

Communicating Benefit Changes in Challenging Economic Times

By Joanne Sammer, *December 2008*

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Making changes to employee benefit programs unsettles employees even in the best of times. By almost any measure, these are not the best of times. Although it remains to be seen if the economic downturn that began in 2008 will prove to be the worst of times, economic pressures are forcing a growing number of companies to modify their benefit packages.

An October 2008 survey of U.S. companies by Watson Wyatt finds that 21 percent have raised employee contributions for health insurance premiums, and another 25 percent plan to do so in the near future (see [Companies Weigh Pay, Benefits Changes as Economy Sours](#)). More employers are reducing employer contributions to their 401(k) plan as well as cutting back on annual bonuses and scaling down base pay raises. When such measures aren't enough to keep balance sheets from turning red, layoffs loom.

Whatever is in the offing, how well an employer communicates with employees will have significant implications. "If a company is planning a change, it is important to let employees know as soon as possible rather than waiting until the last minute," says Heather McCloskey, president of McCloskey Partners, an HR consulting firm based in Perkasie, Pa. "You need to give them time to plan and absorb the information."

Give employees time to absorb and respond to benefit reductions.

Ensure Transparency

Openness is a critical component of communication in this environment. If employees are going to be asked to share the sacrifices necessary to survive, they need to know what is going on. "It's important to communicate purposefully and transparently even when it involves communicating unfavorable information," says Theresa Gianfortune, vice president of HR at Long Beach Memorial Medical Center in Long Beach, Calif.

For example, because so many employees have been shaken by the impact of stock market declines on their 401(k) plan assets, employers can reassure them about what the company has done and is doing to make sure the plan is operating effectively. Even though the employer cannot do anything about overall investment losses, this communication can focus on the plan's governance structure along with steps the company has taken to minimize fees and ensure that the plan's investment options have been evaluated properly.

When Gianfortune's organization faced a 30 percent increase in health care costs, it had no choice but to raise the employee-paid portion of available benefits. When it came to communicating the news, she focused on presenting the facts of the situation, particularly the point that the organization was absorbing the majority of the increase. The senior leadership team also played a critical role in this process by communicating changes to their direct reports, who in turn communicated it to their direct reports and so on through the organization. "The focus is on giving employees the facts by telling them, 'This is what is happening,' " Gianfortune says. "Employees want to know the end result."

In addition, transparency means acknowledging what the organization doesn't know about a given situation. For example, if executives are not sure how stable a situation is, they should acknowledge that to employees. "It is important to set appropriate expectations; otherwise, you could lose credibility," says Sara Hill, a principal with Hill, Barolet & Associates, an employee and benefits communication agency in Houston. "Employees hate spin so don't keep them in the dark." The focus of this communication should be helping employees determine how these events will affect them now and in the future.

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Emphasize Available Resources

Hill suggests that organizations use these situations to emphasize employer-provided or other readily available resources that can help individuals manage the situation. For example:

- **When a reduction in 401(k) matching contributions** or a change in plan providers is worrying an employee population already spooked by the stock market drop, the employer might emphasize the availability of free or subsidized financial planning or counseling services.
- **Increases in health care premiums, deductibles and copayments** can be a tremendous opportunity to remind employees of resources available to help them manage their health more effectively and programs designed to help them to become better health care consumers.

Under normal circumstances, most employees think about their benefits only when they need them. However, current conditions can create “a great time to help employees understand how to get the most bang for the buck when it comes to their benefits,” recommends Hill. “You have a very attentive audience.”

Buffalo, N.Y.-based Rich Products Corp. works hard to educate its employee population about how to manage their health care. “We focus on reminding people of the tools and information available to help them get ahead of costs,” says Janice Horn, the company’s HR director. “This is really about showing how to leverage what is already available to them.” For example, some individuals might not know that tools such as mail-order pharmacies are available, or how taking advantage of these resources can help them reduce their out-of-pocket health care costs. “It is important to put communication like this in the broader context of what is happening,” Horn advises.

Six Steps to More Effective Communication

Effective benefits communication is a challenge no matter what is going on. Here are a few tips experts recommend to keep your message on track.

- 1. Identify key messages before communication begins.** This way, the company can ensure a clear and consistent message from beginning to end.
- 2. If the company is making changes or cutbacks, tell employees why.** Whether cutbacks are the result of market conditions or the company’s financial position, it is important to show employees how these changes are part of a larger, coherent plan for the business.
- 3. Involve leaders to ensure the credibility of the messages.** Leaders can help explain how these changes fit into the bigger picture for the company.
- 4. Communicate as soon as you can.** The longer you wait, the more likely it is that misinformation will spread.
- 5. Keep it simple.** Don't overwhelm employees with extraneous information that obscures your key points.
- 6. Mix up the delivery media.** Using different media channels (e.g., print, online, podcast, video, live presentation) allows employees to access information in the way that is most comfortable to them.

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