Human Resources Programs & Business Climate Survey Results

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The Smaller Business Association of New England (SBANE) and Insight Performance, Inc. are pleased to present the results of our fifth small business survey together, The Human Resources Programs & Business Climate Survey. This survey was conducted in December 2015 to identify trends regarding business conditions, hiring, and employee benefits and programs. We hope this summary report, which offers key highlights of the findings, will help with your 2016 business and Human Resources planning.

**Overall Highlights and Trends:**

In 2011, Insight and SBANE launched our annual Business Outlook Survey. Now in its 5th year, we’ve been able to follow the economic changes and their affect on how businesses address their human capital. Most recently, in the last two years, the trend has been slow and cautious growth as employers become more positive about their outlook and reflect that optimism in their approach to compensation and benefits. For 2016, we’re starting to see this trend level off slightly to more of a “slow and steady” growth.

As you review this data, it may be useful to use it as you plan your 2016 Business and Human Resources Strategy. Specifically:

- Review your programs and budgets to those outlined here to get an idea of the market.
- Consider an Employee Opinion Survey to better understand your specific employees’ morale with respect to these areas.
- Set HR goals that are directly tied to the business.
- Communicate the “state of the business” with employees. Transparency is a great way to engage employees with the business.

We hope that this survey is helpful in providing you with valuable information regarding smaller organizations’ business strategies and human resources programs as we head into 2016.

Please feel free to contact Insight at (781)326-8201 or hrsolved@insightperformance.com with any questions you may have.

**Data Sections:**

**Section 1:** Current Business Conditions

**Section 2:** Compensation

**Section 3:** Employee Benefits
Data Scope:

Number of Employees:

- 19% < 5 employees
- 9% 5 - 10 employees
- 8% 11 - 25 employees
- 17% 26 - 50 employees
- 27% 51 - 100 employees
- 20% > 100 employees

Industry Sector:

- 27.6% Biotech/Pharmaceutical/Life Sciences
- 19.5% Financial Services/Bank/Venture Capital
- 14.9% High-Tech/Computers/Software
- 5.7% Manufacturing
- 4.6% Healthcare
- 3.4% Non-Profit
- 24.1% Professional Services

The data responses for each section are for “all respondents”; as such, data breakouts are not available by any of the scope factors above. Please interpret the following data keeping the above data scope percentages in mind.
Survey Data
Section 1 – Current Business Conditions

Question 1: “Compared to twelve months ago, please indicate your current business conditions.”

- Better than twelve months ago: 40.8%
- Same as twelve months ago: 42.7%
- Worse than twelve months ago: 16.5%

Question 2: “What is your company expecting in 2016?”

- Flat compared to 2015: 69.9%
- Better compared to 2015: 25.2%
- Worse compared to 2015: 4.9%
Question 3: “In 2015, please indicate the employee conditions your company enjoyed. (select all that apply)”
Section 2 – Compensation

Question 1: “During 2016, what is your company planning to do with regard to compensation?”

Question 2: “If you are planning a base pay increase, please select the merit increase budget amount.”
Question 3: “Is your company planning to payout bonuses/incentive compensation (not including commissions) based on 2015 results?”

- 36.6%: Nothing is planned
- 14.9%: Yes, planned based on company performance
- 7.9%: Yes, planned based on individual performance
- 35.6%: Yes, bonuses planned based on a combination of both company and individual performance
- 5.0%: We would like to, but we cannot afford it
Section 3 – Employee Benefits

Question 1: “Do you offer the following health and welfare benefits to employees?”

Question 2: “Do you offer the following programs to employees?”
Please share any additional programs you offer to employees:

- Onsite free gym/exercise access
- Stock options
- Pet insurance
- Long term care insurance
- Supplemental short term disability
- Life critical care insurance
- Cancer care insurance (employer paid)
- Auto/homeowners insurance discount
- Free lunch
- Car
- Free breakfast one day per week
- Free treatments and procedures (business related)

Question 3: How has the Affordable Care Act impacted your decisions about health benefit plan design?

- We have improved our health benefit coverage.
- There has been little to no impact on our health benefit plan design.
- We have reduced our health benefit coverage.
- We stopped offering health insurance coverage.
So What Does This All Mean?

This year’s survey results showed a decrease of 20% in the number of companies expecting a better year than last year. In contrast, the prior two surveys (2014 and 2015), both showed an increase in overall business conditions with companies expecting profits to be better than previous years. In 2015, 61% of businesses were expecting the 2015 year to be better than the previous year and in our current survey, the expectation that 2016 will be better than the previous year fell to 41%. The fact that this result decreased implies that companies are experiencing slowing in their growth and that business is leveling off.

The survey results further support this slowing, showing that a greater number of employers expect business conditions to remain the same (43%) or be worse (17%) in 2016 (versus improving). The good news is that the number of companies reporting expectations that 2016 will be worse than 2015 only increased by 5%.

In terms of business conditions at companies, the biggest increase was in benefits where 61% of employers either maintained or enhanced benefits from last year. This illustrates the importance employers are placing on retaining and valuing their employees. Insight recruiters have documented a shift to a candidate driven market where employees and candidates have the upper hand. Increasing benefits and fringe benefits will help retain high performing employees and candidates. In terms of other conditions, while there was a slight decrease in some of business/employee conditions in 2015, the other most likely conditions remained constant and support slow, steady growth:

- Increases to staff
- Greater number of companies giving merit and incentive based pay increases
- Increase in companies holding office events, such as a holiday party
- Client/customer events

When asked about compensation, results were similar to last year for the number of companies planning pay increases (78%), with fewer companies planning pay cut freezes (3% less). Merit budgets also remained fairly consistent with 63% of respondents projecting a merit increase between 0-3% which is also in line with national merit projections. The biggest change was a 4% increase in companies expecting to give salary increases over 5.1%, emphasizing their need to retain high performers.

Last year’s survey saw a jump in the number of companies planning incentive pay bonuses. While there still seems to be value placed on incentive pay, there was a greater number (13%) of companies reporting no plans for incentive pay in 2016 (37% of companies). Companies that are projecting incentive pay bonuses plan to evaluate incentives based on a combination of individual and company performance goals.

As we saw the last two years, companies understand the value of investing in benefits for their employees as both a retention tool and necessary for compliance with the Affordable Care Act (ACA). The number of employers offering medical and dental benefits to their employees increased further from last year, with fewer than 10% of companies not currently offering medical insurance.

Insight continues to see a trend in companies moving to high deductible medical plans as employers look for creative, tax advantaged vehicles to reimburse employees and share the costs of benefits.
Contrary to what Insight has seen in practice, the survey shows a decrease in companies using Health Savings Accounts and Health Reimbursement Arrangements. The most popular fringe benefits employers are offering are:

- Bereavement Leave
- Company Outing
- Employee Referral Bonus
- Employee Assistance Program
- Telecommuting/Work Remotely
- Paid Maternity and Paternity Leave

Some other newer perks included:

- Pet care/insurance
- Free lunch, food

While the numbers shows a slowing in the growth and steadying of business conditions and compensation, companies continue to thrive and act with fiscal responsibility while valuing and rewarding their employees.