

# Optimizing benefits provision: three strategic recommendations

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Better decision making around benefits provision can help manufacturing companies keep up with changing regulations and workers' priorities. Ultimately, business outcomes, from talent retention to increased innovation capacity, are all influenced by the relevance and adequacy of benefits provided to workers.

Our top three recommendations for business leaders in manufacturing:

## 1. Take advantage of new regulation to build a competitive edge

The Secure 2.0 Act of 2022 paved the way for employers to improve retirement benefits—especially among companies and workers that traditionally have lagged behind. As a result, businesses now have more options to attract younger workers and retain older ones.

According to our 2023 Benefits 2.0 US worker survey, 84% of Gen Z and 58% of Millennials don't believe they will be able to retire at the federal retirement age, as many find themselves grappling with challenges like student loan repayments, among others. However, the Secure 2.0 Act enables employers to make matching contributions to retirement accounts in response to workers' student loan payments. This allows younger workers to address two needs at once: student loan repayments and retirement contributions, while helping employers retain these workers.<sup>1</sup>

The law can also aid in the retention of older workers through its higher 401(k) catch-up limits. These enable workers age 50+ to save more than typical annual contribution limits allow. Clearly communicating eligibility for this can incentivize older workers to stay in the workforce while they catch up on retirement savings.

Finally, the new law also creates tax incentives for small businesses to automatically enroll their workers in 401(k) plans, removing hurdles to retirement benefits for both workers and employers across the sector.

## 2. Pay closer attention to shifting worker priorities

With Gen Z and Millennials now making up more than half (53%) of the US workforce,<sup>2</sup> benefit preferences appear to be dramatically changing.

While older workers heavily prioritize retirement and healthcare, education benefits and paid time off are now paramount for younger workers (see figure 1). An overwhelming majority (86%) of Gen Z rank education and training within their top three most important benefits. Meanwhile, retirement benefits lag far behind, with just 16% of Gen Z placing them in the top three.

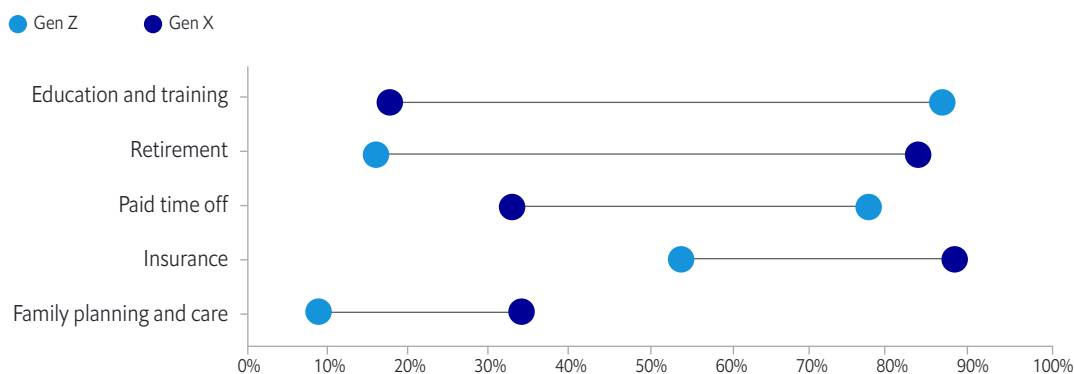
As priorities shift, gaps are emerging between what businesses offer and what younger workers want. For example, despite younger workers' clear preferences, less than half of US businesses offer undergraduate or graduate tuition assistance.<sup>3</sup>

Businesses must adapt to these new trends. Gen Z is looking for more than just compensation—they cite inadequate pay, lack of career development and advancement, and uncaring leadership as reasons for

switching jobs.<sup>4</sup> Businesses can show Gen Z that they care and are listening by aligning benefits packages to their needs. For instance, restarting tuition assistance programs and offering workforce development schemes, such as on-the-job training and upskilling, can help companies develop a reputation for investing in their younger workers and creating a desirable place to work.

### Figure 1: A chasm between younger and older workers' priorities

Percentage who ranked each benefit as one of their top three most important



Source: Economist Impact, 2023. Benefits 2.0 survey.

### 3. There is no reason to guess: informed decision-making about benefits is key

**Workers don't always speak up about their needs.** While some employers may conveniently interpret the absence of complaints to mean that workers are happy, this is a risky assumption. Many factors prevent individuals from speaking up: not believing things will change, not wanting to draw attention to oneself, or wanting to keep certain aspects of their lives private (health, fertility or debt).

**Use worker focus groups and surveys.** All workers face different needs and challenges. Some may be best addressed with a bus pass while others may warrant childcare. Regardless of the problem, the first step is understanding workers' perspectives directly. However, using surveys to inform benefit decisions remains an underutilized practice across the sector, with 70% of workers at medium to large companies citing room for improvement, with smaller firms likely to be further behind.

**Prioritize flexibility: businesses cannot plan for everything.** Sometimes it may be best to leave choices about benefits up to individuals. Building customization into benefits packages can go a long way toward ensuring workers have options that align with diverse priorities and identities. Flexibility can also help individuals manage trade-offs when it comes to benefits, allowing them to allocate resources in ways that best address their unmet needs.

### Conclusion

Maximizing the impact of benefits is no small task. But when companies focus their efforts in the right places, it creates a win-win-win for workers, employers and society as a whole. To learn more about benefits in the manufacturing sector, check out our other features.

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