

Don't Forget the Critical Role That Healthcare Benefits Play in Recruiting and Retention

by Dr. John Sullivan | Aug 19, 2013

From the employer's perspective, most of the recent publicity relating to offering health care benefits has been focused on the added cost and burden of providing those benefits to a firm's employees. However, many employers and especially small businesses seem to have failed to realize that offering healthcare benefits is one of the most powerful attraction and retention factors on the planet. As a result, not offering healthcare benefits may turn out to be a costly business decision, especially when it drives away top potential applicants and results in the loss of your top lower-paid employees to other businesses that have suddenly become more attractive by offering it.



You can't ignore the importance of benefits in recruiting and retention because recent surveys about "what candidates want in a job by Glassdoor and Randstad both reveal that employee benefits (along with salary) are the No. 1 attraction fact.

Why Employers Should Offer Healthcare Benefits

Remember that cost is only one half of the return on investment formula, so don't forget and calculate the benefits and positive impacts. When you make the decision on whether to offer health care benefits, consider the importance of the following factors that may impact the importance of offering these benefits:

- **Healthy workers are more productive** – even if you don't care whether workers desire healthcare are not, with the availability of preventive healthcare, your workers will be absent less because of their own or their family's health issues (incidentally, missing fewer days will also mean more total income for most workers, which can aid in retention). Healthy workers will be more productive while on the job, likely have fewer accidents (lowering insurance premiums), and they will be less likely to be perceived by your customers as a source of germs. Wellness programs alone have shown up to a 3 to 1 return on investment.
- **Everyone will be talking about healthcare benefits** – even if your workers have not historically been concerned about healthcare benefits, all of the publicity over the next year will make it "a talked-about" issue. With so many employees active on social media and the Internet, it would be a huge mistake to assume that your employees won't quickly learn which firms do and do not offer health care benefits.
- **Lower-paid workers likely care more** – hourly and lower-paid nonunion workers are often more likely to be concerned about healthcare benefits. Their lower relative income will make health coverage an important issue because of the perceived high cost of buying coverage individually and also because they view healthcare benefits to be "better" because unlike an increased hourly wage, health benefits are not normally taxed. Unfortunately, without preventative medical coverage, hourly workers who need the money will likely come into work while they are sick and their presence will unfortunately also make others sick.
- **Retail, fast food, and hospitality firms are likely to be hit hard** – in these industries, because the employee skill set required is similar, it is relatively easy for unhappy employees to move between companies, locations, and industries. Because workers in these

industries may frequently interact outside of work with workers in these industries, your employees will likely hear quickly about other hourly jobs that offer health care. As a result of these two factors, I estimate that individual outlets in this industry that do not offer health care benefits will over a year will lose up to 25 percent of their employees to similar firms that have nothing superior to offer beyond healthcare benefits. With similar hours, pay, location, and working conditions, healthcare benefits may become *the* significant differentiator.

- **Employee retention will be more difficult** – because the new healthcare law makes it more difficult to avoid offering healthcare benefits, other talent competitor firms that have not found a way around the law will have a clear advantage over you, because they offer these highly valued benefits. In addition to recruiting, failing to offer healthcare benefits will become a major retention issue among your lower-paid staff. Recruiting and retaining managers may also become more difficult because it will be more difficult for them to attract and retain top staff when other similar jobs at close by firms are offering health benefits to their employees.
- **Recruiting will become more difficult** – because firms that offer healthcare benefits will make it a prominent selling point in their posted jobs and in their recruitment advertising, you will find that many “in-demand” workers will never even consider applying to your firm. You may still be able to fill your jobs, but the quality of your applicants will go down significantly. This will hurt productivity and you eventually may have to pay more, thus negating any savings that you accrued by not offering health benefits.
- **Healthcare matters to employees with families** — if your top workers have families, the importance of healthcare benefits may actually exceed the importance of whatever you pay. If you hire from certain diverse ethnic or religious groups, statistically there is a higher chance that your employees will have larger families, so the impact in these cases will be greater.
- **Healthcare matters to sick individuals** – if a significant percentage of your individual employees currently have significant healthcare issues themselves or with a family member, they may be quickly drawn away to other firms in order to get treatment.
- **Cutting hours to part time will make a difference** – you would be foolish to assume that if you cut some of your employee hours back so that they are under the 30-hour minimum, the cutback won't impact turnover. As the economy improves and more full-time jobs are available, the penalty for taking that approach will increase.
- **Younger employees may have an interest** — because of all the hubbub about the new law, younger employees who may not normally care about healthcare may be worried about being required to pay a penalty if they don't have it supplied by their employer.
- **Not offering health-care may result in a two-class workforce** – it will be almost impossible to successfully explain to your applicants and current employees why you can't offer healthcare benefits. If your argument is focused on “the cost,” don't be surprised when your lower-paid employees begin to view themselves as second-class citizens that are not worthy of the same healthcare investment that all of your managers and executives receive. If this split in workforce occurs, it will have major implications throughout the business.

Final Thoughts

Many of the arguments that I hear about employers having to offer health care benefits are shortsighted. Some of these negative positions are obviously influenced by politics, while other negative positions seem to be focused exclusively on the cost side of the equation. A smarter approach is to instead work with HR and the CFO to calculate the direct economic benefits that come from the resulting increase in productivity, lower absenteeism, longer retention, and dramatically improved recruiting. After making this calculation, you will invariably learn what every Fortune 500 firm has known for decades. And that is that the many benefits of healthcare and wellness offerings by far exceed any potential costs!