

Benefits Insights

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Assembling an Inflation-proof Benefits Package

Employers are becoming increasingly concerned about inflation's impact on their employees, especially as the U.S. economy faces the very real prospect of an upcoming recession. Many employers are searching for creative solutions to better support employees while navigating a competitive labor market. Many employers are building inflation-proof benefits packages to help employees counter inflation's impact and address their attraction and retention struggles.

This article outlines employer strategies for assembling inflation-proof benefits packages.

Focusing on Comprehensive Benefits Packages

Many employers' budgets are shrinking due to the current economic downturn. As a result, employers have fewer resources to allocate to employee compensation and benefits at a time when employee expectations remain high. With limited resources, employers can strategically invest in the benefits employees want and value most, such as cash incentives, flexible stipends, mental health support, enhanced leave options and financial wellness resources. Shifting to a holistic approach allows employers to provide employees with comprehensive benefits packages that can ease current inflationary pressures.

According to a recent Mercer survey, HR managers reported that they are considering expanding benefits offerings to maximize employee benefit spending in response to inflation. These benefits offerings include:

- **Financial wellness programs**—Financial wellness programs go beyond retirement preparedness to focusing on all aspects of an employee's financial well-being. These programs attempt to reduce financial stress as well as repair and increase an

employee's financial health by providing individualized financial guidance. Eighty percent of employers have started addressing employee financial wellness, and 63% expect to increase their financial wellness budget in the next one to two years, according to the Employee Benefit Research Institute's 2021 Financial Well-being Employer Survey.

- **Voluntary benefits**—Increasingly, employees expect their employers to provide voluntary benefits as part of a competitive benefits package. Many employers are offering voluntary group-priced benefits, such as child and eldercare support and student loan repayment assistance, to satisfy employee expectations and remain competitive to attract talent.
- **Employee discount programs**—Employers are providing employees with one-time or ongoing discounts for services and expenses, such as retailers, restaurants and professional tax, legal and financial services. These benefits tend to be popular low-cost recruiting and retention tools for employers.



Establishing Long-Term Strategies

Employers have had to respond quickly to drastic shifts in social and economic conditions over the last few years. However, adjusting to frequent challenges can sometimes lead to organizational shortsightedness or overcorrecting. As most benefits-related decisions typically have lasting impacts, employers need to implement forward-looking strategies to ensure their employee benefits decisions align with their long-term goals. Establishing overarching benefits strategies, such as budgeting for mandatory and optional benefits, forecasting benefits budgets into the future, providing employees access to high-quality providers, focusing on employee well-being and improving employee engagement, can provide organizations with multiple ways to effectively respond to a wide range of challenges and create inflation-proof benefits packages.

Implementing Innovative Approaches

Employers are currently facing tough decisions related to benefits offerings due to inflation and the current state of the labor market. Some employers are introducing innovative benefits offerings to meet employee needs without increasing costs to employees. These offerings include the following:

- **Wellness spending accounts**—These after-tax accounts allow employees to allocate money for benefits and expenses they want and need (e.g., gym memberships, student loan repayment programs, ID theft protection, mental and behavioral health support, and supplemental health insurance). These accounts—also known as lifestyle spending accounts—are funded completely by employers.
- **Emergency savings accounts**—Some employers offer after-tax contributions to employee 401(k) or depository institution accounts. These contributions can be matched or fixed. This benefit offering can incentivize and assist employees to build financial savings and prevent them from dipping into their retirement funds in an emergency.
- **Paid time off conversion**—Many employers are giving employees more flexibility in how they use their paid time off (PTO), including converting unused PTO into cash. Some employers allow employees to direct converted funds toward student

loan payments, 401(k) contributions or savings plans.

- **Special equity grants**—A small number of employers are offering one-time or off-cycle equity awards. In some cases, these grants are offered to employees who normally would not receive equity awards. Other employers are expanding their long-term incentive plans to provide all employees with equity awards, not just highly compensated employees.

Consulting With Third Parties

Many organizations, especially smaller ones, may not have a formalized compensation process or full-time compensation manager. This can make adapting their benefit offerings for an economic downturn extremely difficult. These organizations can work with compensation consultants to conduct an objective analysis of their benefits programs, develop long-term strategies and make tailored adjustments. Skilled compensation consultants have the expertise to help organizations implement benefits changes and avoid costly pitfalls.

Conclusion

There's a lot at stake for an organization when attempting to alter its benefits offerings to ensure they're inflation-proof. The decisions employers make now will likely have long-term impacts on their organization's finances, employee expectations and ability to attract and retain employees. Inflationary pressures will likely continue to impact employees for the foreseeable future. By acting now to implement benefits solutions to address inflation's impact on employees, employers can address their attraction and retention challenges and help employees feel confident in their financial well-being.

For more employee benefits resources, contact National Insurance Services today.