

The benefits balancing act: employer and employee perspectives

Offering more benefits typically leads to recruitment success, but some exceptions to the rule should be considered.

August 2020

Employers spend millions of dollars on the benefits they offer their employees, but many still struggle to measure the value those benefits provide to their organization. While some are exploring novel approaches, such as tracking changes in employee health behavior or specific health outcomes, others have focused on more general measures like employee satisfaction.

Fidelity surveyed employers and employees to answer a key research question: Can the benefits you offer make a difference in your ability to attract and retain employees? The answer is not a simple yes or no. Our surveys reveal both the depths and the limits to leveraging your benefits as a tool for keeping your workforce satisfied.

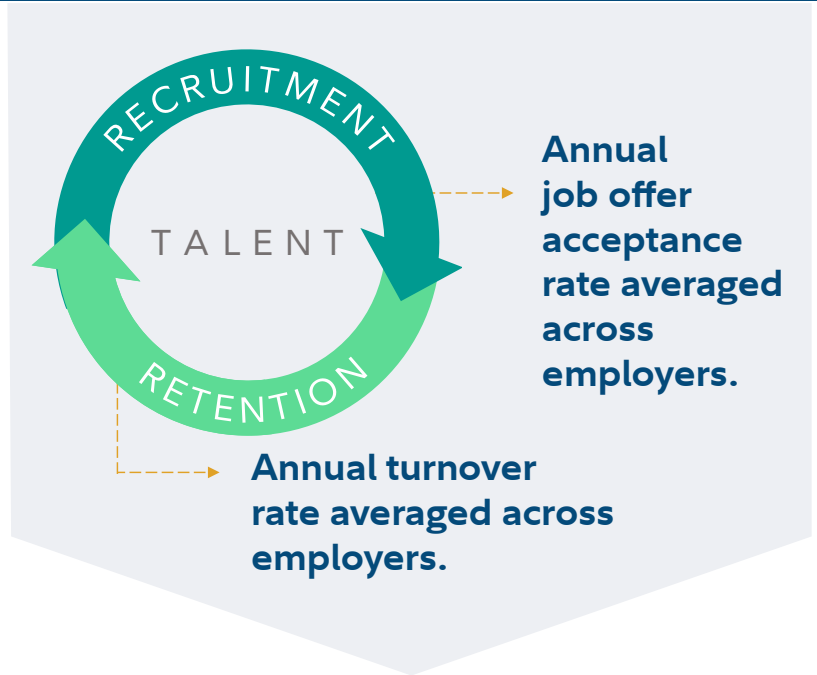
In the first section we focus on what we learned from employers, and in the second section we focus on what we learned from employees. Finally, we bridge the two to have a robust understanding of which benefits are most promising no matter how you look at it.

Key Findings

- Offering more benefits consistently points to better success recruiting talent but has limited impact on how well companies retain employees.
- Offering more health, wellness, and work-life benefits consistently points to helping people manage workplace stress; it provides more opportunities to engage and find solutions that meet changing needs.
- Health, wellness, and work-life benefits also result in employees feeling better about work, as it likely suggests that their employer cares about them.
- A select handful of benefits consistently stand out from the crowd as especially valuable.

How we gathered the information

To explore the connection between benefits offerings, recruitment, and retention, Fidelity Thought Leadership surveyed more than 1,100 employers represented by human resources and benefits professionals directly involved in the design of benefits strategy and programs for their organization. We looked to understand the value of 49 different benefits, across five self-defined categories: Health and Wellness, Protection, Financial, Work-Life, and Time Off. We asked employers which benefits they offer, as well as the percentage of employees using each benefit. Employers also reported annual recruitment and retention rates. The illustrative charts reflect the average percentage of employees recruited and retained when controlling for the number of benefits-eligible employees, company's average employee age, education level, health, and financial wellness.



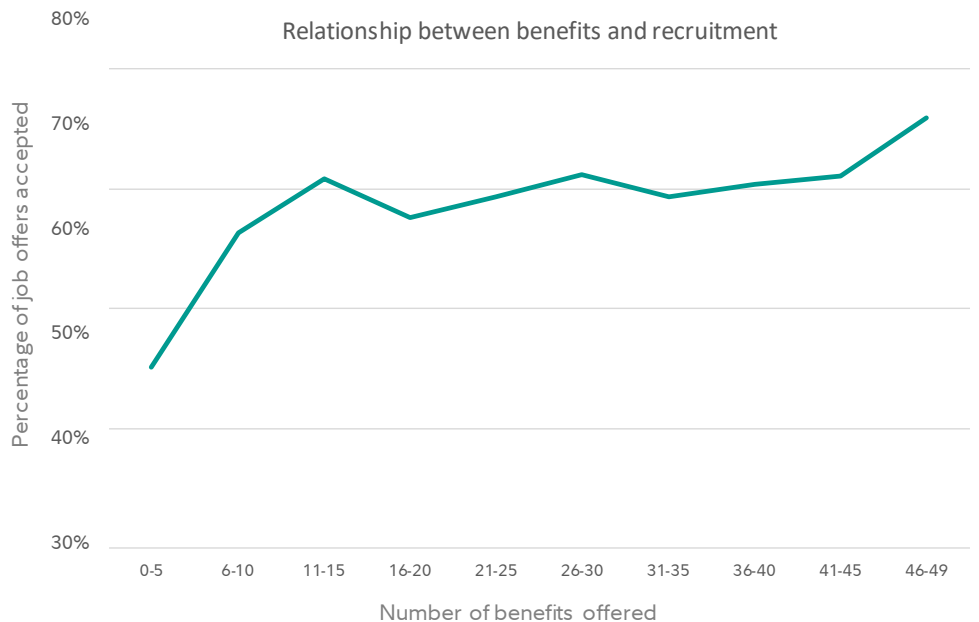
What we uncovered

Offering more benefits can help you win new talent

More is better—that’s the message when it comes to the number of benefits employers offer and how well that predicts success recruiting new employees. Among companies offering the most benefits, nearly 70% of the job offers they extended during the past year were accepted.

Taking a closer look at the benefit groupings, the effect was primarily reflected in the Health and Wellness, and Time Off benefit categories. It’s understandable that a benefit like health insurance would predict a higher rate of recruitment, considering it’s offered by nearly every company (93%) surveyed. The absence of such a universal perk in a benefits package would handcuff even the most gifted talent acquisition professionals.

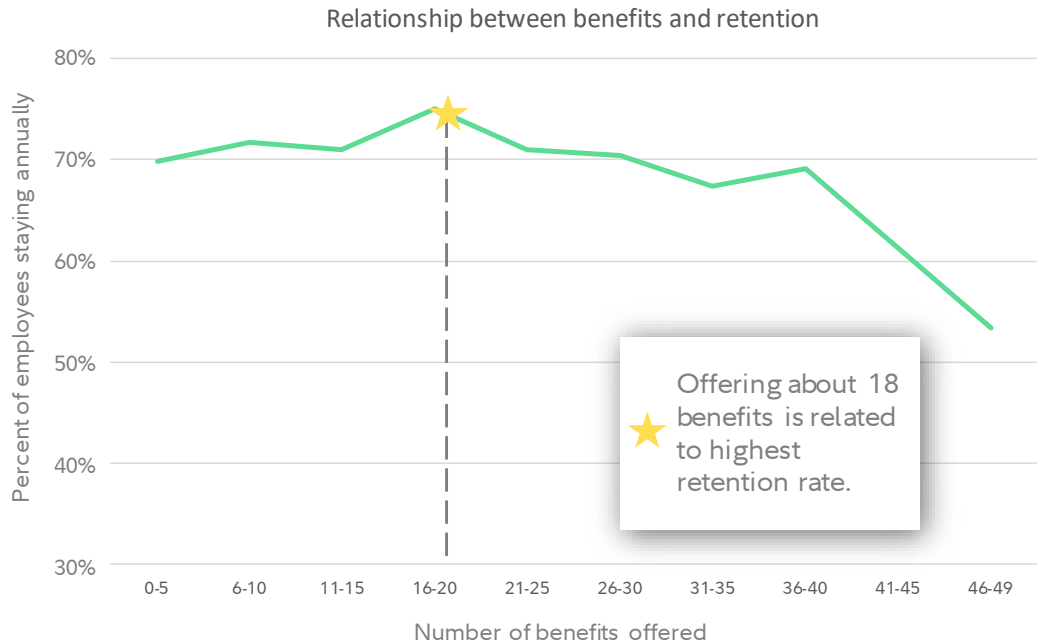
What’s more surprising is the strong link between recruiting success and the impact of offering less popular benefits like flextime (60% of employers surveyed) and tuition reimbursement (47%).



Other benefit categories followed the more-is-better trend, but only to a point. For example, there’s minimal upside to offering more than a few financial benefits, the most valuable being a defined contribution plan.

Offering more benefits is no guarantee when it comes to retention

The story around retention is less straightforward. On the one hand, companies that offered up to 18 benefits reported significantly higher retention than their peers who offered only a few. But the value diminishes quickly just beyond that point. In fact, a quick glance at the data might suggest that offering more than 20 benefits will spur an exodus of employees. We can't draw that conclusion—although we doubt it's true—as this study is designed to measure the relationship between benefits offerings and changes in company performance, not what causes those changes.



It's clear that the simple correlation between benefits and recruitment does not play out for retention. Companies offering around 18 benefits show higher retention than

those offering only a few, but companies offering the most benefits have the lowest retention rate.

Most valuable benefits for retention and recruitment

Health and wellness:	Protection:	Financial:	Work-life balance:	Time off:
Health insurance	Life insurance	Defined contribution	Flex-time	Paid time off
On-site cafeteria		Tuition reimbursement		Maternity leave
			Employee discount program	

Recruitment (indicated by a dashed line around Life insurance, Tuition reimbursement, and Maternity leave)

Retention (indicated by a solid line around Employee discount program)

HIDDEN GEMS

- ID Protection
- Backup dependent care

Comparing benefits offerings with utilization rates across companies can reveal hidden gems to employers. For instance, we find that ID protection and backup dependent care are rarely offered but utilized widely by employees. Knowing what's valuable to employees is another consideration when designing for benefits offerings.

There's more than meets the eye when assessing the value of benefits programs. Getting employees to change their financial or health habits is hard work, and seeing those changes reflected in measures like blood pressure and cholesterol can take years. Meanwhile, success recruiting and retaining employees is typically a good sign of a happier workforce. And a happy workforce means a

healthy, productive workplace.

We didn't see any effects on workforce satisfaction according to employer ratings. This may be because employees are generally satisfied regardless of benefits offerings. On the other hand, employees may offer a deeper view into how they feel about work.

The value of benefits to employees

How we surveyed employees

To explore the connection between benefits offerings and employee workplace outcomes, Fidelity Health Solutions Thought Leadership surveyed nearly 9,500 employees of companies offering a Fidelity retirement plan. We focused on estimating the value of 36 different benefits, across three categories: Health and Wellness, Work-Life, and Time Off. We asked employees to report whether each benefit is offered at their current employer, whether they signed up or use it, and whether each benefit has a positive impact on taking a job and staying at a job. Employees also reported how they feel about work. The impact of each benefit on total well-being (i.e., across money, health, life, and work) can be found [in an earlier report here](#).

What we uncovered from employees

When it comes to employee well-being at work, more benefits is better. The greater the number of benefits offered, the more our research shows positive work ratings and less stress about work. For those employees offered the greatest number of benefits, more than 50% rate work as very good or excellent, while less than half report high levels of stress when asked about work. Conversely, two-thirds of employees who were offered the fewest benefits report being stressed out, and only 39% rate work as very good or excellent.

Zooming in on specific benefits, we find that 11 benefits stand out from the rest. People offered or using these benefits score 35% higher on workplace well-being than those without access to these benefits.

In fact, for seven of the 11, simply offering the benefit relates to more positive work ratings by 22%. The most impactful include mental health support, life insurance, flextime, and remote work. Offering flexible spending accounts and health navigators also matters for feeling better about work, just not quite as strongly. Using or signing up for these benefits doesn't really make a



difference—either way, people with access to them like work more than those without. This also highlights that utilization isn't the only sign a benefit is meaningful to an employee; oftentimes, it's simply important to know the benefit is there should they ever need it.

However, there are some benefits that do need to be used to make an impact. Four benefits stand out as increasing workplace well-being by a combined 13%. Specifically, using wellness programs and vision plans are associated with better workplace well-being. Using fitness programs and online health decision tools make a positive, albeit slightly less significant, difference as well.

Why do these benefits stand out? Altogether, they support employees more holistically, from their personal health to having control over their time to providing security for their family. Others appear to reflect more novel benefits that suggest an employer has a good handle on the changing needs of their workforce, such as supporting them in being good health care consumers. As employees are increasingly responsible for their health care, there is a growing need for them to get help managing all the different aspects of that care, including staying in shape, choosing a health plan, and navigating medical services.

Employees accessing or using the benefits listed below do 35% better when it comes to workplace well-being (average increase from “good” to “very good”)

Benefits with Positive Impact on Workplace Well-Being

When employers offer benefit	When employee uses benefit
Mental Health	Wellness Program
Life Insurance	Vision Plan
Flextime	Fitness
Remote Work	Center/Reimbursement
Flexible Spending Account	Online Health Decision Tool
Health Navigator	
Chronic Illness Program	

Bolded benefits indicate strongest impact on workplace and well-being scores

Even though offering these benefits is associated with feeling better about work, that impact is limited when employees lack awareness that the benefits exist. As an example, for flextime and remote work, 31% and 22% of employees respectively don’t know if they have access to these. Other than vision, life insurance, and fitness benefits, there is room for improving awareness. Once aware, utilization is likely to follow, with even greater improvements in how employees feel about work.

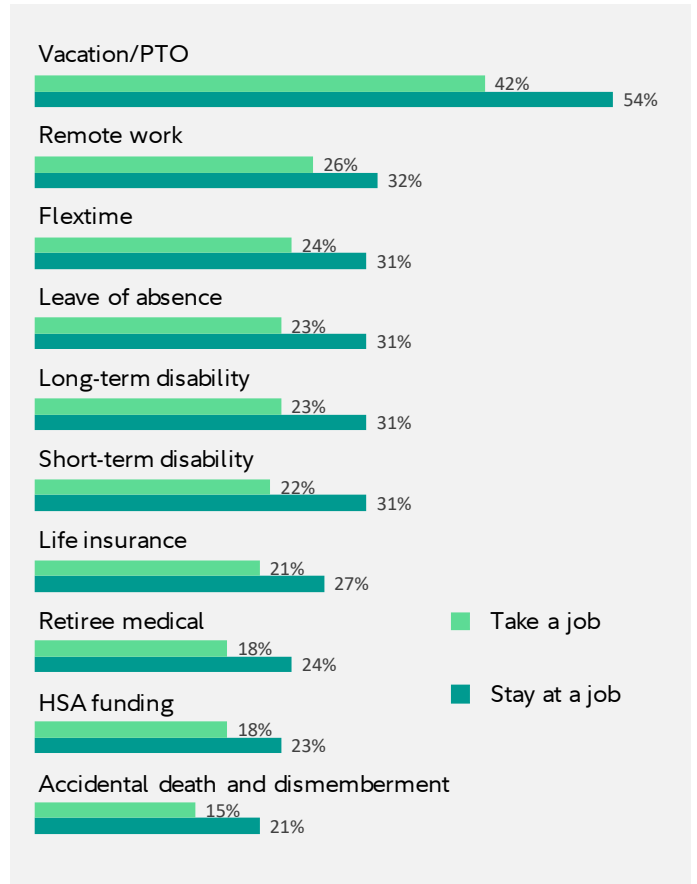
The most valuable benefits for retention and recruitment

Ten benefits stand out as having the highest influence on whether employees will take a job and stick with it. By far, personal time off has the biggest influence on recruitment and retention. Remote work and flextime aren’t far behind, along with leave of absence. One in four employees say they would take a job because of remote work options, and one-third report the benefit would make them stick around. So, regardless of all the health and wellness benefits, people’s time is what matters most. Having control over their time gives employees a sense of autonomy and respect, which is essential to well-being.

Protection benefits like life insurance, long-term and short-term disability, and accidental death coverage also factor in as important when deciding about taking and staying at a job. These offer a sense of security, which also matters for general well-being, much like autonomy.

Other notable but less commonly offered benefits that stand out are employers’ funding of health savings accounts and retiree medical. As the population continues to age, retiree medical is likely to continue topping the list as an essential and meaningful benefit to people’s well-being.

% of employees who say these benefits have a positive impact on recruitment and retention



The standout benefits for recruitment and retention found in both studies are paid time off, flextime, and life insurance. Because these benefits affect the bottom line for both employers and employees, they are especially important to consider when designing benefits to attract and keep talent.

When it comes to utilization, the story is less clear-cut

Research on both employers and employees shows that utilization of more benefits does not necessarily equate to workplace wellness. That’s because utilization rates can’t tell the whole story. The value of utilization gets muddled when people don’t know certain benefits exist. Once awareness is addressed through better education, promoting utilization becomes a more clear-cut strategy.

If we take those benefits that matter most to recruitment and retention, for example, we see that while some might just need to be offered, others may need to be more proactively communicated, whether it’s to educate employees on the fundamentals of the benefit or promote its use. Some of the best benefits communication strategies for increasing utilization

[showcase the value of the benefit](#), such as the impact it has on staying at a job or feeling great about work.

The examples in the table to the right illustrate the need for diversifying the measures of success beyond the scope of benefit utilization. For instance, flextime is not only offered by only 42% of employers, but also has less than 70% awareness, which impacts its utilization. So, low utilization is more likely due to a lack of awareness rather than how much employees value those benefits.

% of companies offering benefits, and employee awareness and utilization of benefits

Benefit	% Offered	% Used	% Aware
Vacation/PTO	92	94	96
Flextime	42	59	69
Leave of absence	83	32	88
HSA Funding	62	56	84

What does this mean for employers?

Because there's more than meets the eye when assessing the value of benefits programs, it's important to consider both the breadth of your perspective (i.e., take a look at what both employers and employees are saying) and the depth (i.e., dig deep into benefits, especially those that are less well known, offered, or used).

Our approach in these studies moves us away from strictly relying on return on investment calculations and toward assessing a direct connection between benefits and the outcomes employers are trying to achieve with their benefits. Understanding how offering more benefits can improve recruitment, retention, and workplace satisfaction is essential to benefits design and strategy.

Employers should consider the following as they review benefits strategies:

1

For recruitment, volume matters. Don't skimp on the table-stakes benefits that are most likely being offered by your competitors—that's shooting yourself in the foot. Our research suggests that prospective candidates expect those benefits and more, especially in a tight labor market. Know where the opportunities lie to add those less common perks, but don't sacrifice the basics in the process.

2

Understand deeply what keeps people at your company, or turns them away. Offering the optimal amount of benefits may persuade people to stay, but many other factors come into play once people join your organization. A great commute—or a horrible boss—can outweigh even your most popular benefits. Take a data-based approach to figure out what's truly resonating with your employees' experience at work, and determine where the opportunities lie.

3

Pay attention to utilization of your benefits, but don't obsess over it. Our data makes it clear that beyond certain core benefits, such as health insurance and defined contribution plans, most benefits are used at about the same rate. Instead, spend time figuring out what benefits matter most to employees, and build a benefits strategy that allows for smart risk-taking.

ABOUT FIDELITY'S EMPLOYER VALUE OF BENEFITS SURVEY RESEARCH

Data represent Fidelity Employer Value of Benefits online survey of 1,600 American employer representatives in HR, benefits, and compensation. ResearchNow, an independent third-party research firm, conducted the survey in August 2018 on behalf of Fidelity. ResearchNow and Fidelity Investments® are independent entities and are not legally affiliated.

ABOUT FIDELITY'S EMPLOYEE VALUE OF BENEFITS SURVEY RESEARCH

Fidelity Investments Employee Value of Benefits Research online survey of 9,465 active Fidelity 401(k) and 403(b) participants from across the United States. The survey was conducted by Health Solutions Thought Leadership in October 2019.

For plan sponsor use only.

Fidelity Investments Institutional Operations Company, Inc. 245 Summer St., Boston, MA. 02210

© 2020 FMR LLC. All rights reserved.

936059.1.0