

From Recession to Recovery:

Using Employee Purchase Program Benefits
to Recruit, Retain and Rejuvenate



Road to Recovery Series
A Purchasing Power White Paper

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From Recession to Recovery: Using Employee Purchase Program Benefits to Recruit, Retain and Rejuvenate

Executive Summary

The Great Recession forced Human Resource professionals to strike a balance between controlling costs and maintaining healthy employee benefits packages. As the economy continues to recover from the recession, many employers still find themselves caught in that same balancing act, but now face the additional challenge of recruiting and retaining top talent.

A recent survey conducted by Unum and Harvard Business Review found HR leaders' top concerns to be controlling benefits costs and improving employee engagement.¹ Employee engagement refers to workers' commitment to their employers as well as the amount of effort they are willing to put into their jobs. With the job market opening back up and a large contingent of the employee base highly stressed, increasingly dissatisfied and struggling financially in their current positions, companies may find themselves losing valuable human capital quicker than they think.

Interestingly enough, many employers are actually struggling to fill positions despite an unemployment rate that has only marginally dropped in the past year. A recent employment outlook survey showed that 52 percent of U.S. employers are experiencing difficulty filling mission-critical positions within their companies, up from 14 percent in 2010.² This challenge will only be exacerbated as more jobs become available.

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These recruiting and retention challenges have driven employers to find innovative ways to stay competitive in the battle for talent. Adding voluntary benefits to a total rewards package, especially non-traditional voluntary benefits such as employee purchase programs, is one solution that is helping organizations stand out and control costs—not to mention address the needs of a more diverse workforce.

This discussion, the third in the "Road to Recovery Series" of whitepapers, specifically explores recovery in the workplace. The paper examines the challenges employers face not only in terms of retaining and motivating their current workers, but also those associated with recruiting new employees. HR professionals will learn how they can easily and cost-effectively incorporate employee purchase programs into their total rewards packages to help reduce turnover, attract quality employees and boost morale. Additionally, the paper highlights the success one company has had using purchase programs as an attractive benefit to recruit top talent.



Today's Workplace Is Influenced by a Myriad of Factors

The economic downturn placed tough financial demands on businesses—as well as their employees. As a result, the traditional workplace has been dramatically altered. And while the need to control costs remains a lingering effect of the recession, the recovery is forcing companies to place more of an emphasis on recruiting and retaining employees.

Three key issues are currently exerting the most influence on the workplace:

1 **Need to keep cost controls in place.** Controlling costs remains extremely important for companies in recovery. As compensation and benefits costs increase³, HR departments must continue to find innovative ways to offer the most competitive—yet cost-effective—benefits packages.

2 **Uncertainty about health care reform.** Health care reform is creating a lot of uncertainty for employers and employees. The questions top-of-mind: How will we all be impacted and what cost increases will we see? According to Deloitte's 2010 Top Five Total Rewards Priorities Survey, the cost of providing health care benefits to employees was the number one concern named.⁴

3 **Threat of employee turnover.** As the economy continues to recover, unemployment is marginally decreasing. Unemployment estimates have hovered around 9 percent in 2011, down from double digits last year.⁵ As the economy recovers, more and more employees will be willing to test the job market. According to a Deloitte report, nearly one-in-three employees (30 percent) are actively working the job market and nearly half (49 percent) are at least considering leaving their current employers.⁶

What is causing employees to consider looking for new jobs? Loss of trust and lack of communications could be a result of recent lay-offs and insecurity with their own jobs. A recent workplace study shows almost half of employees citing "loss of trust" and "lack of transparency in communications" as legitimate reasons.⁷ In taking a closer look, specifically at on-the-job morale and satisfaction, employees are feeling overworked. A majority feels that more is being demanded of them.⁸ In fact, more is probably expected of them by company executives. This is often directly linked to the fact that many companies may have cut positions and have not had the budget to re-hire for them yet, which creates more work for those who remain in the organization.

Highly stressed and increasingly dissatisfied employees are less likely to engage with the company and commit wholeheartedly to their jobs. And, research shows that engagement levels matter. A Gallup study recently published found that more engaged employees have higher productivity and are more profitable.⁹ Additionally, lack of engagement means quality employees can more easily be wooed away.

Lastly, many employees are still struggling financially. Americans continue to lose their homes to foreclosure and grapple with anemic household finances, lost wealth, and hefty credit card debts. In a recent PriceWaterhouseCoopers report, 42 percent of employees are having trouble paying their minimum balance for their credit cards, affecting all salary ranges.¹⁰ Employees just want to restore financial stability to their lives. And, that is forcing many to look elsewhere for employment, compensation and benefits that better suit their needs. According to a recent Unum study, 40 percent of employees have remained in a job for better benefits, and 35 percent have taken a job just for better benefits.¹¹

Recovery in today's workplace requires a wide variety of benefits that would be appealing to diverse audiences at each of the varying life stages and across multiple interests.

How Employee Purchase Programs Can Help Recruit, Retain and Rejuvenate

Human capital is an employer's most valuable asset. Because recruiting, hiring and training are expensive and time-consuming, companies cannot afford to replace too many employees. Therefore, employers must also do everything they can to retain the quality employees they already have.

Employee turnover costs differ between industries and job types. However, studies report a range between 25 percent and 250 percent of annual salary per exiting employee. As an example, using the median personal income of full-time workers of approximately \$32,000 per year, and assuming a 100 percent of salary as turnover cost, for a company with 100 employees, that's an annual cost of \$1.3 million.¹² Much of this expense appears from lost productivity in combination with exit, absence, recruitment and onboarding costs.

Employees consistently rate benefits as one of the key factors in job selection and on-the-job satisfaction, so it is important for organizations to build and maintain attractive benefits packages—yet do so in a cost-effective manner, especially in light of a still-recovering economy.

In taking a closer look at total rewards, employee benefits play a key role by:

Helping reduce absenteeism

Enhancing productivity

Increasing employee loyalty

Adding value and filling gaps within the overall package

Improving employee morale

When choosing employee benefits, employers have to consider the needs of the company and their employees as well as the competition. But where should the main focus lie? When choosing healthcare benefits, HR professionals probably have to consider the cost to the company, but also have to review what the competition is offering to their employees. If turnover is an issue, employers may have to provide benefits they wouldn't normally consider just to be able to offer a benefits package that quality talent expects.

To make benefits packages more competitive, companies may add more employee-focused benefits that improve life outside of work. This may include on-site childcare or dry-cleaning, a vacation day on an employee's birthday, paid time off for community service, to name a few. While these offerings may improve and enrich the employee's life, it is hard to show the direct return to the company.

How Employee Purchase Programs Can Help Recruit, Retain and Rejuvenate *(Continued)*

Many employers are now implementing benefits that offer a mutual advantage to the company and the employee while making the total rewards package more competitive for retaining and recruiting top talent. These types of benefits or perks may include flexible work schedules, employee training, rewards and recognition programs, or employee purchase programs.

Offered as a non-traditional voluntary offering, employee purchase programs represent a more tangible benefit with an immediate payoff. With the average American seeing decreasing credit limits, more stringent requirements for credit approval and increasing interest rates, it is difficult to purchase needed or life-enhancing household items, such as computers, software, home appliances, electronics and furniture, especially if one does not have the available cash. Employee purchase programs help workers secure these types of products in a responsible way through an employer-sponsored payroll deduction program.

Purchase programs are advantageous to the employee because they involve a minimal qualification process with no credit check. The employee simply must be 18 years old and meet minimum salary and tenure requirements. The all-inclusive displayed prices include the product, value-added features, taxes when applicable, and delivery fee. Most employee purchase programs have no finance fee or ballooning interest. Unlike a credit card, the payment term in a payroll deduction program is fixed over the course of 12 months. The process is as hassle free as possible. The tangible benefit is almost immediate (as soon the employee orders and receives his or her product). And this program is all at no cost or liability to the employer.

Employee purchase programs allow employers to offer a low cost, easy-to-administer benefit that helps make benefits packages more unique and competitive.



Case Study: Recruiting Top Talent with Attractive Benefits

The following case study highlights an employer that incorporated a purchase program into its total benefits package as a way to recruit top talent in the competitive healthcare industry:

Valley Baptist Health System

Headquartered in Texas, Valley Baptist Health System is one of the largest private employers in the southern region of the state, with more than 2,000 employees and 390 members on its medical staff. This healthcare organization strives to offer a competitive benefits package and is committed to providing employees with opportunities that promote and protect their financial stability.

The healthcare organization sought more innovative benefits that would provide more value to employees. Faced with the challenges of recruiting and retaining the top medical employees, Valley Baptist Health System wanted to attract top talent by providing the most comprehensive and attractive benefits package in the industry. In doing this, Valley Baptist recognized the need to implement a program that would have an impact, but also one that would not affect the bottom line—and a plan that would not create an administrative strain on the HR department.

Valley Baptist Health System elected to introduce a new voluntary benefit, an employee purchase program. The organization saw 19 percent participation in the first year of offering the program. That's extraordinary for a non-traditional voluntary benefit. Additionally, Valley Baptist was able to depend on the vendor for communications and support, requiring little administration from the HR department. But best of all, Valley Baptist saw increased goodwill between employees and the organization without incurring additional cost and headache.



Valley Baptist is extremely satisfied to have found a benefit to meet the needs of its diverse workforce—and one that employees will continue to use.



Striking the Right Benefits Balance Helps Build a Productive, Sustainable Workforce

The ability to choose benefits that work for them is something employees want and something employers can provide to meet the diverse needs of their workforce. However, it's important to communicate the benefits of purchase programs so employees see the full value (whether they take advantage of the program now or in the future). Competition for workers will continue to heat up, and benefits will play an increasingly larger role for employers to differentiate themselves from the competition.

Studies show that among employees highly satisfied with their benefits packages, 81 percent were also satisfied with their jobs.¹³ More specifically, a 2010 Purchasing Power survey showed 75 percent of its customers "agree" or "somewhat agree" that having access to employee purchase programs makes them more productive workers.¹⁴

With employee purchase programs, HR professionals can strike the right balance between cost containment and competitive benefits while keeping employees happy, satisfied and financially sound.

They're also helping their companies build a sustainable, productive workforce for the long term.



About Purchasing Power

Purchasing Power is an employee purchase program that helps American workers purchase name-brand products with manageable monthly payments through payroll deduction. Since 2001, Purchasing Power has serviced more than 500,000 orders for employees of companies, including Fortune 500, and government agencies. Purchasing Power is licensed in all 50 states as a reseller of personal computers, consumer electronics, and home appliances and maintains relationships with major manufacturers, as well as resellers, distributors and other suppliers. For more information, visit www.PurchasingPower.com.

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