

Ways Benefits Can Attract Employees

Historically, benefits
have been seen as
a necessary evil.

They were viewed as something that companies must provide to employees to keep up with their competitors, but they didn't really provide the company much

bang for the buck. Today, most compensation professionals realize that benefits can have an important influence on a company in the long term. The current conventional belief is that benefits can have long-term effects for two reasons. First, benefits are a hefty percentage of a firm's labor costs: The U.S. Department of Labor estimated in 2014 benefits made up 30.6 percent of labor costs for the average company in the U.S. Therefore, just because of their huge cost, benefits can have a substantial impact on a firm's bottom line. Second, benefits can be highly instrumental in attracting and retaining employees. However, new research suggests that benefits can have important long-term implications for firms for a third reason.

This research provides evidence that firms can use benefits strategically with specific benefits to attract specific types of employees — employees that will perform in ways consistent with a company's strategic goals.

Benefits consistently are viewed as important to attract employees and to retain them for the long term. It is perfectly logical and makes sense that generally more people will be eager to go work for companies that provide them with more benefits. Recent research has expanded on this view, suggesting that benefits help attract and retain some people but not others. Further, who they help attract and retain depends on the benefit. That is, there are individual differences in who will be attracted to a specific benefit.

Two recent studies have reported examples of this. First, a study by Maria Fernanda Garcia, Richard Posthuma and Manuel



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Quiñones published in the *Journal of Business Psychology* looked at how the mentioning of benefits in job advertisements affected job-pursuit intentions. Not surprisingly, the authors found that advertisements which mentioned more benefits resulted in greater job pursuit intentions. What was more surprising was they also found that this effect was substantially stronger for married applicants, providing initial evidence that the appeal of certain benefits substantially varies among people.

This principle was shown in a study I did with Christian Kuyate, Thomas Noland and Arthur Francia to be published in the academic journal *Human Resource Management*. Our study on hundreds of truck driving companies during a five-year period showed firms that offered supplemental retirement benefits had safer drivers than those that didn't. This finding is consistent with other research that shows that people who are risk averse find supplemental retirement benefits attractive compared with people with a high risk propensity; and people who are more risk averse tend to be safer drivers (that is, they are less likely to speed, drive under the influence of alcohol, not wear seat belts, etc.). We believe that these results help show how firms can strategically use benefits to attract and retain the type of employees a firm wants.

The studies provide evidence that compensation professionals should think about benefits in a new way. Give thought to which benefits to offer by using the following questions:

- Who will be attracted to this benefit?
- Are those attracted to this benefit more likely to perform in ways that benefit the company in the long term?
- Will the benefit itself have an impact on how employees behave?

Let me address each of these questions individually. First, who will this benefit attract? Because there is little research that looks at the specific types of people attracted to specific benefits, using logic can help answer this question. For example, it makes sense that people who are risk averse are likely to be attracted to benefits that reduce their personal risk, as shown in the trucking study. Such benefits are likely to include any type of insurance, including

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health-care insurance, supplemental retirement plans and supplemental disability insurance. Other examples include educational reimbursements to attract learning-oriented individuals and mobile technology (e.g., smart phones, tablets, etc.) to attract tech-savvy Millennials. The bottom line is that different benefits are likely to attract different people, and giving that some thought can pay off.

Second, are those attracted to this benefit more likely to perform in ways that benefit the company in the long term? The trucking study indicates that more risk-averse employees are likely to engage in safer driving behaviors. This is likely to extend to risk-taking behaviors in general. Therefore, it is reasonable that risk-averse employees are likely to be more safe-conscious in general. For firms where safety is critical, providing benefits that attract risk-averse individuals can be an important factor in achieving long-term

safety goals. However, if risk-taking is an important strategic factor for the firm (as it may be in highly innovative or entrepreneurial firms) then attracting risk-averse employees is likely to be counterproductive to the firm's strategy.

Third, some benefits may have an impact on employee behavior directly. For example, education reimbursements are likely to increase the number of employees going back to college. Or, company-matches of employee donations to nonprofit organizations are likely to increase employee donations. Monitoring how benefits directly affect employee behaviors can help identify the possible strategic implications of them.

Although intuitively appealing, the research looking into how benefits affect individuals differently is just beginning to develop and has exciting implications for using benefits strategically. It is likely that future research will identify the traits and characteristics of the applicants who are most attracted to a variety of benefits. Firms should then offer benefits that attract the types of employees who will help them strategically. However, until research helps clarify exactly who is attracted to which benefits, compensation professionals should begin to think about benefits more strategically. **WS**