

Closing the Benefits Literacy Gap

JUNE 2023



Executive Summary

Appealing to skilled talent in a world of changing workforce expectations is becoming more challenging. Benefits have taken on new importance. But simply offering a great benefits package doesn't go far enough if employees fail to understand them or appreciate their value.

Our new research shows that manufacturers are eager to close the benefits literacy gap by putting more emphasis on educating their employees about their benefits. Best-in-class companies prioritize high-touch assistance and support for open enrollment. Live question and answer sessions create space for employees – and their partners – to ask questions and make informed benefits choices. Multi-channel communication strategies give employees the chance to hear about benefits at regular intervals throughout the year, not just during open enrollment.

The return on education investment is clear. Best-in-class benefits strategies are already creating higher levels of job satisfaction and loyalty. Leading companies are looking to benefits literacy as a driver of productivity, innovation, and overall competitiveness.



About the Survey

Manufacturers Alliance and American Fidelity surveyed 120 leaders in manufacturing to better understand their benefits programs and usage.

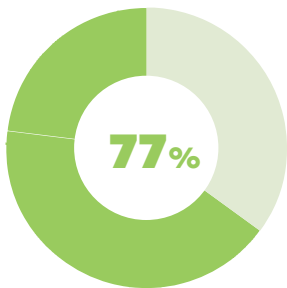
Introduction

Headlines about lackluster economic growth and layoffs aside, the battle for qualified talent continues. Executives across multiple sectors continue to cite the quality and availability of talent as their **number one concern**. In the manufacturing space, where the skilled talent shortage has been a top concern for years, the current contraction represents an opportunity to work through backlogs – including the backlog of open positions.

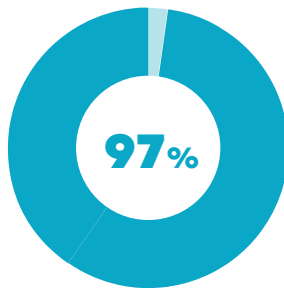
Appealing to scarce, qualified talent is easier said than done because **workforce expectations are changing** in fundamental ways. People are gravitating toward companies that offer financial security, stability, as well as a good sustainability record. Alignment between corporate and candidate purpose is also important. The employee value proposition needs to go big, and benefits are taking on more prominence. Among manufacturing companies, 83% say that benefits have risen in importance over the last three years. Job hopping for **better healthcare options** and **workplace flexibility** is a measurable trend within a talent pool that has been spoiled for choice.

The sense of urgency is palpable, and manufacturers are feeling it. Eight in ten say they are under pressure from changing workforce expectations in terms of benefits. Even among those who consider their benefits best in class, 67% feel compelled to do better.

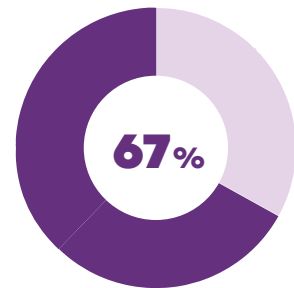
The Pressure of Changing Workforce Expectations and Who Feels It Most



Companies with Average or Below Average Benefits



Companies with Above Average Benefits



Companies with Best in Class Benefits

To understand how companies are changing their benefits strategies, we surveyed 120 U.S.-based mid-Cap to large-Cap industrial companies and conducted interviews with executives representing a variety of company sizes and industries. Our research found less emphasis on cost reduction and more on developing benefits strategies that line up with the needs of the employee population. The key, as company after company stressed, is finding ways to educate employees about the value of their benefits. Companies that focus on considerable support during enrollment and benefits literacy in general are seeing better results in overall employee satisfaction as well as higher levels of benefits appreciation and utilization.

Keeping Up with an Ever-Changing Benefits Landscape

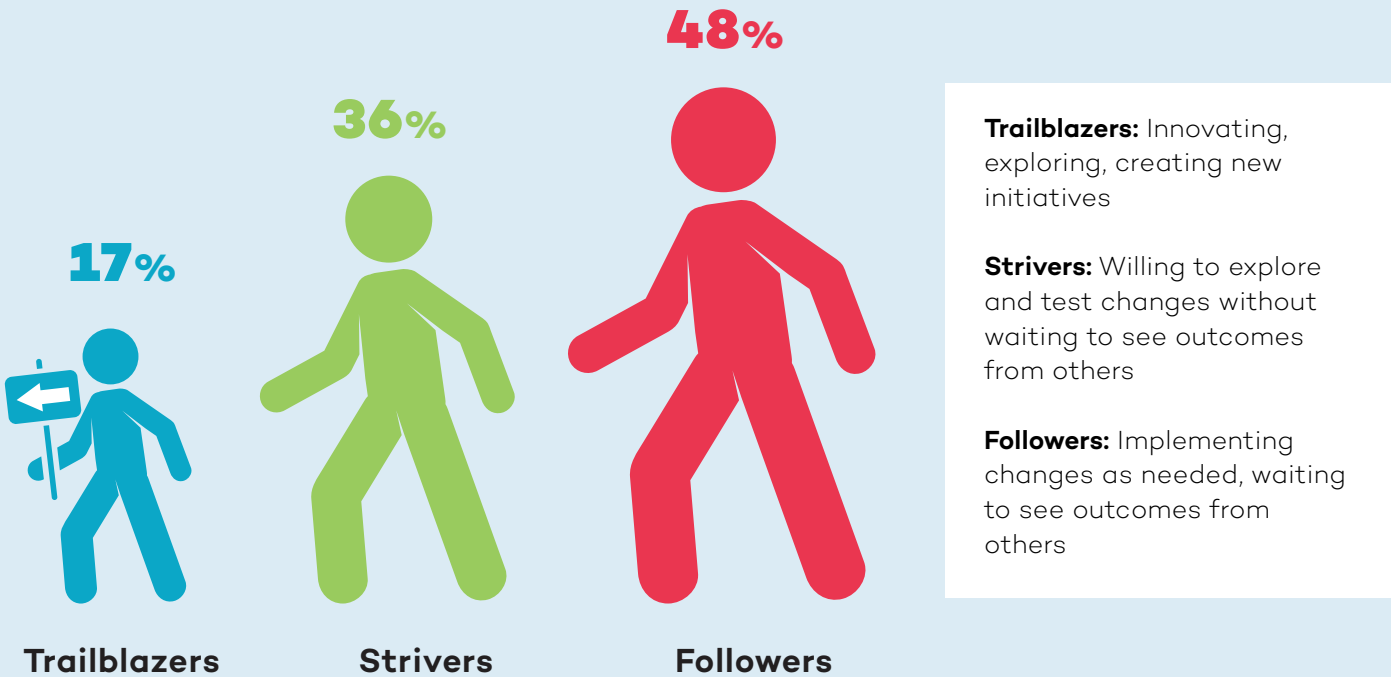
Staying current on new ideas in the world of benefits could be a full-time job. What is hot in 2023 may flop in 2024. Add to that the challenges of identifying the right health insurance model, addressing the unprecedented demand for mental health services, and budgeting for rising costs.

Even if your compensation package is ahead of the pack, you might still lose talent to a trailblazing competitor who is exploring, innovating, and creating

new benefits initiatives. When we asked companies to rank themselves overall in terms of how they are adapting to changing workforce demands, only 17% described themselves as “trailblazers” while a little less than half said they were “followers,” waiting to see how other companies implement changes and what results they achieve. The rest were somewhere in between. There is clearly room for new ideas and manufacturers are eager to hear about them.

Which Style Is Your Org?

Many Are Taking a Wait-and-See Approach



Many companies are having a hard time keeping pace. Large organizations with sites across multiple geographies may lack the agility to roll out trendy options. It is difficult to customize benefits for an employee population if it is multi-generational and distributed. Baby Boomers may prefer a better 401k match while Millennials might favor student debt relief. And even the widespread preference for remote work simply isn't a fit for every employee and industry.

This is especially true in the world of manufacturing. Production work typically can't be done from home. Change is happening around the edges with compressed work weeks, shift swapping, and remote options for staff who can. But having separate approaches for different segments of the employee population doesn't sit well with manufacturers who prize a uniform

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culture. "If the plant floor employees are at work, everybody should be," is a common sentiment. But this one-size-fits-all approach breaks down when companies can't fill an office job with requirements to work on site. This tension around flexibility is probably why so many large companies in our survey ranked their benefits package as merely above average, not best in class.

Bigger Might Not Be Better

Companies with "Best in Class" Benefits Segmented by Number of Employees



Help Wanted – Manufacturers Seek New Approaches to Benefits

The key to being world-class is developing a benefits strategy that provides competitive differentiation. HR executives stress the importance of annual benchmarking against the competition. As one diversified manufacturing executive told us: “We may not be able to beat our rivals on base compensation, but if we can target slightly better benefits, that does help from an attraction and retention perspective. Once they see it’s just a little bit better on the benefits side compared to other manufacturing companies, it helps us.” Having benchmarking data is the first step.

Best-in-class companies view benefits as a way to deepen employee commitment. A great example is **Hendrickson**, a global manufacturer for the commercial transportation industry. Their benefits package stands out by offering a 401k match as well as a pension. Only **15% of workers** in the private sector have pensions today, and fewer still enjoy both a pension and a 401k benefit. As Dean Zimmerman, Vice President of Human Resources at Hendrickson USA, explained, “We want to hire people for their career. To do that, it’s very important for us to show that we’re going to take care of them beyond their paycheck.”

Zimmerman said it is not unusual for job applicants to ask for a side-by-side comparison between their existing package and the one offered by Hendrickson. They want to understand differences between the plans and which one is better for them. “For Hendrickson, it’s a golden opportunity

to start talking about benefits and how they play into the total compensation package,” Zimmerman said. The results of this world-class benefits culture speak for themselves in terms of employee loyalty: Hendrickson sees very little churn after the two-year mark and even less after vesting in the pension.

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Our survey found that manufacturers are taking the long view by prioritizing employees’ understanding, utilization, and appreciation of benefits over cost reduction. Indeed, when we asked about the most important benefits goals right now, cost reduction came in dead last. This is in line with **recent trends** across a variety of sectors showing companies attaching relatively less importance to cost versus non-cost factors such as better customer service, network size, and availability of health management programs. Such non-cost factors can mean the difference between merely enrolling in a plan and actually understanding, using, and valuing it, top goals for manufacturers of all sizes.

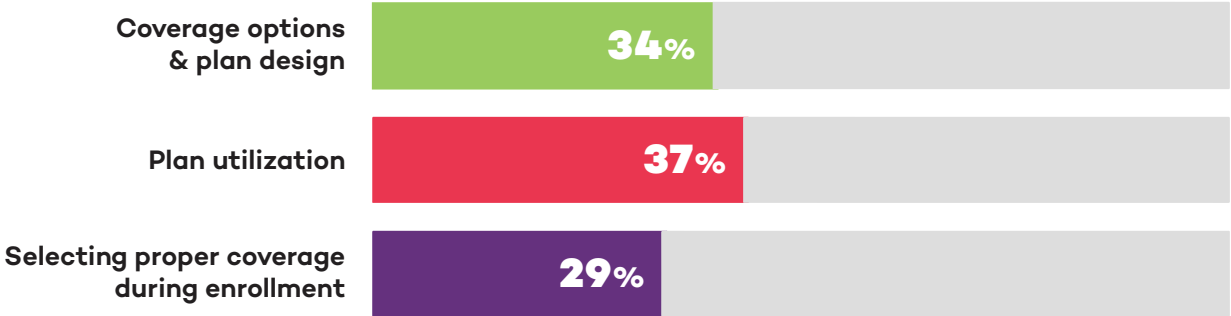


Education and Communication are Key to Benefits Awareness and Utilization

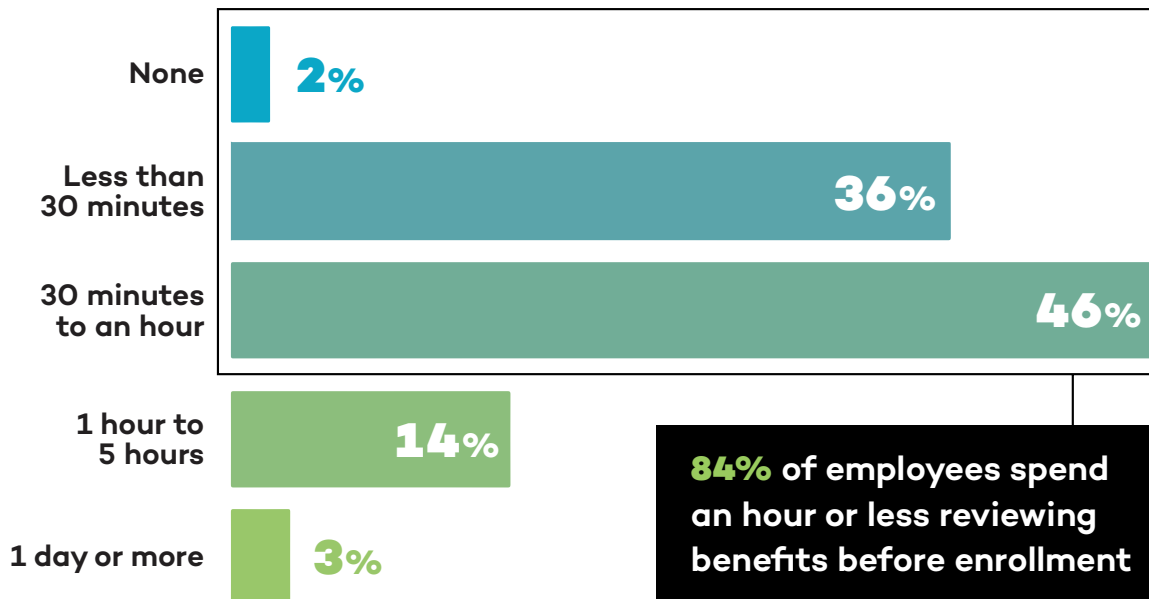
It all starts with having the right approach to benefits education. As Jared Levy, National Growth Strategist at **American Fidelity**, put it, “Organizations can have a best-in-class benefits package, but if the education and communication strategy is not also best in class, it’s going to be really difficult to get employees to truly realize the value of those benefits.”

Educating their workforce on benefits was the number one challenge identified by manufacturing HR departments in our survey. Employees don’t understand coverage options, plan design, or criteria for selecting a plan that fits their needs.

Top Three Challenges for Employees to Understand About Benefits



How Much Time Do Employees Spend Reviewing Benefits Before Open Enrollment?



“Getting employees to review and make informed decisions” is an ongoing challenge, according to one executive. “The sheer amount of information about available benefits can be overwhelming, and employees may struggle to navigate the options and understand the differences between various plans,” according to another HR professional. Indeed, 84% of employees spend one hour or less reviewing benefits information prior to enrollment, according to our survey, despite the importance of the subject matter.

Employees also don’t understand how to utilize their benefits, a fact that plagues more than a third of companies of all sizes, even those that consider themselves best in class in terms of benefits. The worst-case scenario: Companies and employees are paying for benefits that are not being used, potentially at the expense of employee well-being.

Multi-channel communication including email with links, videos, flyers, and postcards with QR codes are part of any effective content strategy. Combining paper with QR codes accommodates both high-tech and low-tech communication preferences. Postal mail ensures that messages are also being received at home, a critical piece since the benefits decisionmaker is often an employee’s partner.

Manufacturers are prioritizing benefits literacy above all because they expect to see downstream impacts including improved employee satisfaction, health and safety, attendance, retention, productivity, performance, innovation, and commitment. Best-in-class companies are particularly bullish about the impact on productivity and innovation. Companies are drawing a straight line between benefits, engaged and thriving talent, and organizational competitiveness overall.

Open Enrollment – Why A Personalized Approach Matters

Open enrollment is ground zero for HR professionals. One executive described it as a “blackout period” for the entire HR department because it is an all-consuming process. For employees, it can be “intimidating, stressful, confusing, and complicated to navigate,” as one HR leader put it.

The importance of an active enrollment approach (versus passive, where employees are automatically re-enrolled in their current selection) cannot be overstated. Active enrollment, which forces employees to make a selection each year, creates engagement, improves benefits literacy, increases data integrity, and is linked with higher loyalty and retention. While active enrollment creates more work for HR

teams, the advantages far outweigh the burden. This is why 82% of the companies in our survey identified active enrollment as their preferred approach.

The key to a successful open enrollment is finding the right mix of efficiency and effectiveness. Should employees enroll entirely on their own, with minimal assistance, or with considerable assistance and support? Does that support rely strictly on one-way communication (videos, tutorials, recorded webinars) or do employees have the opportunity to ask questions in live sessions and receive personalized guidance? How you answer these questions may determine the success of your benefits program overall.

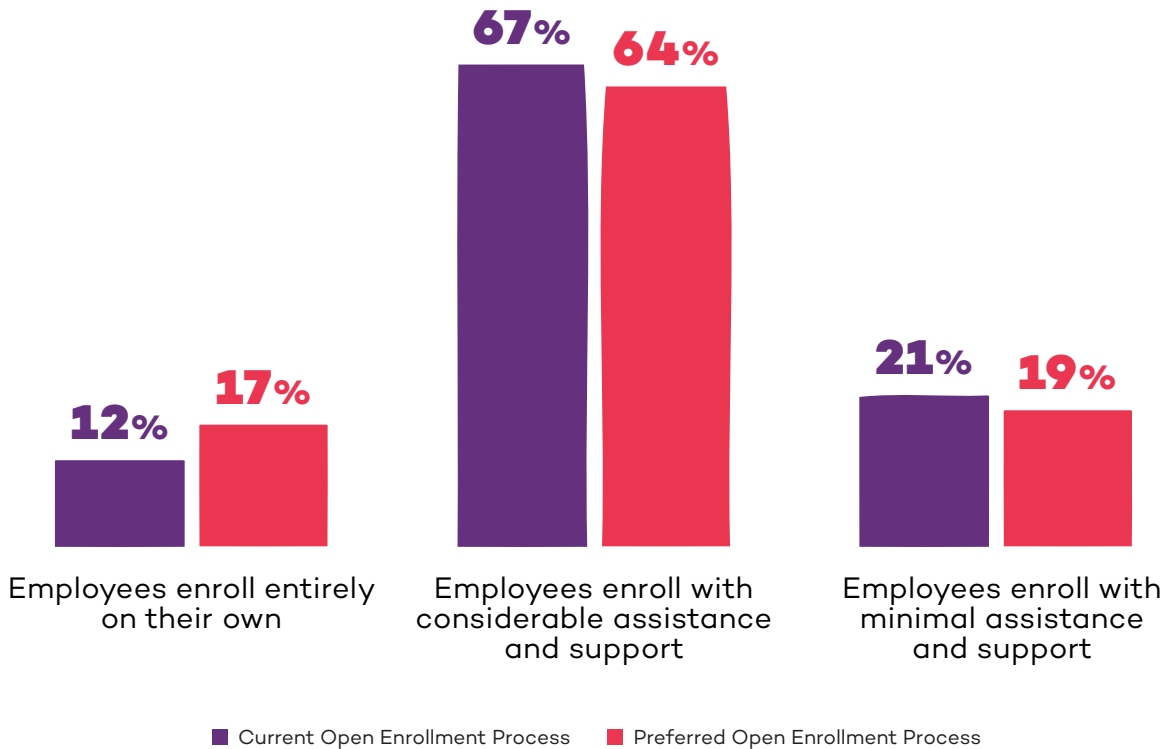
The Human Touch

Live communication, in person or via video conference, is always preferable. “Even if you have the best plan, you still have a lot of people who simply don’t understand how it works because of the complexity,” one HR executive at a diversified manufacturing company explained. Her company, which is spread out over multiple states, relies on field representatives at each location to handle these sessions. Invitations are sent via postal mail, and partners are encouraged to attend.

“Either you educate your employees up front or you do it on the back end. Either way, you have to do it,” she said. In the long run, it is preferable to communicate with employees before they enroll so they make the right choices. Pre-enrollment sessions also create an opportunity to have a dialogue about benefits, explain rate increases, and describe what the company is doing to keep costs down.



Best-in-Class Companies Provide Considerable Assistance During Open Enrollment and Plan to Continue



Based on our survey, there is a wide variation in terms of the amount of support offered. While about half (46%) of all companies we surveyed provide considerable support, that figure jumps to 67% among best-in-class companies. Furthermore, this is by design. These companies prefer to offer substantial support because this is key to helping employees make informed decisions.

Giving employees the opportunity to ask questions of benefits professionals is vital to increasing employee understanding of their benefits. According to Stephanie Piloto, Senior Benefits and Compensation Manager at Quanex, live events (in-person or online) are critical not only for employees but for the HR and Benefits teams that will be leading these sessions. “It really

starts with HR training to make sure that they’re able to relay the message,” Piloto stressed.

In many cases, HR departments are unable to provide these types of sessions because teams are stretched too thin and are not present in all geographies. This is where professional enrollment services come into play. They can be on-site serving as an extension of the HR team and are able to cover geographies and time zones beyond HR’s reach.

“Providing employees with individualized coaching on the value of their benefits to them personally is the only way to create and maintain a high level of employee awareness and appreciation of the benefits being offered,” Jared Levy explained.

Benefits Literacy Drives Overall Employee Satisfaction and Loyalty

The connection between an employee's understanding of their benefits and overall job satisfaction is clear and compelling. Best-in-class companies are focused on educating their employees to engage with their benefits. This means taking every opportunity to advance the benefits conversation – during onboarding, open enrollment and year-round.

When we asked about the impact on overall employee satisfaction and loyalty, 26% of the companies we surveyed agreed with the statement:

“Employees’ engagement with their benefits is extremely influential.” Significantly, among best-in-class companies, the share jumps to 40%. They also see higher rates of benefits utilization and appreciation.

Benefits literacy is key to a thriving, engaged, and loyal workforce. As manufacturing hiring managers look for new ways to differentiate themselves in a talent-constrained marketplace, effective communication of benefits will play an increasingly important role.

Key Takeaways and Best Practices

RE-EVALUATE YOUR BENEFITS PACKAGE

Benchmarking against direct competitors ensures that your talent pipeline isn't leaking because of your benefits package. A periodic review also ensures that the benefits you offer align with your company's strategic goals.

MAKE OPEN ENROLLMENT ACTIVE

Create more benefits engagement with your employees by asking them to participate in an active open enrollment process by making or confirming their selections each year. This approach will improve benefits literacy and data integrity. It is also linked with higher loyalty and retention.

LEVERAGE MULTI-CHANNEL COMMUNICATION

Make sure your content strategy includes the widest variety of channels including email, videos, live sessions, links, QR codes, texts, flyers, postcards, etc. Postal mail to the home can help you reach your employee's partner, who in many cases makes the decisions about benefits.

COMMUNICATE YEAR ROUND

Develop a communication and educational plan covering before, during and after the open enrollment period. By adopting an effective year-round communication strategy you can support retention, prioritize employee well-being, and elevate overall job satisfaction.

CREATE SPACE FOR EMPLOYEE QUESTIONS

Offer on-site or virtual question and answer sessions with benefits counselors to give employees the opportunity to ask about topics important to them. Don't forget to think about language barriers, the role of the partner, and co-browsing options for individuals with limited computer skills.

CONSIDER A PROFESSIONAL ENROLLMENT SERVICES PARTNER

If in-house HR teams are stretched too thin or not present in all areas, consider a partner who can assist your employees and expand your reach as it relates to benefits communication and enrollment support.



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