits on the decline:

- *Flexibility:* Today, 47 percent of employers (down from 57 percent in 1998) allow at least some employees to move from full-time to part-time work and back again while remaining in the same position or at the same level.
- *Maternity benefits:* Far fewer employers provide full pay during the period of maternity-related disability—16 percent, down from 27 percent in 1998.
- *Health care premiums:* Only 4 percent of employers pay all of the premiums for family members today compared with 13 percent in 1998. Overall, 35 percent of employers report having increased employees' premium co-pays for individual and family health care coverage in the past 12 months.
- *Pension and retirement plans:* Employers in 2008 were less likely (81 percent) than employers in 1998 (91 percent) to make contributions to employees' retirement funds.
- *Family and medical leave:* Twenty-two percent of employers offer more than the 12 weeks of maternity leave mandated under the Family and Medical Leave Act, yet 18 percent to 21 percent of all employers surveyed appear to be out of compliance with FMLA.

Research by HR professionals. SHRM's *2008 Employee Benefits Study* shows that employers overall cut back on some employee benefits and financial incentives in 2008 to save costs, while adding other benefit programs that are less costly. Those added include telecommuting, cross-training for non-job-related skills development, and allowing employees to bring their children to the office in an emergency.

For the 2008 annual survey, SHRM polled 996 randomly-selected human resource professionals (all of whom are SHRM members) concerning 257 different benefits.

The survey found that compared with 2007, smaller proportions of employers in 2008 offered traditional defined benefit pension plans (33 percent versus 40 percent); consumer directed health plans (12 percent versus 19 percent); stock options (19 percent versus 24 percent); paid family leave (25 percent versus 33 percent); and health screening programs (41 percent versus 47 percent). In addition, more organizations imposed surcharges for spousal health care coverage (37 percent versus 33 percent).

Benefits that increased from 2007 in popularity among employers for 2008 included allowing personal use of company-provided cell phones and communication devices (65 percent versus 53 percent); onsite vaccinations (67 percent versus 62 percent); fitness center membership reimbursement or subsidy (36 percent versus 30 percent); and Roth 401(k) savings plans (21 percent versus 16 percent).

In addition, organizations are adjusting their benefits "as the modern definition of family changes," SHRM said. The survey found that 36 percent of respondents offer health care coverage for same-sex domestic partners and opposite-sex domestic partners, 30 percent offer health care benefits for foster children, and 15 percent provide paid adoption leave.

Survey participants said that on average, benefits cost employers 39 percent of payroll, with costs equaling 21 percent of payroll attributed to government mandated benefits and 18 percent attributed to employee-selected benefits other than leave.

Total benefits costs as a share of payroll were higher for organizations with 100 employees than for those with fewer than 100 employees (40 percent versus 35 percent).

Compared with 2007, costs as a share of payroll increased for 26 percent of employers, declined for 3 percent, and remained about the same for 71 percent.

For more information. To learn more about the Families and Work Institute's *National Study of Employers*, go to <http://familiesandwork.org>. For more about *SHRM's 2008 Employee Benefits Survey*, go to www.shrm.org.

From the August 2009 issue of Accounting Office Management & Administration Report.

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