Human Resources Programs and 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 sixth business survey together, *The Human Resources Programs and Business Climate Survey*. This survey was conducted in December 2016 to identify trends regarding business conditions, hiring, and employee benefits and programs. We hope this report, which offers key highlights of the findings, will help with your 2017 business and human resources planning.

**Overall Highlights and Trends:**

In 2011, Insight and SBANE launched our annual Business Outlook Survey. Now in its sixth year, we’ve been able to follow the economic changes and their effect on how businesses address their human capital. In 2014, we started to see a trend towards slow and cautious growth as employers became more positive about their outlook. Over the years, companies have reflected their optimism through their approach to compensation and benefits and their commitment to their employees. The outlook for 2017 continues this growth trend with increasing optimism.

As you review this data, it may be useful to use it as you plan your 2017 business and human resources strategy. Specifically:

- Review your programs and budgets against those outlined here to get an idea of the market expectations.
- Consider an employee opinion survey to better understand your employees’ morale, preferences, and goals.
- 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 report is helpful in providing you with valuable information regarding business strategies, benefits, and human resources programs of New England-based companies as we head into 2017.

**Data Sections:**

**Section 1:** Current and Projected Business Conditions

**Section 2:** Compensation

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

Number of Employees:

- 1 - 5 employees: 4.8%
- 5 - 10 employees: 6.7%
- 11 - 25 employees: 19.0%
- 26 - 50 employees: 17.1%
- 51 - 100 employees: 24.8%
- 100 + employees: 27.6%

Industry Sector:

- Biotech/Pharmaceutical/Life Sciences: 3.6%
- Financial Services/Bank/Venture Capital: 22.9%
- High-Tech/Computers/Software: 16.9%
- Manufacturing: 21.7%
- Healthcare: 6.0%
- Automotive: 18.1%
- Real Estate: 8.4%
- Non-Profit: 1.2%
- Professional Services: 1.2%

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 and Projected Business Conditions

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

- Better than twelve months ago: 56.2%
- Same as twelve months ago: 36.2%
- Worse than twelve months ago: 7.6%

Question: What is your company expecting in 2017?

- Flat compared to 2016: 2.9%
- Better compared to 2016: 19.0%
- Worse compared to 2016: 78.1%
Question: In 2016, please indicate the employee conditions your company enjoyed. (select all that apply)
Question: With regard to human resources, what is your biggest challenge for 2017?

- Compensation: 20.8%
- Insurance costs: 14.6%
- Recruiting: 9.4%
- Retention of Employees: 15.6%
- Legal Compliance: 39.6%
Section 2 – Compensation

Question: During 2017, what is your company planning to do with regard to compensation?

- Base pay freeze: 31.3%
- Base pay cut: 1.0%
- Base pay increase: 71.7%

Question: If you are planning a base pay increase, please select the merit increase budget amount.

- 0-3%: 72.6%
- 3.1-4%: 23.3%
- 4.1-5%: 2.7%
- 5.1% and above: 1.4%
Question: Is your company planning to payout bonuses/incentive compensation (not including commissions) based on 2017 results?

- 39.4% responded Yes, planned based on company performance
- 33.3% responded Yes, planned based on individual performance
- 18.2% responded Yes, bonuses planned based on a combination of both company and individual performance
- 7.1% responded We would like to, but we cannot afford it
- 2.0% responded Nothing is planned
Section 3 – Employee Benefits

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

![Bar chart showing benefits offered to employees]
Question: Do you offer the following programs to employees?

Please share any additional programs you offer to employees:

- New Business Referral
- Flexible Work Arrangements
- Training and Development Opportunities
- Discounts on Company Offered Classes/Programs
- 401(k) Retirement Plan with Safe Harbor Match
- Free Uniforms
- Professional Membership Discounts
- Complimentary Services Offered by Company
- Free Coffee/Breakfast
So, What Does This All Mean?

Growing confidence is the name of the game in 2017. In last year’s survey, we saw a decrease in the number of companies that were doing better than they were in the previous year, indicating slowing growth. When asked that same question this year, the results rebounded and fifty-six percent (56%) of companies are doing better than they were twelve (12) months ago. This signifies that there is optimism and growing confidence.

As companies look to 2017, seventy-eight percent (78%) of the survey respondents expect 2017 to be a better year than 2016. Nineteen percent (19%) of respondents expect business to be flat in 2017, which is down from twenty-five (25%) last year, and only three percent (3%) are expecting this year to be worse than last year. These numbers all indicate that the slow and steady growth we predicted last year will continue into 2017 with budding optimism.

In terms of business conditions, the most significant changes over last year were an eight percent (8%) increase in incentive based pay and a fourteen percent (14%) increase in company events. Companies continue to invest in their employees and are implementing programs to attract and retain their top performers. Other programs remained prevalent, with similar outcomes to last year; results showed eighty percent (80%) of companies hired employees in 2016 and sixty-one percent (61%) maintained or enhanced benefits.

This year’s survey included a new question which asked participants to identify what they felt was the biggest challenge they would face going into 2017. Forty percent (40%) of respondents reported recruiting as their biggest challenge. While no one likes a challenge, this supports the belief that companies will be hiring and confidence is growing. The recruiting challenges can be attributed to low unemployment, a competitive hiring environment in New England, and a tight labor market. Insurance costs and retaining employees were the next big challenges.

When asked about compensation, results were slightly lower than last year. Seventy-two percent (72%) of companies are planning pay increases in 2017, down six percent (6%) from last year. Thirty-three percent (33%) are planning pay freezes which is up nine percent (9%) from last year. At face value, these numbers are concerning and contradict growing optimism. As we look closer at the trend, the results indicate that companies have caught up to the market after tighter compensation budgets of a few years ago, and compensation levels are now leveling off and employers are putting more value into performance with a growing emphasis on incentive pay.

For those companies providing annual merit increases, the majority (73%) of employers are planning increases up to three percent (3%) of annual salary. Twenty-eight percent (28%) of employers are planning increases greater than three percent (3%), down from thirty-eight percent (38%) last year. The decrease in the number of companies expecting to give higher increases shows that companies spent the last couple of years bringing employees closer to market rates. Now that employees have reached market values, employers will focus more on retaining their top performers and paying for performance.

Over the past few years we’ve seen an increase in the number of companies planning incentive pay and bonus programs. This trend continues for 2017 with fifty-nine percent (59%) of employers planning incentive and bonus compensation programs. In 2016, this number was forty-eight percent (48%). Most companies are planning incentives based on a combination of company and individual performance.

Employers continue to put value in their employees’ benefits with even more of an emphasis this year on implementing disability programs for employees. Fifty-six percent (56%) of employers are now offering long-term disability and forty-seven percent (47%) are offering short-term disability to full and part-time employees. These numbers are up over previous years. Life insurance is also a popular benefit with forty-nine percent (49%) of employers offering life insurance to their full-time employees.
The popularity in disability and life insurance correlates to the multigenerational workforce and the implementation of programs which support older employees. In terms of medical insurance, only three percent (3%) of companies are not offering medical insurance to their employees.

The most popular fringe benefits employers are offering are:

- Bereavement Leave
- Company Outings
- Employee Assistance Programs
- Tuition Reimbursement
- Cell Phone/Smart Phone Reimburse

Some other popular programs included:

- Service Anniversary Awards
- Paid Maternity Leave
- Employee Referral Bonuses
- Gym/Fitness Reimbursement

With growth continuing and optimism, 2017 should be a good year for many companies. If you would like additional information or have any questions regarding the survey results, please contact Nancy Saperstone at 781-381-5108 or nsaperstone@insightperformance.com.