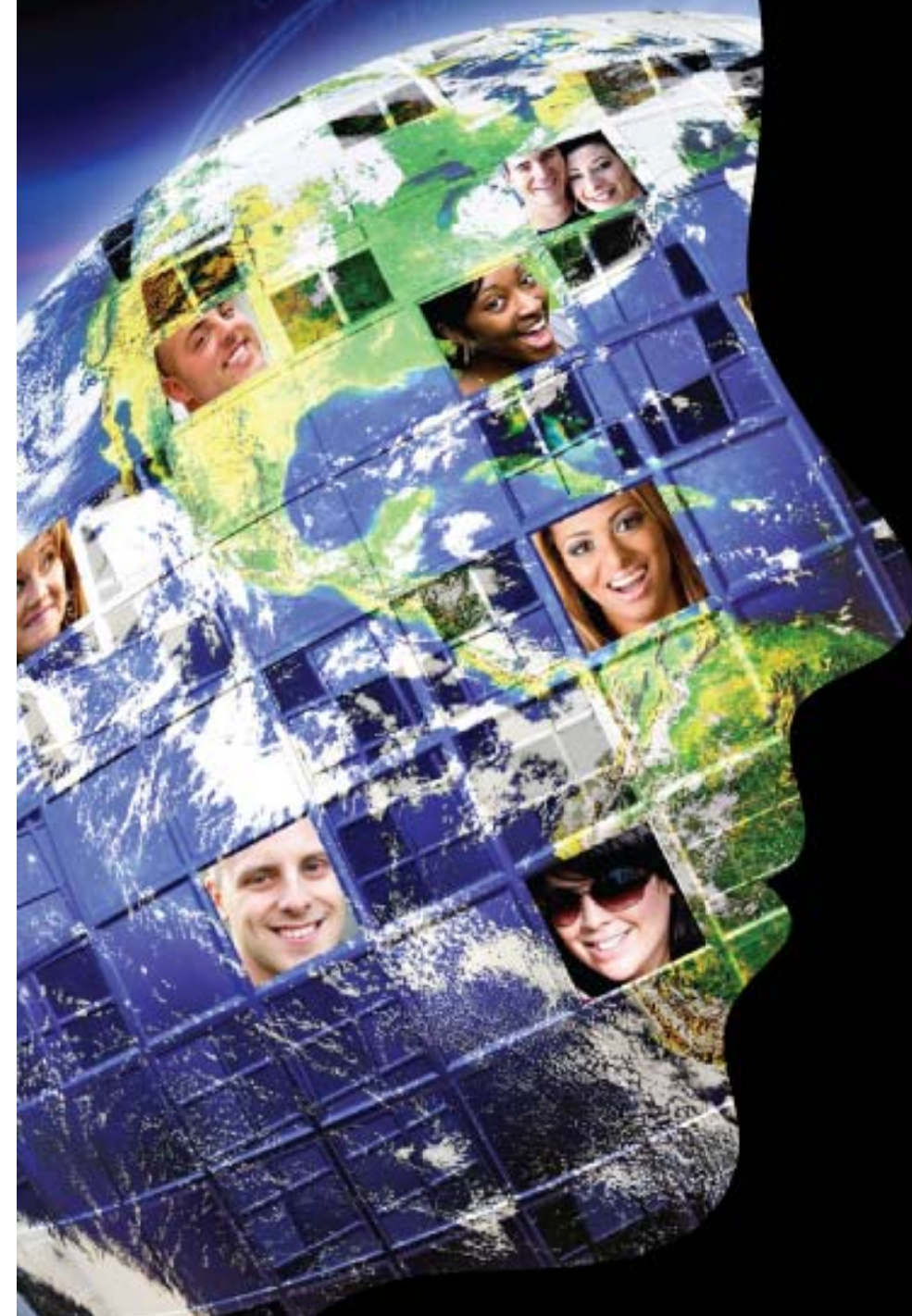




DISCOVER

EMPLOYEE BENEFITS PACKAGES: No News is Bad News

How Employee Perception is Influenced by Corporate Communications



Employee Benefits Packages: No News is Bad News

Introduction



In absence of accurate information, employees assume a worst-case scenario concerning benefits coverage. The relationship between positive communication, effective/inspiring leadership and highly engaged employees is well documented. Many organizational training programs, change interventions and business book best sellers are built upon the premise that empowering employees with accurate information and understanding within a feedback rich organizational culture improves employee satisfaction, engagement and effectiveness.

We conducted employee research focused on the employees' knowledge of company benefits to prove this point. The result of this study found that ongoing accurate information improves employee satisfaction and engagement when company benefits are the topic. The assumption that well-informed employees would understand these weaknesses better than less informed employees, and lower their ratings accordingly, was not accurate. Informing employees of the details of the benefit programs, limitations and all, improves the favorable ratings these benefits subsequently receive.

Research Findings

In the Employee Benefits Survey at CAM Systems (Fortune 1000 company name has been changed to honor confidentiality agreements), employees who rated themselves as well informed on their benefits gave significantly higher favorable ratings to the benefits packages, despite the fact that each benefits package had readily identifiable areas of weakness as identified by the employee comments below:



Qualitative Analysis

Employee Open Ended Comments:

- **Health Plans and Services:** 582 comments complained about the various aspects of medical, dental and visual benefits.
- **Income Protection:** 255 comments complained about the features of various forms of insurance coverage, retirement programs and reimbursement programs for health and dependent care.
- **Work Life Benefits:** 303 complaints assessed various work life benefits, ranging from legal plans and domestic partner benefits to service awards.
- **Time Off Benefits:** 345 complaints focused on issues around leave time (sick, personal, maternity and paternity), holidays and vacations.

Quantitative Analysis: Employee Ratings

55% of the CAM Systems employees' indicated that benefits packages were as important as or more important than all other factors in their decision to join CAM Systems. 67% indicated that when they consider job offers, if the benefits package is not competitive or better than competitive, they are not interested. 17% went as far as suggesting that benefits are their most important job selection criteria. In short, employees who felt their expectations were being met for benefits also tended to give CAM Systems a superior reputation for competitive benefits and felt that CAM Systems values and appreciates its people. Similarly, employees who felt well informed on their benefits packages tended to feel more valued and appreciated as well.

Research Surprise!

What was not expected is that in the absence of accurate information on CAM Systems benefits, other information sources – impressions of industry norms, previous experience at other companies, vicarious experience gleaned from informal conversations, etc. – depress expectation and outcome ratings of benefits.

In short, employees who feel well informed and understand their benefits packages tend to rate CAM systems benefits as meeting or exceeding their expectations, and as being more competitive with the benefits of other firms.

This result is surprising, given these benefits packages are not perfect, nor were they designed to be. CAM Systems wants to offer its employees superior value, recognizing that some features cannot be as generous as all their employees might prefer.

Inquiring Minds Want to Know

Why do informed employees perceive benefits programs more favorably than uninformed employees? Informed employees are more aware of any problems with benefits, and this could be expected to undermine, not enhance, the favorability of their ratings. Ignorance, on the other hand, is supposed to be associated with bliss, according to the popular adage, in this case translating into more favorable ratings. This was not the case, and there are two possible explanations:



1. **Informing employees** of all the strengths and limitations of the company benefits package builds openness and trust.(i.e. Monthly/Quarterly Employee Newsletters, Formal/Informal Employee Benefits Meetings)
2. **Removing employee uncertainty** and answering all of their questions in a straightforward and honest manner reduces negative bias. (i.e. HR/Benefits Experts Input, Full Leadership Support, Institute Benefits Q&A Blog)

Openness & Trust

CAM Systems has developed benchmarks of openness and trust with its employees. In our benefits package survey research, 1,977 respondents gave favorable ratings to **questions on honesty and openness**. The questions were assessed by a 7 point agreement scale, with a non-response option:

Survey Questions	Mean
My manager is open and honest with me.	5.9
The people I work with tend to be honest and open with each other.	5.7



Given a company atmosphere of transparency, employees who feel well informed about their benefits trust CAM Systems to provide them with a fair and reasonable value, particularly in comparison with benefits packages at comparable local firms. Thus, they would tend to rate benefits as meeting or exceeding their expectations, because their expectations of fair treatment have been met, even if their satisfaction with certain features was lacking.

Removing Uncertainty

Second, removing uncertainty is, in and of itself, an important factor in satisfaction. Employees with knowledge have better information for comparison with other firms, and thus can appreciate CAM System's benefits strategy of exceeding industry norms with the packages they offer. Similarly, knowledgeable employees have less uncertainty about exactly what is and is not covered. It appears that in absence of accurate information, employees assume a worst-case scenario concerning benefit coverage. This negative bias is often reinforced by the vicarious experiences of other employees. Those experiences which are publicly shared usually focus on benefits disasters, not the positive successes – there is little drama in recounting a story where everything goes right. Information is power and with this information an organization can develop a benefits strategy which is designed to match or exceed industry norms. Without accurate information and data, no comparisons with similar companies can be made.

Conclusion

In conclusion, sharing information about benefits programs, even when that information reveals limitations is a very good business strategy. Sharing accurate information with employees builds trust and reduces uncertainty, improving favorable expectations of the program, and favorable ratings of the benefits packages. Our advice is to effectively communicate and collaborate, continually seek feedback and actively share all information (strengths and limitations) about the benefits program; the returns will be rewarding.

About TNS:

TNS Employee Insights helps clients build competitive advantage through its people. TNS provides leading companies with the right information to manage a strategically important and complex resource. Companies have a sophisticated, in-depth understanding of their financial resources. We provide the equivalent for your human capital. We provide you with insights into the level of engagement of your workforce, which factors can be used to make improvements, and which improvements will positively influence business success. Please contact us directly regarding this briefing.

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