

# EXECUTIVE LETTER

THE SEGAL COMPANY

Vol. 25, No. 1, 2001

**I**ncreasingly, employers are interested in quantifying the impact of work/life initiatives on the bottom line. Anecdotal evidence indicates that money spent on work/life initiatives is a wise investment. Although that evidence is important, some employers want more proof of the positive impact of these initiatives. Similarly, information available in human resources journals about the return on investment (ROI) associated with non-traditional benefits and programs<sup>1</sup> indicates positive results, but is too general to justify investments in work/life initiatives for some employers. Different employers face different circumstances. Many employers want to be able to measure the ability of these offerings to improve *their* organization's productivity and retention rate, reduce *their* absenteeism rate, manage *their* costs and/or increase the satisfaction of *their* employees and customers. Fortunately, methodologies are now available that permit targeted quantitative analysis. Moreover, pioneering employers are successfully performing these analyses.

## THE BROADENING OF WORK/LIFE TO INCLUDE WORK ENVIRONMENT INITIATIVES

"Traditional" work/life benefits (*e.g.*, alternative work arrangements, wellness programs and dependent care assistance) are not the only work/life initiatives. Today, the term "work/life initiatives" encompasses a wide range of benefits that help employees balance their work and personal lives, improve their

skills, stay healthy *and* see their efforts at work recognized and rewarded. Increasingly, work environment initiatives such as training programs, reward and recognition programs and career planning and development are also considered work/life initiatives. The most common work/life initiatives, as well as a few unusual ones, are summarized in the table on page 2.

## KEY SHIFTS IN PERCEPTION

Three key shifts in perception are contributing to a broader definition of work/life initiatives and strong interest in them:

- ▶ *Work/life initiatives are not just nice additions to benefits programs; they may be the most important investment an employer can make in its employees and are a powerful recruitment and retention tool.* Investing in employees is essential in an information-based economy that relies on people, especially when the labor market for talented workers is as tight as it is today. The ability of work/life initiatives to attract and retain qualified employees is the easiest measurement of their value and is responsible for driving the growth in non-traditional benefits and programs. Work/life benefits enhance the productivity of time-starved employees and reduce turnover for talent-starved employers.
- ▶ *Employers are moving from one-size-fits-all benefits to customization according to performance and/or need.* Many human resources professionals and senior managers share the belief that rewards tied to the accountability and performance of individuals, teams and business units are more effective than across-the-board entitlements. Some work/life initiatives may be

<sup>1</sup> For example, Prudential estimated that for every dollar spent on its resource and referral program (*i.e.*, child care and elder care information, adoption advice and education referrals and advice) five dollars were saved (a five-to-one ROI). Wellmont Health System realized a 19-to-1 ROI for its wellness program, which pays employees in each paycheck for participating in the program.

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## Workplace Innovation

### Work/Life and Work/Environment Initiatives

<b>TIME-SAVING BENEFITS</b>	<ul style="list-style-type: none"> <li>▶ Alternative Work Arrangements:                             <ul style="list-style-type: none"> <li>— Flex Time</li> <li>— Telecommuting</li> <li>— Job Sharing</li> <li>— Compressed Workweek</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Concierge Services (Errand Running, Leisure Planning, Entertainment Planning, Shopping Assistance, Home Repair, etc.)</li> <li>▶ Employee Work/Life Portals (<i>i.e.</i>, Employee Discounts via Intranets)</li> </ul>	<ul style="list-style-type: none"> <li>▶ On-Site Services (Meals, Massages, Dry Cleaning, etc.)</li> <li>▶ Financial Planning</li> <li>▶ Legal Assistance</li> <li>▶ Relocation Services</li> <li>▶ College Planning</li> </ul>
<b>CHOICE BENEFITS</b>	<ul style="list-style-type: none"> <li>▶ Health and Dependent Care Spending Accounts</li> <li>▶ Paid-Time Off Programs (<i>i.e.</i>, Combined Vacation and Sick Days)</li> </ul>	<ul style="list-style-type: none"> <li>▶ Paid-Time Off for Volunteer Work/Community Service</li> </ul>	<ul style="list-style-type: none"> <li>▶ Voluntary Benefits:                             <ul style="list-style-type: none"> <li>— Long-Term Care Insurance</li> <li>— Pre-Paid Legal Service</li> <li>— Auto Insurance</li> <li>— Home-Owners or Renters Insurance</li> <li>— Pet Insurance</li> <li>— Discount Services</li> </ul> </li> </ul>
<b>FAMILY BENEFITS</b>	<ul style="list-style-type: none"> <li>▶ Parental Leave</li> <li>▶ Dependent (<i>i.e.</i>, Child and Elder) Care Referral Services</li> </ul>	<ul style="list-style-type: none"> <li>▶ On-Site and Near-Site Child Care</li> <li>▶ Back-Up Child Care — Home or On-Site</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sick Child Care — Home or On-Site</li> </ul>
<b>WELLNESS PROGRAMS</b>	<ul style="list-style-type: none"> <li>▶ Employee Assistance Programs</li> <li>▶ Fitness Programs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Self-Improvement Programs:                             <ul style="list-style-type: none"> <li>— Healthy Lifestyles Programs</li> <li>— Health Incentive Programs</li> <li>— Online Health Services</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ Recreation and Leisure Services</li> </ul>
<b>TRAINING PROGRAMS</b>	<ul style="list-style-type: none"> <li>▶ Career Planning</li> </ul>	<ul style="list-style-type: none"> <li>▶ Educational Assistance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Learning and Development Assistance</li> </ul>
<b>CORPORATE CULTURE</b>	<ul style="list-style-type: none"> <li>▶ Team-Based Work</li> <li>▶ Non-Traditional Career Paths</li> </ul>	<ul style="list-style-type: none"> <li>▶ Flat Management Structure</li> <li>▶ Open-Door Policies</li> </ul>	<ul style="list-style-type: none"> <li>▶ Casual Dress Policies</li> </ul>
<b>REWARD AND RECOGNITION PROGRAMS</b>	<ul style="list-style-type: none"> <li>▶ Career Rewards</li> <li>▶ Cash Incentives</li> <li>▶ Telecommuting</li> </ul>	<ul style="list-style-type: none"> <li>▶ Time Rewards</li> <li>▶ Non-Cash “Perks”</li> <li>▶ Employee Discounts</li> </ul>	<ul style="list-style-type: none"> <li>▶ Sabbaticals</li> <li>▶ Volunteer Leave</li> <li>▶ Research and Study Leave</li> </ul>

Source: The Segal Company, 2001.

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offered according to need (e.g., child or pet sitting services to employees who travel frequently).

- ▶ **“Intangible” programs can be translated into hard and measurable data.** Another important shift in perception is the emerging recognition that the effects of non-traditional benefits and programs are measurable. Work/life initiatives, particularly “traditional” work/life benefits, are often perceived to be “soft” offerings. Viewed another way, however, as investments in the hiring and retaining of employees, work/life initiatives can be analyzed and evaluated and viewed as a valuable component of the total pay package.

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**FIRST THINGS FIRST:  
FACT-FINDING**

To analyze existing work/life initiatives accurately, employers must collect data on:

- ▶ **Demographics** Employers that have not already done so may want to break down employee demographic data by age, sex, marital status, number of dependents, salary level, tenure and education.

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**“Consider compiling a list all of existing work/life initiatives and reviewing the effectiveness of each one using the following criteria: statistics on utilization, satisfaction and perceived value.”**

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It can be particularly revealing to cluster employee data by generations (i.e., the baby boomers, the so-called “sandwich generation” subset of the boomers who have both child and elder care responsibilities, Generation X and Generation Y). See the box on page 4 for a generational perspective on work/life initiatives.

- ▶ **Precise Problems** It can be helpful to determine recruiting costs, turnover rates, absenteeism costs, productivity lost as a result of time spent on personal chores during work hours and stress-related health care costs as a result of work/life concerns. EAPs can capture that data when counselors ask the reasons for stress. Any problem areas can be prioritized and analyzed further to determine whether they are localized or company-wide and whether any one segment of the workforce is represented disproportionately.
- ▶ **Employee Productivity** Manufacturing companies can easily measure productivity by tracking the volume of goods produced. Employee productivity can be a more difficult measurement for many service organizations, although there are exceptions. For example, law firms, financial institutions, consulting companies and

other professional service firms, track employees’ billable time. Of course, measurements of productivity are likely to differ within any organization by division, department and/or job category.

Employers may also want to consider compiling a list all of existing work/life initiatives and reviewing the effectiveness of each one using the following criteria: statistics on utilization, satisfaction and perceived value. For example, it can be helpful to identify which segments of the workforce are using which work/life initiatives and determine how satisfied individuals using these programs are with them.

An important statistic is how much time individuals estimate that they save during work hours by using these programs. Typically, this information is captured through a survey. It is also important to determine the value of these programs to non-users and future users.

Employers that are just beginning to introduce work/life initiatives should also consider undertaking a fact-finding process before deciding which programs to introduce. The most effective measurements can be made once baseline information is collected. Often this baseline information is self-reported data captured through employee surveys and focus groups.



## The Aging of Aquarius: The Baby Boom Generation Matures

### Implications of Demographic Patterns for Work/Life Initiatives

When deciding which work/life initiatives to offer, those initiatives are more likely to be successful when employers give serious consideration to their workforces' particular demographic patterns. Key generational patterns in today's workforce and their possible impact on non-traditional benefits and programs are addressed briefly below in general terms. Of course, each employer's individual workforce characteristics, needs and outlook should be taken into account whenever work/life initiatives are considered.

- **The Baby Boom** The baby boom is the highly influential population explosion that began in 1946 and is often described as ending in 1964. According to that definition, this year, the oldest baby boomers will turn 55 and the youngest will turn 37. Clearly, they are a diverse group. Although most boomers welcome financial assistance as a work/life benefit, their focus tends to differ according to which end of the boom they represent: Older boomers may be most interested in information about pre-retirement planning and financing their children's college education while younger boomers may welcome help in purchasing a home. The needs of boomers of all ages tend to intersect when they have caregiving responsibility for both children and parents. These "sandwich" boomers share an interest in dependent care benefits and programs.
- **Generation X** Generation X is generally defined as the population born in 1965 through 1979. Members of Generation X (or "Gen-Xers") represent the "baby bust" that followed the baby boom. Gen-Xers, who are starting to build their careers, tend to be in great demand by employers because their numbers are relatively small and, consequently, competition for them is intense. Self-sufficiency, health-consciousness, concern about the future, interest in volunteerism and a desire to see their contributions recognized immediately are among the characteristics attributed to Generation X. Corresponding work/life initiatives might be educational assistance, fitness centers, wellness programs, telecommuting, financial

planning, reward and recognition programs and time off for community service. Of course, Gen-Xers with children will have an interest in parental leave and other family-friendly options.

- **Generation Y** Most of its members are only in grade school and high school. Its oldest members will graduate from college this year – and, consequently, relatively few of them are in the workforce now, except as interns, summer employees and part-time workers. Nevertheless, Generation Y is already proving to be extremely influential because of its size (more than 82.5 million strong.) Generation Y, which covers those born in 1980 through today, is sometimes also referred to as the "baby boom echo" or the "millennium generation." One distinguishing characteristic shared by members of Generation Y share is a high degree of technological proficiency. The oldest members of this generation tend to look for work that is flexible, satisfying and fun. Among the work/life initiatives that are likely to appeal to these new and future workers are online access to training and benefits and self-directed career development.

For some employers, the generation preceding the baby boom, those who are at or approaching retirement age now, is another very important segment of the workforce. Work/life initiatives that might appeal to these employees include financial planning, legal assistance and leisure consultants.



*The Segal Company has integrated the implications of demographic patterns into its consulting on all employee benefits and human resources issues. Multiple tools can be used to help estimate the short- and long-term effects of these generational trends on each organization. The Segal Company's initiative — called *The Aging of Aquarius: The Baby Boom Generation Matures* — to stress the most immediate concern — is designed to focus on broad demographic trends and assist each client to determine a strategy for dealing with these workforce issues. For more information, please contact your benefits consultant or the nearest Segal Company office. A list of the offices appears on the last page of this Executive Letter. We have also developed a generational approach to work/life initiatives called *Life Stages*™.*

### THE ART AND SCIENCE OF MEASURING ROI FOR WORK/LIFE INITIATIVES

While measuring ROI for work/life initiatives is not straightforward, neither is it impossible. A simple before-and-after comparison, while important, cannot identify the exact source or sources of savings when

many work/life initiatives have been introduced.

In general, employers have the following options for assessing particular benefits and programs:

- ▶ **Analysis of Organization-Specific Data** The effectiveness of some programs can be

measured with great precision by tracking employees or groups of employees that use them. For example, if a company that has had problems retaining new mothers decides to give new mothers the opportunity to telecommute, job share and/or work part time for a period after their maternity leaves end,

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a retention rate for just those employees can be calculated.

- ▶ **Analysis of Program-Specific Data** There are various approaches to calculating ROI for individual work/life initiatives. Many of them are labor-intensive, requiring human resources professionals to identify which financial measurements to use, collect data and complete worksheets. The Segal Company has developed a streamlined solution: a proprietary approach that uses a computer program to calculate and report ROI for one or multiple work/life initiatives. (See the accompanying box for a description.)

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**“Whatever method is selected to measure work/life initiatives should be used consistently over a period of time in order to produce meaningful data and track improvements.”**

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be used consistently over a period of time in order to produce meaningful data and track improvements. To make the process of measuring work/life ROI as manageable as possible, smaller employers may want to focus initially on a single, critical issue (e.g., turnover). The steps include determining the scope of the problem in dollar terms, identifying its causes, introducing a pos-

sible fix and tracking and quantifying the degree of savings.

In addition to reviewing organization-specific statistics produced by measuring, employers may want to collect national benchmark data and consider “soft” evidence of success, such as employee assessments. Together, these factors make up the art and

## The Segal Company's Approach to Measuring Work/Life ROI

To help employers measure the value of their non-traditional benefits, The Segal Company has developed a three-step process called PeoplePayback<sup>SM</sup>. Gathering information is the first step. It includes collecting company-specific data on turnover, absenteeism, health care costs and utilization, as well as statistics on workforce demographics for the company and the country.

The second step measures the value or return on investment (ROI) of non-traditional benefits using a flexible, easy-to-use spreadsheet application called the ROI Calculator. The ROI Calculator is unique because it assigns a dollar value to time saved, improved productivity, reduced absenteeism, increased retention and reduced health and disability costs for individual work/life initiatives and determines the ROI for each of these categories. The ROI Calculator uses a specific set of required organization-specific data, such as compensation cost, annual revenue and utilization of benefits. In addition, it takes into account other important data, including but not limited to average hours worked per week, average unscheduled absences and turnover rate. If an employer does not have this data available, the ROI Calculator uses national averages. The ROI Calculator uses conservative assumptions whenever possible. It can be customized to measure specific programs.

The third and final step focuses on process improvement. Procedures are set up for collecting and monitoring data on an ongoing basis.

science of measuring ROI for work/life initiatives.

## CONCLUSION

Fewer than 5 percent of more than 1,000 employers that participated in a 1999 WorldatWork<sup>2</sup>/Segal Company survey attempt to link their work/life programs to measures of employee performance, such as improved employee productivity, company profitability or customer satisfaction.<sup>3</sup> That is expected to change as employers realize that “hardening” soft programs can help create the business case for, and demonstrate the ongoing value of, work/life initiatives.

<sup>2</sup> WorldatWork was formerly known as the American Compensation Association.

<sup>3</sup> To order a copy of the WorldatWork/Segal Company *Survey of Performance-Based Work/Life Programs*, please visit The Segal Company’s Web site — [www.segalco.com](http://www.segalco.com) — or fax your request to Kara Jackson, Public Affairs Department, (212) 251-5490.

## “Ideally, work/life initiatives should be strategically aligned with business goals”

Ideally, work/life initiatives should be strategically aligned with business goals (e.g., to become an “employer of choice,” to be responsive to customers or to increase shareholder value), which not only differ from company to company but also may change over time within an organization. Measurement can help underscore the connection, whatever it may be, and determine success.



*For more information on, or assistance with determining the bottom-*

*line impact of work/life initiatives, contact your benefits consultant, the nearest Segal Company office or Richard Federico, vice president and leader of the Work/Life Practice, Human Resources Innovation Practice, at (212) 251-5175 or by E-mail: [rfederico@segalco.com](mailto:rfederico@segalco.com).*

### The Segal Company is pleased to announce the following:

- ▶ On December 7, 2000, Howard Fluhr, our company’s President and CEO, was installed as Chairman of the Employee Benefit Research Institute (EBRI). Mr. Fluhr served as Vice Chairman of EBRI since January 1, 2000, and has been a member of its Board of Trustees for several years. EBRI is a nonprofit, nonpartisan organization established in 1978. The mission of EBRI is to contribute to, encourage and enhance the development of sound employee benefit programs and sound public policy through objective research and education. The Segal Company is a founding member of EBRI. Our retired Chairman, Robert D. Paul, also served as Chairman of EBRI.
- ▶ The Segal Company has acquired Marjorie Gross & Company, Inc., an employee benefits and human resources communications consulting business. Marjorie Gross & Company is a division of The Segal Company.

## THE SEGAL COMPANY

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