



Can your organization's benefits compete?

Industrial Manufacturing workers are valuing benefits almost as much as salary. An innovative benefits program tailored to their needs can help your company simultaneously secure top talent and control costs.



Talent has become the key to a competitive advantage in today's world. With the rising cost of raw materials and uncertain demands, industrial manufacturing organizations have prioritized reducing operating costs. So, how can manufacturing organizations continue to attract, retain, and engage the talent needed to achieve their short-term and long-term objectives? Research consistently shows that innovative benefits packages tailored to employee wants and needs are essential to creating a workforce that can drive the organization's strategy.

Compensation remains important but raising salaries alone is not enough. A recent Glassdoor survey found that four out of five employees prefer an improved benefits package to a salary increase.ⁱ

Furthermore, enhancing benefits does not solely equate to a cost increase. By strategically designing an efficient benefits package that focuses on meeting employees' needs and improving their health outcomes, organizations can realize an ROI.

Companies have begun to acknowledge this talent-management trend. According to the KPMG American Worker survey, organizations increasingly view their employees as "whole humans" — not just workers. Employers are recognizing that factors such as health, well-being, caring responsibilities, and more are all impacting the ability of employees to bring the best version of themselves to the workplace."ⁱⁱ

Although it can be an added expense, innovative employee benefits programs can be strategically optimized to simultaneously meet employee needs and be cost effective.ⁱⁱⁱ If employers can offer benefits solutions to employees that directly address the needs and concerns of their individual populations, their employees' experience will be improved, and workers will be more productive. Manufacturing organizations that prioritize resources for employees to manage chronic conditions and help them navigate the healthcare system, along with including innovative niche programs that support mental health and caregiver relief, can have a meaningful impact on the whole person and improve employee engagement.

In this paper, we'll look at why employees are weighing benefits packages as they evaluate their current and potential employers, and how organizations can reevaluate and redesign their benefit offerings to attract the best from today's workforce.

Why now

The KPMG American Worker survey found that American workers will remain at their organization if they have a good or competitive benefits package, including health benefits, personal time off, flexibility, and parental leave. For industrial manufacturing employees in particular, survey respondents looking for a new employer or career opportunity, valued the following the most (after financial compensation): Personal time off or sick leave (90 percent), health benefits (87 percent), and work-life balance flexibility (86 percent). Notably, for 75 percent, well-being resources for mental health, caretaker needs, and retirement planning would be important.^{iv}

It's no surprise then that talent management is a burning objective for organizations across all sizes and industries. Here are some major areas of interest among HR managers.

1

Employee expectations — People's experiences as consumers are shaping their expectations as customers of employee benefits programs. The delivery model for many other businesses has shifted to a remote or virtual setting, so why can't employee benefits, such as healthcare? Simultaneously, the needs and expectations of today's workforce reflect changing generations. Millennials and Gen Z prioritize flexibility and instant delivery. Unmet expectations can result in turnover, whereas meeting/exceeding expectations can maximize talent and drive strategy forward.

2

Great Resignation — As the U.S. emerged from the height of the COVID-19 pandemic, record numbers of employees quit their jobs. This exodus forced employers to strategize around innovative ways to retain quality talent.

3

Social awareness — More than ever before, jobseekers are aligning themselves with employers who prioritize initiatives such as Environmental, Social, and Governance (ESG) and Diversity, Equity, and Inclusion (DEI). Employers who aren't actively investing in these areas can be at a disadvantage in the fight for talent.

4

Hybrid working models — Remote and hybrid models are now the norm. When employees are decentralized, employers must find a way to make them feel supported through adequate benefits programs. Additionally, a geographically dispersed workforce is more likely to have disparities in access to quality healthcare. It is the responsibility of the employer to solve for these issues.

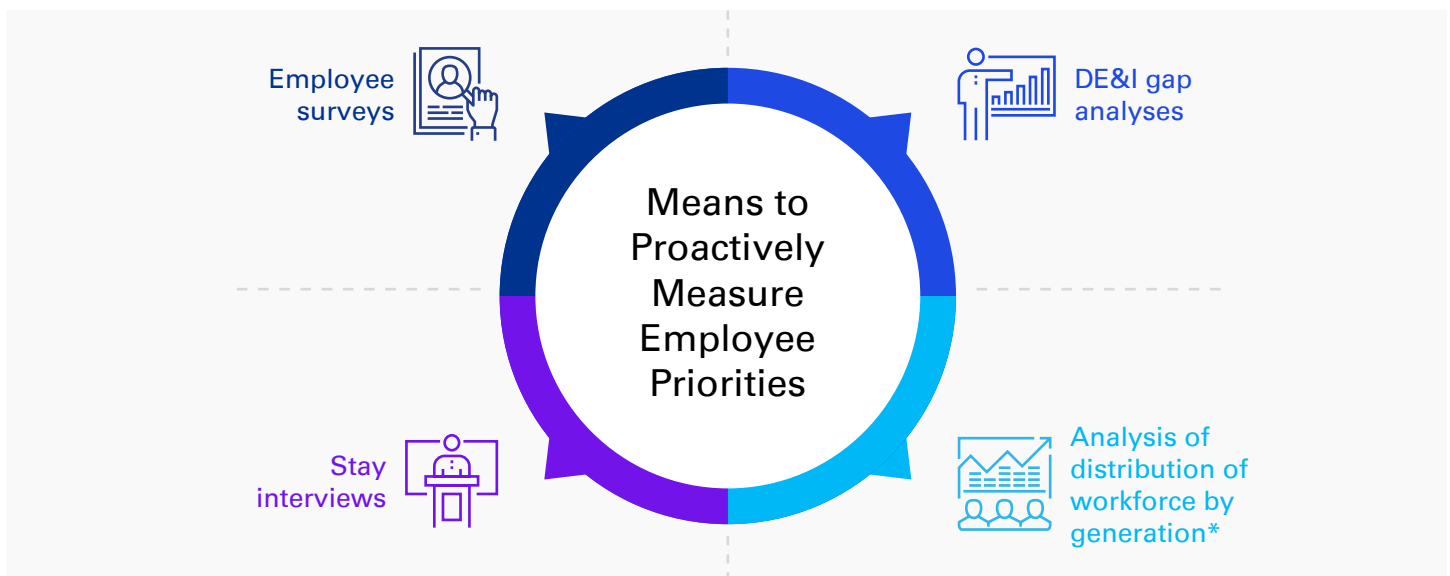
5

Uncertain Economic Environment — High inflation, a potential U.S. recession, and an anticipated trend of increasing healthcare costs (driven by an extreme spike in claims resulting from health issues going undetected throughout the pandemic) have left the workforce with a general feeling of uncertainty. This has also led industrial manufacturing employers to prioritize a reduction in operating expenses.

No organization can remain successful if they continually lose valuable talent. One major consequence is the cost of attrition, which can be significant due to the loss of productivity, high expense of recruiting, and the need to pay above market to attract new talent. Specifically, research suggests that direct replacement costs can add up to 1.5 to 2 times an employee's annual salary.^v A recent study commissioned by the Chamber of Commerce suggest 9% of candidates make their decision primarily based on employer sponsored benefits. While attraction and retention are key, the study suggested improved medical claims and productivity accounted for ~68% of the overall ROI.^{vi} Delivering innovative benefits that address the concerns listed above can make employees satisfied and build a connection with their employer which reduces spend in the long-term.

Managing the changes

Adding benefits without a strategy or plan will likely fail to achieve desired results. Organizations must determine which benefits are most valuable to their workforce of today and tomorrow. Instead of enriching benefits in response to turnover, organizations should proactively bolster benefits programs that contribute to a positive employee experience.



*The ways in which Baby Boomers and Millennials/Gen Z utilize employee benefits programs will differ significantly. Millennials will generally prefer engaging with benefits via technology rather than in-person and expect instant delivery without having to wait.

Benefits programs are a costly element of the U.S. employer landscape. To allow for targeted enhancements, organizations must first be strategic and aggressive in identifying and limiting the inefficiencies within their programs. With a dedicated focus, almost every organization can reduce the operational cost and refocus their dollars from fees to valuable enhancements to their program.

What follows are descriptions of benefits that are most desired by employees, according to research, that organizations should consider prioritizing in their overall benefits package.



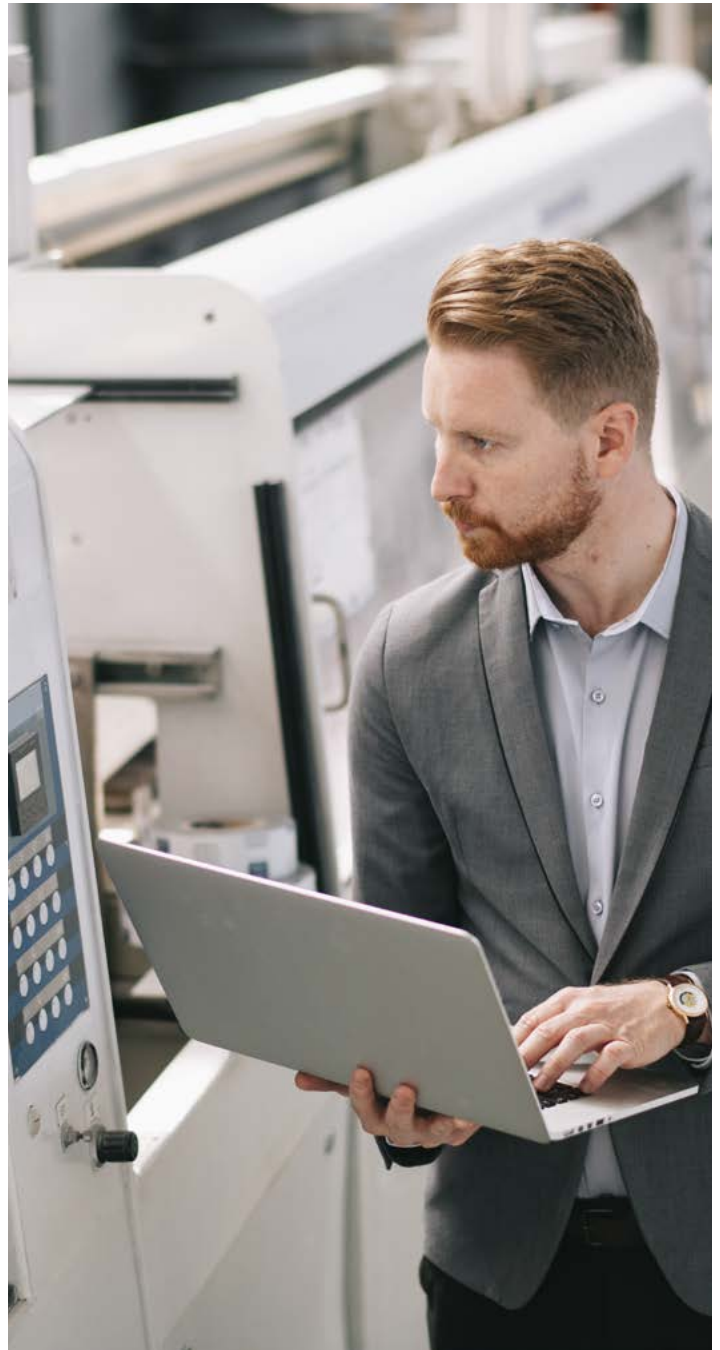
Innovative benefits that improve experience

1 **Mental health** - Gallup's 2021 State of the Global Workforce Report found that 57 percent of U.S. workers reported feeling daily stress, up by 8 percentage points from the prior year. This increase is partially due to the stress of the COVID-19 pandemic and was exacerbated by the fact that 76 percent of workers say the demands of their jobs have increased.^{vii}

Although the pandemic gave way to overwhelming demand for mental health services in the U.S., it also spurred an evolution in how behavioral health services are supplied by accelerating virtual options. The behavioral health system has long been flawed in the U.S., with limited access or long wait times to see providers being the norm. Given the perceived stigma of receiving mental health care, these hurdles could discourage many from getting the help they need.

The good news is that behavioral health care has been front and center in the expansion of telehealth/virtual solutions in the last few years. Innovative app-based employee benefit solutions allow members to video chat with therapists within 48 hours. They can also be matched with therapists based on algorithms incorporating the specific issues the individual is facing as well as desired gender, ethnicity, or race of therapist. These apps also provide self-help modules and exercises that employees and their families can complete between therapy sessions to ensure continuity in their care. By implementing and heavily communicating such programs, employers can foster a culture of behavioral health support.

Accessible mental health services will likely become even more important in the years ahead. A BCBS study showed that 92 percent of millennials said COVID-19 had a negative impact on their mental health (compared to 88 percent of Gen Xers and 71 percent of Baby Boomers).^{viii} Given the upcoming millennial shift in the workforce, now is the time for employers step up their efforts. Organizations that don't act now may seem antiquated and behind the times. seem antiquated and behind the times.



2

Caregiver support - Over 20 percent of U.S. adults serve as unpaid family caregivers for either children or elderly parents^{ix}.

A survey by AARP and the National Alliance for Caregiving found that 61 percent of caregiving employees are struggling significantly with juggling work and personal responsibilities.^x However, a Harvard Business School study found that only 24 percent of employers recognized that caregiving had a direct impact on employee performance. These statistics reveal a clear mismatch exists between employer and employee expectations that employers must act on to attract and retain top talent. This is an especially important issue for industrial manufacturing organizations whereby a large percentage of employees are in-person full time rather than remote or hybrid.

Many organizations have realized this need in recent years and have added benefits for caregiver leave, caregiver coaching, and backup childcare. Employers who don't act on this swiftly will be left behind the curve.

3

Flexible benefits - The workforce is experiencing a dramatic shift and representation among Millennials and Gen Z will continue to increase. The population

of each generation has different values and priorities when it comes to benefits. This shift coupled with the challenging labor market has led employers to strategize how they can meet the needs of a diverse population with an enticing benefits package. The answer is having the flexibility to offer benefits that appeal to different generations.

To achieve this goal, employers are offering benefits like lifestyle spending accounts that allow employees to tap into an employer fund for whatever they value most. Perhaps an employee uses the funds to pay for student loans, a gym membership, or to help cover out of pocket costs for an upcoming surgery.

Organizations should understand that the desire for flexibility isn't going away and will continue to be a central element of the Employee Value Proposition. This is demonstrated in a recent KPMG report which listed flexible work hours (41 percent) and location (31 percent) as top reasons employees continue working at their organizations. Furthermore, 90 percent of survey respondents said work-life balance flexibility would be important if they were looking for a new job opportunity.^{xi}



4

Advocacy - Benefits advocacy is becoming more and more common among employers who want to support employees through their healthcare journeys and offload benefits questions for busy HR teams.

For example, healthcare advocates can help bridge gaps within a disconnected healthcare system^{xii}. Advocacy is especially important for the manufacturing industry given the higher average age and the prevalence of chronic conditions. There is a need to ensure plan members are receiving the right care they need and avoid unnecessary care. Arguably the most valuable benefit advocates can provide is helping to steer employees to the right providers who are low cost and provide the best healthcare outcomes. This benefits not just the employee, but the employer as well, with lower claims and increased productivity within the workforce.

5

Virtual care - According to the 2022 SHRM Employee Benefits Report, 93 percent of organizations offer telemedicine or telehealth as a benefit to their employees, up from 73 percent in 2019. ^{xiii}

The COVID pandemic expedited the already growing field of virtual care, and the data shows virtual care is here to stay. Employers are recognizing the benefits of telehealth coverage, and it's becoming a standard benefit offering.

Virtual care is especially beneficial for manufacturing workforces, as it allows for less time away from hourly jobs, and access to care beyond typical working hours.



However, virtual care has many benefits outside of ease of access and being able to receive care at the touch of a button. Telehealth can close gaps in care by bringing quality healthcare to underserved communities. Additionally, telehealth improves access to mental health services and offers cost savings when compared to in-person visits.

Recommended action

Employees are increasingly seeing benefits as the “make it or break it” reason for staying or leaving their current employer or deciding which new opportunity they will pursue. All organizations should be reassessing their benefits package to ensure the perquisites they are offering will attract the best talent. Strategically investing in benefits that have the largest impact results in increased employee retention and engagement. Here are some first steps:

1. Take a fresh and holistic review of your program to identify opportunities to reduce operational costs
2. Understand the unique needs of your population
3. Apply targeted action to enhance benefits offerings and address specific needs

How KPMG can help

To become future ready, and address increasing costs/inflation pressure, organizations should evaluate how they can improve the employee experience. Employee benefits programs are an essential component of enhancing that experience. The KPMG team is an integrated collection of colleagues with deep experience across workforce transformation, employee benefits, and healthcare allowing a cohesive and innovative approach to talent management.

Putting people at the center and focusing on how to support them as they move through their career, KPMG helps organizations optimize talent and create long-term HR value.

Job satisfaction and loyalty by industry

- 55 percent of employees working manual labor-intensive jobs report job satisfaction and 63 percent report they intend to be working for the same organization in 12 months’ time.
- 71 percent of employees working office/desk-based jobs report job satisfaction and 73 percent report they intend to be working for the same organization in 12 months’ time.
- Employees who have flexibility in where they work are the most satisfied (74 percent) compared to fully remote workers (61 percent) and those required to be on-site (54 percent).
- The highest rates of employee satisfaction are found in the IT/technology (78 percent), construction (72 percent), and manufacturing (69 percent) industries.
- The most loyal workers are in IT/technology (77 percent), finance and insurance (75 percent), and construction (72 percent).
- Workers in retail (58 percent), accommodation and food services (60 percent), and healthcare and social assistance (63 percent) are the least satisfied.
- The least loyal employees work in retail (65 percent), healthcare and social assistance (67 percent), manufacturing (69 percent), and educational services (69 percent).
- Union members are significantly more likely to be satisfied with their job (71 percent) than non-union workers (65 percent) and more likely to stay with their current organization for 12 months (76 percent versus 69 percent).

(Source: MetLife, U.S. Employee Benefits Trends Study, 2022)^{xiv}

Authors:



Ryan McDonald, Principal, Global Reward Services, Health & Welfare
E: ryanmcdonald@kpmg.com
T: 585-263-4098

Ryan is a principal in the KPMG Global Reward Services practice assisting clients in program design, developing multi-year strategies, financial oversight, and cost optimization for their employee benefits plans. Ryan consults employers on a global basis, across industry and size, on strategies to make their employee benefit plans more appealing and efficient. Ryan works with stakeholders across HR and Finance to develop programs that align with organizational priorities.



Ethan Koreff, Senior Manager, Global Reward Services, Health & Welfare
E: ekoreff@kpmg.com
T: 212-909-5542

Ethan is a senior manager in the KPMG Global Reward Services practice assisting clients in addressing cost containment, financial analyses, benchmarking and developing multi-year strategies for their employee benefits plans. Ethan consults employers on a national basis, across industry and size, on strategies to make their employee benefit plans more efficient. Ethan's areas of focus are actuarial services, cost mitigation, and creating market-leading plans.



Felicia Lyon, Principal, Human Capital Advisory
E: felicialyon@kpmg.com
T: 312-665-1000

Felicia is a partner in KPMG Human Capital Advisory practice partnering with clients in solving their most challenging people issues. She supports Fortune 500 leaders when they face outside influences that require a focus on business growth or managing costs. Felicia helps her clients create a paradigm shift so they can organize work more effectively, engage and inspire their teams, and exceed their business goals.



Footnotes:

ⁱGlassdoor, U.S. Employee Confidence Survey, 2015 Q3

ⁱⁱKPMG, American Worker Survey Industry Report: Industrial Manufacturing, Summer 2022

ⁱⁱⁱGlassdoor, U.S. Employee Confidence Survey, 2015 Q3

^{iv}KPMG, American Worker Survey Industry Report: Industrial Manufacturing, Summer 2022

^vHelloTeam, "What is the average employee turnover rate in 2022?"; April 2022

^{vi}Avalere Health, Return on Investment for Offering Employer-Sponsored Insurance, June 28, 2022

^{vii}KPMG, American Worker Survey Industry Report: Industrial Manufacturing, Summer 2022

^{viii}Blue Cross Blue Shield, Association Study, October 28, 2020

^{ix}AARP, Caregiving in the United States, 2020

^xAARP, Caregiving in the United States, 2020 (aarp.org)

^{xi}KPMG, American Worker Survey Industry Report: Industrial Manufacturing, Summer 2022

^{xii}Employee Benefit News, Multiple options open to employers considering health advocacy benefit, May 2012

^{xiii}SHRM, Employee Benefits Survey, June 2022

^{xiv}MetLife, US Employee Benefit Trends Study, 2022

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