

Employee benefits survey analysis: Part 3

Analyzing SMBs' biggest hurdle
in offering employee benefits: cost



Table of contents

Introduction3

Methodology 4

**It’s no surprise: SMBs’ biggest challenge in offering
benefits is cost5**

**Value for money is another challenge—and disconnect—
between employers and their employees..... 6**

**But, there are cost-effective benefits employees really
want 7**

 Paid time off 8

 Flexible work schedule 8

 Tax-free health reimbursement arrangements (HRAs)..... 9

 Employee stipends.....10

**How to get the most value out of your
benefits package.....10**

Conclusion11

Introduction

When it comes to recruiting and retaining top talent in today's labor market, most employers understand that they have to do more to make their job postings enticing to candidates and more still to keep their current employees from seeking new opportunities.

Offering an inclusive and robust benefits package has been proven to be one of the most powerful tools in both recruiting and retaining employees, especially in a world where employees increasingly expect personalization, flexibility, and autonomy from their employer. However, offering these kinds of benefits is easier said than done for many small and midsize businesses.

Building a benefits package that is on-par with those offered by larger corporations can come with a hefty price tag. To better understand how cost influences small and midsize businesses' (SMBs) ability to offer employee benefits, and the steps they're taking to make the most out of their benefits budget, we surveyed PeopleKeep customers about their benefits.

In this report, we summarize the survey data from employers highlighting SMBs biggest hurdles in offering benefits, examine ways SMBs can combat high costs associated with offering benefits, as well as identify an important strategy SMBs are using to get the most value out of the benefits they can afford to offer.

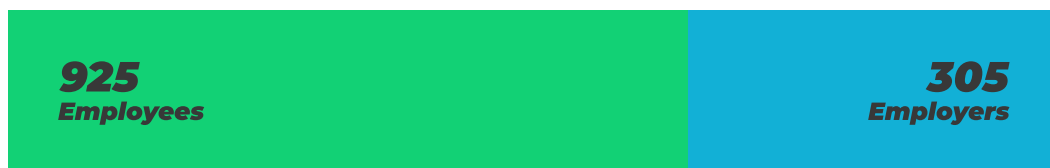
Missed part 2 of this report?

Catch up on what you missed in the previous installment of our benefits survey report:

[Download Part 2](#)

Methodology

The data from this report was gathered through an online survey that was open from May 2 to May 11, 2022. We received responses from 305 employers and 925 employees across a range of industries, including technology, health, dental, food and beverage, veterinary, and religious and nonprofit organizations.



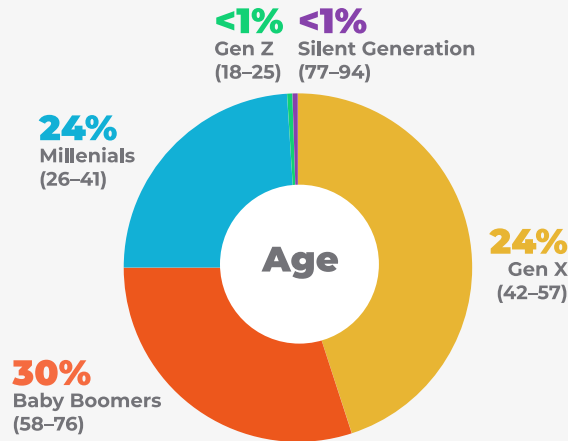
Among the employers, 65% of the respondents were female, and 32% were male. A similar breakdown of gender existed among the employees, with 61% female respondents and 36% male. A small percentage of both employers and employees preferred not to share their gender.

Gender breakdown of survey respondents



Many of the employers surveyed fell in the 42–57 age group (Generation X), with 45% of respondents in this category. The next highest age group was the 58–76 range (Baby Boomers) with 30%, followed by the 26–41 range (Millennials) with 24%. Less than one percent of employers fell in either the youngest working generation, Gen Z, and the oldest working generation, the Silent Generation, ages 18–25 and 77–94 respectively.

Age breakdown of survey respondents

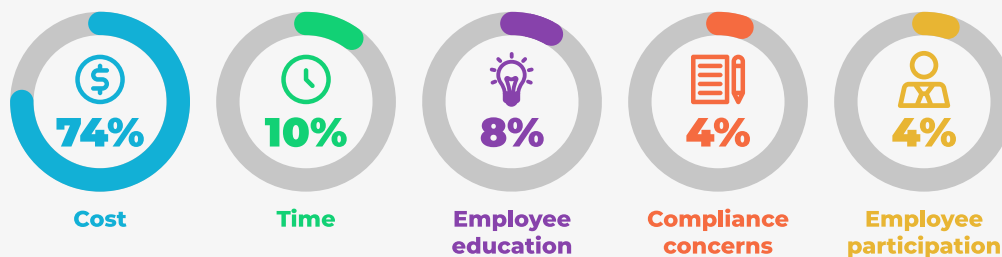


The highest percentage of employee respondents were Millennials, (39%) closely followed by Gen Xers (33%). 18% of employees were Baby Boomers, while 6% were Gen Zers. The remaining 4% were from the Silent Generation.

It's no surprise: SMBs' biggest challenge in offering benefits is cost

When asked about their biggest hurdle when it comes to offering employee benefits, nearly 3 out of 4 employers (74%) listed cost as their number one concern. Only 10% of employers cited time as their biggest challenge in offering benefits, while less than 10% said

Top five biggest hurdles SMBs face when offering employee benefits



employee education, compliance concerns, or employee participation. This overwhelming concern over paying for employee benefits is likely what's keeping some employers from making any changes or additions to their benefits package in the upcoming year. Over half of the employers surveyed (53%) reported that they won't be making any changes to their benefits packages for 2023.

Given the rise in inflation and early predictions of [insurance premiums rising](#) in 2023, it's unlikely that the same benefits package of 2022 will go as far in 2023. However, our data show that employers keeping their benefits the same is a risk that many SMBs are being forced to take.



Percentage of employers who said they aren't making any changes to their benefits for 2023

Value for money is another challenge—and disconnect—between employers and their employees

The cost alone isn't the only financial hurdle small and midsize employers face when offering employee benefits. Ensuring that the benefits are worth the cost to their employees is also a challenge for SMBs.

While 77% of employers believe the benefits they offer are worth the cost to their employees, only 56% of employees feel the same way. The share of employees who feel their benefits are worth the cost decreases among specific age groups. Only 50% of Millennials and 36% of Gen Z employees say their benefits are worth the cost to them.

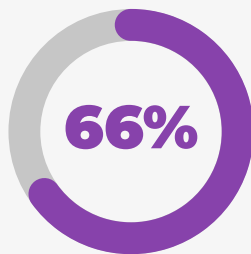
Percentage of employers who feel the benefits they offer are worth the cost to their employees vs. employees that feel their benefits are worth the cost to them



But, there are cost-effective benefits employees really want

Despite the fact that cost is a big challenge for SMBs looking to offer benefits, the majority of employers understand that offering benefits is an essential part of their ability to recruit top talent to their organization.

When asked if they feel their benefits package they offer is an important factor in whether or not applicants accept a job with their organization, 66% of employers agreed that it is important.



Percentage of employees who feel their benefits package is an important factor in whether or not applicants accept a job with their organization

Luckily, there are several benefits options that employees really value that are cost-effective for small and midsize employers to offer.

Paid time off

Offering a flexible paid time off policy is an easy way for SMBs to supplement their current benefits package without adding additional costs—and a generous PTO policy goes a long way for employees.

Among the employees surveyed, 93% cited paid time off as very or extremely important to them, yet only 79% of employers said they offer a PTO policy.

Percentage of employees who value PTO vs. the percentage of employers that offer it



Flexible work schedule

Another cost-effective way for SMBs to supplement their benefits package is by adopting a more flexible work schedule. Expanding employees' ability to work earlier in the day so they can finish earlier in the afternoon, or offering remote work flexibility is a huge boon to employees.

Among the employees surveyed, 79% rated flexible work schedules as very or extremely important, but only 52% of employers offer it.

Percentage of employees who value a flexible work schedule vs. the percentage of employers that offer one





Tax-free health reimbursement arrangements (HRAs)

Health insurance is one of the most common benefits employers offer, and one employees value. Out of all the insurance benefits we surveyed employees on, (including dental, vision, life, and disability) health insurance had the highest percentage of employees who said it was very or extremely important to them (87%).

While traditional group health insurance comes with increasingly high premiums, unpredictable rate hikes, and strict participation requirements, a [health reimbursement arrangement](#) (HRA) is a simpler and affordable way for SMBs to offer health benefits.

The [qualified small employer HRA](#) (QSEHRA) is designed specifically for small businesses, allowing employers with fewer than 50 employees to reimburse employees, tax-free, for their individual health insurance premiums and over 200 qualifying medical expenses. The employer simply sets a monthly allowance for employees to spend how they choose, and any unused funds at the end of the year stay with the employer.

“Not only are traditional benefits costly, but they are also very unpredictable as it relates to future costs. We prefer our QSEHRA that we can control better.”

—Employer, Male, Millennial



Employee stipends

Finally, employee stipends are another simple way for employees to set a monthly, cost-controlled allowance of money for employees to spend freely, giving employees the freedom of choice while employers can offer a consistent dollar amount they can budget for each month.

This kind of freedom is something many employees want today. Of the employees surveyed, 65% said they value being able to choose their own benefits rather than having their employer choose for them.

Percentage of employees who value being able to choose their own benefits

Employees  **65%**

Depending on the stipend offered, employees can purchase remote work expenses, health and wellness costs, and other employee perks.

How to get the most value out of your benefits package

For small and midsize employers who aren't in a position to add or change their current benefits package, we found that many of the employers we surveyed had a smart strategy for capitalizing on the benefits they can offer, and that's education.

Our survey data show that the majority of employers (83%) are making a dedicated effort to educate their employees about their benefits, and that effort is paying off, with 87% of employees reporting that they understand their benefits.



Employees who understand the benefits they’re being offered are far more likely to utilize those benefits, making the return on investment that much more valuable for both the employer and employee.

Conclusion

While offering employee benefits can be a big financial challenge for many small and midsize businesses, it doesn’t have to be. By tailoring your benefits package to include the benefits your employees value most, supplementing your current package with more cost-effective benefits, or simply making a more concentrated effort to educate your employees about what they’re already being offered, SMBs can compete against larger organizations in the fight for talent.



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