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Employers Step Up Communication About Economic Conditions

Improved communication about the financial performance of the company and job security can help alleviate employee concerns about the impact of the recession on the organization and, potentially, on their own livelihoods, according to a survey conducted by human resources consultancy Watson Wyatt.

Based on responses from 92 employers, the survey found that 77% of companies have already sent out or are preparing some type of formal internal communication on the implications of the financial crisis for the organization and its employees. When asked to identify their motives for these communications, 69% of the employers surveyed cited a desire to ease employee anxiety, while 32% said their goal is to earn the trust of employees.

"Employers clearly understand the impact the financial crisis is having, not only on their business but on their employees as well," said Kathryn Yates, global director of communication consulting at Watson Wyatt. "With no end to the recession in sight, communicating regularly with employees will be critical for companies to keep their workers engaged and productive."

When asked to name the issues employees are inquiring about most frequently, 43% of the employers surveyed cited job security; 36%, company performance; 28%, bonuses or other incentive pay; 25%, the impact on customers; 15%, benefit programs; and 14%, base pay.

The survey results also indicated, however, that the topics addressed in the recent communications sent out by employers diverge somewhat from the top concerns of employees. While 80% of employers sent out communications on company performance and solvency over the last 60 days, 38% issued communications on job

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security, 34% sent messages concerning bonuses or other incentive pay, and just under half communicated about the impact of the recession on customers (49%) and about benefit programs (46%).

When asked to assess the effectiveness of their communication efforts to date, 44% of the employers said they believe their communications have been moderately or very effective in maintaining and improving employee productivity, 43% said they think the communications have helped to reduce employee stress and anxiety, and 40% said they believe the communications have been effective in improving employee engagement.

At the same time, however, more than one-quarter (27%) of respondents said they are uncertain about how effective the communications have been in improving employee engagement, and more than one-third (38%) admitted they do not know how effective their communications have been in maintaining or improving employee productivity.

Of the employers that had already started to communicate with employees about current economic conditions, 91% reported that at least some of the communications are being delivered by senior management, while 59% said communications are also coming from human resources managers and 56% indicated they are being delivered by line managers.

When asked to identify the types of forums or media used to communicate, 87% of the employers cited "town hall" meetings, staff meetings, and other forms of face-to-face discussion. However, 86% also indicated that some communications are delivered via e-mail, 76% said communications are posted on the company intranet, and 24% reported that social media are sometimes used.

"Communication can be a powerful tool in these troubled times, especially when supported by different levels of management," said Yates. "But it's important to keep the specific business context in mind and constantly monitor the effectiveness of the messaging."

EAPs Help Employees Cope During Tough Times

As workers struggle to deal with financial and legal issues, as well as illnesses brought on by stress, the demand for employee assistance programs (EAPs) has grown in recent months, according to a survey conducted by the Employee Assistance Society of North America (EASNA), a trade association for EAP providers.

The survey of EAP providers, for-profit and nonprofit organizations, and government agencies revealed an 88.2% increase in employee requests for financial services and an 82.4% rise in appeals for help in coping with stress. Respondents also reported a 41.2% increase in requests for legal services and an 11.8% rise in inquiries regarding domestic violence or substance abuse.

Results also showed that more than 60% of respondents have seen an increase in the number of requests that EAPs participate in downsizing efforts, offer support to employees who have been laid off, or otherwise provide assistance in outplacement services.

Citing a U.S. Federal Occupational Health study of EAP clients, researchers noted that the number of workers who reported having considerable difficulties with productivity was greatly reduced after these employees had concluded EAP sessions. The employees who participated in EAP counseling reported an average of 2.37 days of unscheduled absences or tardy arrivals at work in the 30 days prior to beginning the sessions, a figure that dropped to .91 days in the 30 days prior to completing the counseling sessions.

"Research consistently shows that EAP services have a positive return on investment," said EASNA president Barb Veder. "EAP services are cost effective because they reduce absenteeism and improve productivity."

Veder added, "Business leaders now consider mental health critical to business success, not just a health care benefit to be administered. At a time when retaining good employees is more important than ever and the economy is challenging even for the best companies in North America, EAP is the smart investment."

The Evolution Of 401(k) Plan Eligibility Standards

Over the past decade, the percentage of employers allowing newly hired employees to participate in 401(k) and other types of defined contribution retirement plans has grown substantially, but larger companies remain much more likely than smaller businesses to permit participation by new hires and to provide immediate matching and non-matching contributions, according to a study published by the Profit Sharing/401(k) Council of America (PSCA).

A look at trends over the past decade reveals that 32% of all the employers surveyed in 1998 permitted employees to start contributing to 401(k) plans within three months of starting work, compared with 72.7% of those surveyed in 2008. Among companies with 1,000 or more employees, this figure rose from 36% in 1998 to 87.2% in 2008.

The PSCA's 2008 survey of 531 companies found that 97.7% of plans permit employee contributions to an employer-sponsored defined contribution plan. Among all the companies surveyed, 55.1% allow newly hired employees to begin making elective deferrals to retirement plans immediately or within one month of starting work. An additional 11.8% of employers permit workers to begin making contributions after three months of service, 9.9% allow participation after six months of service, and 11% permit elective deferrals to the workplace retirement plan only after employees have served for at least one year.

The 2008 survey also showed, however, that retirement plan eligibility varies greatly among companies of different sizes. Whereas nearly three-quarters (74.4%) of employers with 10,000 or more workers permit immediate participation, just 37.5% of companies with fewer than 100 employees allow workers to start contributing to the plan within a month of being hired. By contrast, 21.9% of these small businesses require at least a year of service before retirement plan participation is allowed, compared with 3.5% of very large companies.

Among all the companies surveyed, 78.5% offer employer matches of employee contributions to retirement plans, and 54.9% of companies make non-matching contributions to participant accounts. Classified by length of service, 38% of all companies provide matching contributions after less than one month of service, 8.7% start matching contributions after three months, 9.9% introduce matches after six months, and 29.3% match contributions only after one year of service.

Again, the largest companies were found to be more likely than the smallest companies to provide matching contributions at an early stage of employment: 22.1% of businesses with fewer than 100 employees offered immediate matches, compared with 51.6% of companies with 1,000–9,999 employees and 46.1% of organizations with 10,000 or more workers. Eligibility for non-matching company contributions to retirement plans followed a similar pattern: 14.3% of businesses with fewer than 100 employees provided immediate non-matching contributions, compared with 34.2% of companies with 10,000 or more workers.

While 42.8% of all the employers surveyed in 2008 have no minimum age requirement for participant referrals, 33.8% of plans have a minimum age requirement of 21, and 22.6% require participants to be at least 18 years old before contributing to the retirement plan.

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Centralizing Or Outsourcing Improves LOA Administration

In an effort to track employee absences more effectively, growing numbers of employers are moving to simplify the leave of absence process (LOA) by outsourcing it or assigning its administration to internal, dedicated groups, according to a survey conducted by human resources consultancy Hewitt Associates.

The survey of 225 large and mid-sized companies revealed that 75% do not think they are doing a good job of administering LOAs, and only 26% believe that their organization's LOA policy is followed all of the time. Results also showed that 42% of employers have completely centralized their LOA administration, around 30% now offer a total absence management program, and another 30% have outsourced their LOA program management—an increase of 13% over the last five years.

Of those companies that have outsourced their LOA administration, 93% reported that the administration has become more consistent, and 76% confirmed that the distribution of required notifications has become more timely.

"Due to the increasing complexity of the absence management space, it has become difficult for companies to manage and track employee absences from several disparate HR departments," said Kim Stattner, a leader in Hewitt Associates' absence management practice.

As a result, Stattner continued, "we're seeing an increase in outsourcing and/or the use of dedicated groups within an organization to manage these programs, in addition to more total absence management programs. All of these options allow employers to eliminate overlap across programs, simplify and streamline LOA processes, and curb employee misuse by better tracking employee absences."

Researchers observed that a failure to administer LOA programs effectively can prove very costly for companies. On average, 8% of employees took a LOA in a given year, with the average absence lasting around 42 days. While the sums lost annually in productivity due to these absences can mount quickly, the survey indicated that 69% of employers have never even tried to calculate the costs associated with employee absences.

In addition, the findings showed that the vast majority of companies have tailored their LOA programs to meet the requirements of the Family and Medical Leave Act of 1993 (FMLA), including those related to length of service (96%), minimum hours (93%), and covered relationships (88%). Some 87% of the employers that have outsourced LOA administration and 83% that have centralized LOA administration reported that compliance with FMLA and other laws and regulations has improved as a result.

"While employers inherently understand that absenteeism affects productivity, it's concerning that many do not take the time to understand how drastically LOAs can affect their bottom line, particularly because employee absenteeism can cost employers just as much—if not more—as health insurance benefits," said Stattner. "By taking the time to measure the losses to productivity incurred when employees experience a LOA, companies will not only be able to streamline the LOA process and get employees back in the office sooner, but they'll also be able to cut down on their overall health care spending by saving on costs associated with employee absenteeism."

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