Getting More Investment Mileage From Employee Value Propositions Through Research
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When filling their gas tank and watching the price tick upward in the pump’s total sale display, many drivers are unaware that their vehicle’s fuel efficiency may be as low as 14%. What happens to the rest of the gasoline energy that’s not converted to movement – to getting them where they need to go? Most of it is lost through heat in the engine, and the balance is consumed by wind resistance, rolling resistance and other culprits. Of course, because auto makers understand these problems, they are able design and engineer solutions that increase efficiency to as high as 30% – more than double the bottom of the range.

It’s helpful for employers to think about this fuel efficiency example when evaluating their success in attracting, retaining and engaging employees to perform their best in alignment with organizational goals. What kind of mileage is the organization getting from investments made in its employee value proposition? Is the money spent on salaries and wages, variable pay, benefits, programs and intangibles like company culture yielding the needed results? Responses to a recent benchmarking survey on employee benefits strategy suggest that answering these questions may be vitally important to employers in the current benefits environment. In the survey, employers were asked to choose their organization’s top three business challenges. “Controlling benefit costs” was the top-ranked challenge, selected by 62%, and “Attracting and retaining a competitive workforce” was chosen by 55%.

Clearly, many employers struggle to balance the need to control costs with the need to attract, retain and engage talent. The implication of this challenge for these organizations is simple: They can’t spend more on their employee value proposition. Instead, they need to find ways to make the money they’re already spending go farther in driving the human capital outcomes they need to grow and prosper. This is where research comes in.

Research should provide the measurement that informs the optimal management of investments in an employee value proposition. This evaluation process should also offer employers insight into what their employees know, think and feel about their value proposition. To produce the most meaningful results, employers would do well to consider both qualitative (interviews, focus groups, solicited feedback, etc.) and quantitative (surveys and data analytics, etc.) research methods. Strategically chosen methods help employers understand employee perspectives on issues that can impact the efficiency of their employee value proposition.

Addressing four key issues provides a solid foundation for research:

1. **Is the mix right?** There are two possible concerns here. One is whether the employer offers employees the right blend of salaries and wages, variable pay, benefits and programs. The other is whether that offering has enough flexibility to enable employees to get more of what they value, and less of what they don’t.
2. Do employees understand the value proposition and how to maximize it? On one hand, this is a tactical question about whether employees are aware of benefits and programs, and know how to access and experience their full value. For instance, do employees understand the tax-advantaged programs available through their employer (flexible spending account, health savings account, childcare expense reimbursement, etc.)? How can those programs contribute to the health of their personal financial bottom line? And, how do they take advantage of the programs that make sense for their lives?

On the other hand, this is a deeper question about employees’ understanding of an important relationship. Do they know how the pay they earn and the benefits they enjoy are linked to their performance and their organization’s success? A disconnect diminishes the power that can be generated by strong alignment of individual and company success, and makes the employee value proposition less efficient.

In fact, one industry report implies that most employers may be missing an opportunity to improve employees’ understanding of their value proposition. The study found that just two-thirds had a written compensation philosophy. Also, fewer than 30% of employers with a written or unwritten compensation philosophy believed that most or all of their employees understood that philosophy.

3. Is there say-do alignment? Employee value propositions can look great on paper, but in practice they suffer severe erosion where the proverbial rubber meets the road between employees and their managers. Even the best performance management programs, variable pay schemes and flexible working arrangements won’t achieve their potential as human capital management tools if managers don’t make good on what these policies promise. For an employee value proposition to succeed, employers must assess and address how employees are experiencing it. Employers should determine if implementation is aligned with strategy, and identify any gaps that can lead to disappointment and a breakdown of trust.

4. Do employees credit their employer for the value they receive? When it comes to the actual value an employee gets from their employer’s value proposition, perception is reality. An employee might place a low value on a benefit or program because it’s not personally relevant. For example, a baby boomer is unlikely to highly value childcare benefits (despite feeling good about working for a company that offers them). Or, an employee might see little value in a benefit or program because information that provides meaningful context isn’t available.

Employee research often proves to be a reliable avenue for gaining practical insights into the overall efficiency of an employee value proposition, and how key issues impact this critical balance of employee rewards, benefits and performance. The value of research can be especially significant for employers that strain to control costs while they strive to attract, retain and engage a talented workforce. When spending more isn’t a viable option, research findings can help define a path forward to competing effectively for talent as an employer of choice.

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