

How to Attract -- And Retain -- Staff When You Can't Pay Big Bucks

BY PAULA ANDRUSS

Just one year after hiring their first employee, executives at online discount site FatWallet realized they needed more staffers to handle the company's rapid growth. "We needed IT staff and programmers, and we knew that in our area, we'd have to take them from larger companies," says April Kunzelman, human resources director for the Beloit, Wis.-based company.

Kunzelman also knew that to lure talent from more established companies, FatWallet would have to beef up its employee benefits package. "We knew we couldn't compete if we didn't offer, at the very least, health insurance. So we immediately began putting an employee benefits plan in place," she says.

Today, FatWallet boasts a progressive benefits package that includes health, dental and disability insurance, paid time off and a host of other amenities, including free daily lunches for its nearly 60 employees.

As Kunzelman and her peers have found, a strong employee benefits package is a powerful tool for attracting and retaining the best workers. In a 2011 Harvard Business Review Analytic Services survey of human resource leaders, 60 percent said an attractive benefits package is "very important" in recruiting and retaining quality employees, vs. only 38 percent who said a high base salary is very important.

Benefits play an integral role in employee satisfaction. In its most recent annual trends survey, MetLife found that roughly 49 percent of employees polled said benefits were an important reason they came to work for a company, while 60 percent said benefits are an important reason for staying.

While the cost and compliance of crafting benefits packages may seem daunting for small-business owners, experts agree they pay dividends in terms of long-term success. There are no easy formulas, because each entrepreneur needs a program tailored to his or her company and employees. But there are some universal guidelines.

Getting Started

Christopher Delorey, senior vice president at employee benefits consultancy Bostonian Group, says employers typically start looking to round out a basic compensation package with benefits when they have six to 10 employees they wish to retain, as well as when they want to attract new ones. "You don't necessarily have to have health insurance the minute you open your doors," he says.

Medical insurance tops the list of employee demands. According to The Principal Financial Group's benefits study for fourth-quarter 2011, health insurance is deemed the most important benefit by 90 percent of employees.

Medical and retirement plans can take many shapes and sizes to meet the goals of any company, according to Lisa Wintersheimer Michel, a partner specializing in employee benefits at law firm Keating Muething & Klekamp in Cincinnati. "From a fully insured health product to a flexible spending account to a 401(k) to a simplified employee pension plan, there are many different options and levels depending on what you're interested in providing, what you can pay and the size of your group," Michel says.

Once the major benefits components are in place, it's fairly easy and cost-effective to include other popular programs such as vision insurance, life insurance and long- or short-term disability.

One benefit that's growing in popularity, in part because it is so well-suited to small businesses and startups, is flexibility. "With so many personal demands on workers today, a flexible work schedule is a big plus in a benefits package," Delorey says.

In fact, a study by the New York-based Families and Work Institute found that the majority of professional and nonprofessional employees--87 percent--say having the flexibility they need to manage their work and personal lives would be "extremely" or "very" important if they were looking for a new job.

FatWallet addresses that need with its so-called "no miss" guidelines, wherein employees are instructed to never miss important family or school events for work. "It doesn't cost us any money, and people really appreciate it," Kunzelman says. "Flexibility pays huge benefits for a small company like us."

Affordable Alternatives

While some benefits may be out of reach for small businesses, a little creativity can lead to similar, less expensive options that can have just as big an impact on employee morale and loyalty.

If you can't offer: tuition reimbursement

Try: a compressed, four-day workweek that gives employees time to pursue a degree on their own

If you can't offer: paid vacation

Try: job sharing, in which two part-time employees share the same full-time position, or wellness programs that include sleep breaks and massages

If you can't offer: on-site child care

Try: negotiating with a nearby child-care center for a discounted group rate

If you can't offer: an on-site fitness facility

Try: a lunch-hour walking club or discounted local gym memberships

If you can't offer: free parking or transportation reimbursement

Try: allowing regular telecommuting days

If you can't offer: counseling services

Try: allowing employees to bring their pets to work, which has been shown to reduce stress

Outside Help

No matter what benefits you want to offer, there are many resources for small-business owners to educate themselves. While valuable information can be found at websites such as the National Association of Health Underwriters and SCORE, most businesses enlist the aid of an insurance broker or employee benefits consultant to help them understand and evaluate various products, particularly as regulations and possibilities vary from state to state.

"The options can be vastly different, so you're often comparing apples and oranges," Michel says. "These professionals can help you compare different products and understand the costs as well as determine what makes sense for your organization."

To make sure they find the best options and providers, Michel says employers should ask questions about each product's cost, what it covers and how the benefit is delivered.

"You need to understand exactly what you're getting and how it's going to work," she says. "How is the benefit delivered? What resources are available to help both the employer and the employees? How and how quickly are claims going to get paid? And what happens if there's a claim dispute? It's important to understand the entire process."

It's also important for employers to ask about the legal obligations they incur by offering those benefits. "When you set up these plans, there's a set of laws you're required to comply with, like [the Employee Retirement Income Security Act], that you must understand," Michel says.

Of course, the most important questions to ask are the ones related to your specific business needs. For FatWallet, Kunzelman asked if she could speak to another client with the same health insurance provider to get a sense of its customer service. "The thing that drives employees insane is not being able to get their claims processed correctly," she says. "My decision was based on customer service, because if it's not good, the insurance is probably not going to work for us."

Employee Viewpoint

To find the package that best fits your business, it's important to survey employees about what they really want, Michel says. "Employee interests vary depending on company size, industry and demographics, and you don't want to offer something that no one will take advantage of," she says.

That's exactly what online retailer Zappos does to help achieve its goal of happy and healthy employees, according to benefits manager Bhawna Provenzano. Based on surveys of employees throughout the year, Zappos determines which benefits are most meaningful to team members, which benefits they would like to see added and which are not being used or are no longer relevant.

"We make sure we include any suggestions that have been brought to us by team members on the survey," Provenzano says. "All of these things help us determine the direction our benefits plan needs to go."

Michel cautions that there are laws that prohibit employers from asking about health conditions, family histories and other topics that may relate to insurance. Any survey of employees should have questions that are general and related only to benefits, and should be reviewed by an attorney before being distributed.

Once a benefits package is created, it must be communicated effectively to employees. According to the 2011 Aflac WorkForces Report, 46 percent of employees at small companies say their HR departments communicate too little about employee benefits plans.

Michel says each business must determine the best way to get the word out. "Whether you post it in the office, mail it to the employees' homes or have a companywide meeting to roll out a benefit, you need to be sure they understand the benefits and how they work," she says.

Delorey emphasizes that the key to a high-performing benefits package is for employers to understand their people and their mission, and to align their benefits with both. He also urges employers to realize that the more time and education they invest in finding the right program, the better the payoff will be, in the form of lower costs and quality plans.

"It's easy for employers to say, 'I have to go to this established insurer and take this off-the-shelf plan,'" he says. "But if you put a little more effort into it like you do some other aspects of your business, you will be rewarded."