

Employee Benefits:

ANOTHER VICTIM OF THE RECESSION

BY SCOTT GOLDSTEIN



2009 may be remembered as the year of layoffs, salary freezes and furloughs, a time when employers did all they could to keep their heads above water and ride out the Great Recession.



JIM O'CONNOR

But there have been other, less storied, cuts by employers during this torturous economy: cuts in employee benefits.

Employer contributions to 401(k) accounts have been reduced or eliminated. Dental and vision coverage are seen as expendable luxuries. Tuition reimbursement is going out the window. And employers are asking workers to pay more toward health insurance premiums – in some cases, shifting workers to less costly plans with high deductibles.

“It’s a trying time to provide normal benefits,” said Jim O’Connor, managing director and ex-

ecutive vice president of Cbiz EAO Benefits, a Manasquan-based company that advises companies on employee benefits issues. “Companies are scaling back.”

Among the most unique changes is the use of high-deductible health plans. Under these plans, sometimes referred to as consumer-driven health care, premiums are lower but more cash comes out of employees’ pockets to pay for their care. An individual, for example, may have to pay the first \$1,500 of medical care and medication out of pocket every year before insurance coverage kicks in. To help employees save money for care, companies can set up health savings accounts (HSAs) for workers. Workers can elect to have money deducted from their paychecks on a pre-tax basis and placed in the accounts. Employers also can contribute to HSAs. Money left over at the end of the year stays in the employees’ accounts. HSAs have earned the nickname “Health 401(k)s” because of the pretax contributions and their portability. However, to open one, employees must be able to demonstrate that the HSA is linked to a high-deductible health plan.

“Consumer-driven plans are about the employee bearing more of the expense in order to be a more discerning consumer of health care services,” O’Connor said. “That itself is a cost-saving strategy for an employer. More companies are looking to adopt that, but it’s still less than 10 percent of the market. It’s more common on the West Coast.”

When firms decide to adopt high-deductible plans, Chapin advises his client companies to hold meetings with employees in small groups to explain the change. “I come in afterwards to meet with employees and say, ‘It’s not as bad as it sounds.’ And show them how they can pay for [supplemental insurance] to cover exposure if they are interested,” Chapin said. “Once you offer an alternative, the negativity goes away from the employer because they are not the bad guy.

NJ CHAMBER OF COMMERCE SURVEY

DURING THE RECESSION, WHAT COST-SAVING STEPS HAS YOUR COMPANY IMPLEMENTED? (113 RESPONSES)

	Response Percent
Layoffs	54.2%
Furloughs	14.0%
Pay cuts	23.4%
Reduced hours	30.8%
Pay freezes	48.6%
Reduced or eliminated 401(k) contributions	20.6%
Suspension of profit-sharing programs	9.3%
Increased employee share of health insurance costs	19.6%
None of the above	14.0%
My company is doing well and there's been no need to cut costs	8.4%

Employers can say to employees, ‘I can’t afford it, I am lucky to maintain your pay.’”

It’s no secret that businesses are suffering.

Name Benefits, a Hillsborough-based benefits planning firm, has watched the number of its client companies’ employees with health insurance drop from 1,300 to 900 since January 1. The main culprit is layoffs, said John Nalepka, managing member of Name Benefits. “That’s a lot of jobs lost and I wonder how long it will go,” he said. “We’re hearing from clients who are seeing a significant reduction in business.”

A September survey of New Jersey Chamber of Commerce members found that, since the recession, 21 percent of companies reduced or eliminated 401(k) contributions; 20 percent increased employees’ share of health insurance costs; and nine percent suspended profit-sharing programs.

The 107 respondents were allowed to choose more than one answer.

When the economy gets better, 42.5 percent of respondents said they will restore full benefits, but 46 percent were unsure.

The economy has had an effect on workers in an unexpected way – many are electing to buy more disability and life insurance, Nalepka said. “House values are down and people wonder if they have enough insurance,” he said.

Still, there are steps companies can take to maintain employee morale.

Dress-down Fridays: “Conventional wisdom suggests dress-down Fridays create a looser atmosphere in the workplace,” said Don Mallo, vice president of human resources at Woodbridge-based Extensis, a firm that offers human resources, payroll and benefits services. “No one will stay with an employer because of a dress down policy, but it’s one way

to make your office more employee-friendly.”

Flexible work weeks: “Be receptive when an employee needs time off or needs to leave early,” Mallo said. “Offer a flexible work week or allow employees to work from home. Working from home can save a worker commuting costs.”

Wellness incentives: Pay for health club memberships or smoking cessation classes.

“I’d rather get people to the gym so I know that they come to work energized,” Nalepka said. “If you’re going to invest money in somebody, you want to make sure you get the most out of them. If they are healthy, you get the most out of your investment. I tell employers they have to do the same thing.” ❖

Scott Goldstein is the communications manager for the New Jersey Chamber of Commerce.

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