ECONOMIST IMPACT

Overlooked opportunities: a holistic approach to optimizing benefits provision

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With an annual investment of US$31bn, the energy and utilities industry offers some of the most widespread and comprehensive benefits. Nearly 570,000 workers and their families are the recipients—with much of their provision going toward insurance, paid time off and retirement, which together make up over 95% of benefit investment by companies.*

One reason that these benefits are so strong is because of the industry's high wages, with unionization providing another explanation. The percentage of workers represented by a union or collective bargaining agreement stands at 11% in the energy industry[1] and 21% in the utilities industry,[2] significantly above the private sector average of 7%.[3]

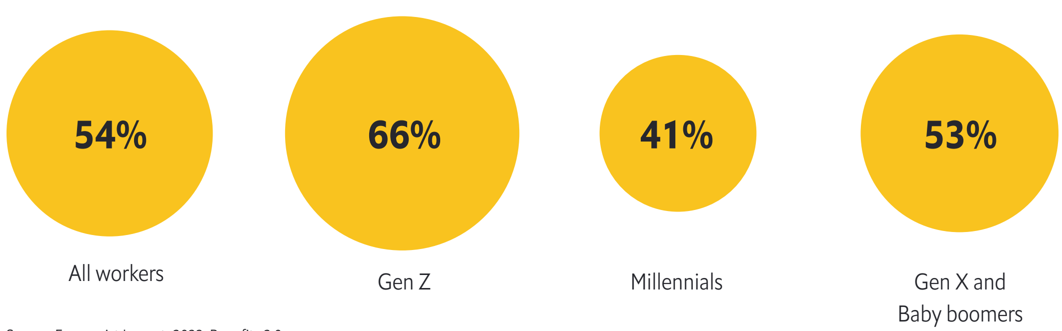
However, despite this positive outlook, our 2023 Benefits 2.0 US workers survey indicates that there are still key gaps and opportunities that warrant attention. Failure to attend to the three areas below may leave the industry vulnerable to issues with retention, absenteeism, and prevent employers from reaping the full return on their investment in benefits.

Wellness benefits offer a quick win for boosting retention and engagement

Workers in the energy and utilities industry are highly motivated to switch jobs for better wellness benefits. Despite these programs being offered on a relatively widespread scale, our survey found that over half of workers would consider switching jobs for better wellness benefits, highlighting a potentially consequential deficiency in the industry's current offerings. They are also widely valued, with over 80% of workers reporting that both physical and mental wellness benefits are useful or important to them.

Figure 1: More than half of workers would be willing to switch jobs for better wellness benefits

All else equal, I would consider switching jobs for better access to wellness benefits



Source: Economist Impact, 2023. Benefits 2.0 survey.

*These statistics reflect Economist Impact calculations based on data from the US Census, Bureau of Labor Statistics and other sources. See appendix 1 for more details.

Aside from talent considerations, businesses are also increasingly realizing the importance of wellness benefits for their bottom line. These programs make up a small share of total benefit spending but can often generate a large return. For instance, wellness programs have been found to lower medical costs by US$3.27 for every dollar spent, with absenteeism costs falling by about US$2.73.[4] Mental wellness programs provide a critical boost as well, especially since leave related to mental health may constitute up to 70% of workplace disability costs, and employers that offer these benefits report significant improvement in the return-to-work rate.[5]

Given that spending on wellness benefits in the industry tops out at US$480m (just 1.5% of total benefit spending), there is a strong case for greater use of these benefits as a pragmatic and cost-efficient strategy to reduce absenteeism, increase retention and boost the innovative capacity of workers.[6]

Caregiving benefits are key to combating the rising costs of absenteeism

In 2020 more than one in five Americans, or 53 million people, were caregivers to a child or an adult.[7] This figure is poised to grow, especially as Baby Boomers age and long-term healthcare services and supports are stretched.[8] However, access to caregiving benefits is already inadequate, and without significant changes it will only worsen.

According to our survey, in the energy and utilities industry, one in four workers would be willing to switch jobs for better access to caregiving benefits. Moreover, only 40% of workers have access to caregiving accommodations such as mothers' rooms or flexible work arrangements to assist with caregiving responsibilities. And a mere 36% say that the financial assistance for caregiving offered by their employers meets their needs.

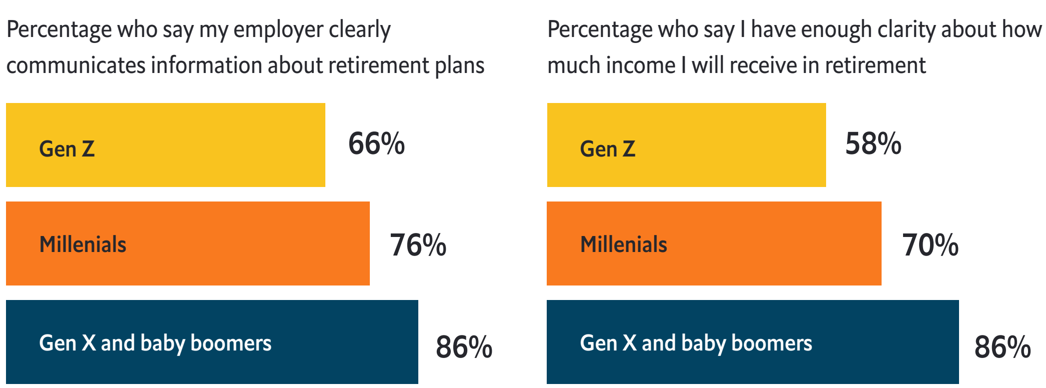
These shortcomings lead to absenteeism, financial strain and heightened stress. For example, in 2021 more than 70% of workers reported having to leave work early or unexpectedly and 60% of those felt that the quality or timeliness of their work suffered.[9] And, concerningly, many employers are unaware of the scope of the problem. According to a 2018 report, "employers do not measure and thus do not realize the extent to which employees are burdened by care."[10]

Increasing access to caregiving benefits is the first step. However, employers cannot assume that they know what their workers need or want. Annual care surveys or other assessments can be critical tools to help companies investigate the hidden costs of caregiving to their business and to their workers.

Communication about retirement benefits is not cutting it for younger workers

Younger workers in the industry are dissatisfied with how retirement benefits are managed and communicated: just 66% agree that communication is adequate, compared with 82% on average among older workers (see figure 2). Furthermore, four in ten Gen Z workers lack clarity on how much income they will receive in retirement. This uncertainty is only compounded by rising concerns about the future of social security and large-scale shifts away from defined benefit plans over the past 25 years.[11] Retirement planning has now grown to encompass a wide variety of contribution plans, annuities and other savings accounts. Struggling to navigate complex options may lead younger workers to undervalue retirement benefits and misunderstand their options.

Figure 2: Younger workers are less satisfied with communication about retirement benefits



Source: Economist Impact, 2023. Benefits 2.0 survey.

To improve both the usability and perception of retirement benefits, employers need to prioritize better communication strategies and focus them around inclusivity. Retirement plans are often complex, and not all workers can follow them easily, so using plain language and avoiding acronyms is critical.[12] Similarly, enrollment processes and other administrative outreach can be improved by using multiple forms of communication. Some workers may want to meet with an individual to walk them through enrollment processes, while others may want to sign up online by themselves. By offering multiple options, communication can be personalized and ambiguity addressed.

When companies fail to properly communicate or administer their benefits, they are leaving significant potential impacts on the table—including higher workforce satisfaction, better morale and reduced turnover among younger workers. The latter is especially important for the industry, given that it skews younger than the national average.[13]

Conclusion

The energy and utilities industry is already a leader in benefits provision and has much to celebrate. However, there are still areas for improvement, especially when it comes to ensuring that benefits are inclusive in serving a variety of hidden needs, concerns and priorities. As the benefit landscape continues to evolve, employers that can keep pace with the changes can expect to retain and reap the rewards of a motivated and satisfied workforce.

References

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