
More Large Employers to Restore 401(k) Matches

By Editor Test *Tue, Aug 18, 2009*

But many employees still face smaller raises, lower bonuses and higher health care costs, a Watson Wyatt analyst said.

The number of employers planning to reverse salary cuts and freezes and restore matching contributions to 401(k) plans has increased in the past two months, according to the latest update to an ongoing series of surveys by Watson Wyatt, a leading global consulting firm. Nevertheless, the survey also found that many employers remain concerned about retaining their top performers.

The survey found that 33% of employers that froze salaries plan to unfreeze them within the next six months, up from 17% two months ago. Forty-four percent plan to roll back salary cuts in the next six months, compared with 30% two months ago. Additionally, 24% of employers plan to reverse reductions to 401(k) match contributions in the next six months, versus 5% in June. Watson Wyatt's latest bimonthly survey was conducted in August 2009 and includes responses from 175 large employers.

"Some employers are seeing the light at the end of tunnel and feeling optimistic about the prospect of improved business results," said Laura Sejen, global director of strategic rewards consulting at Watson Wyatt. "However, even as some of the program cuts are rolled back, many employees are facing smaller raises, lower bonuses and higher health care costs."

Findings of Watson Wyatt's Survey of 175 Large Employers

- 33% of large employers that froze salaries plan to unfreeze them in six months, up from 17% in June.
- 44% plan to reverse salary cuts in the next six months, versus 30% in June.
- 24% plan to restore lost 401(k) matches in the next six months, versus 5% in June.
- 66% of respondents that shifted more health care costs to employees won't reverse that decision.
- 40% plan to shift more health care costs to workers. Another 41% of companies expect to raise deductibles, co-pays or out-of-pocket maximums next year.
- 52% worry more about retaining key employees than before the economic crisis.
- 27% think their business results have bottomed out; another 15% think they are at bottom.
- 83% expect more employees to work past their desired retirement ages.
- 43% expect to reduce staff sizes.
- 50% expect more difficulty retaining critical-skill employees, and 46% in attracting them.

The survey found that 66% of respondents that increased the percentage that employees pay for health care premiums do not expect to reverse that decision. Also, 40% of respondents are planning to shift more health care benefit costs to workers by increasing the percentage of premiums they pay. Another 41% of companies expect to increase the deductibles, co-pays or out-of-pocket maximums for their 2010 health care plans.

In addition, a majority of employers (52%) are now more concerned about retaining their top performers and critical-skill employees than they were before the economic crisis hit.

In an effort to keep employees engaged, 83% of employers have increased communication and 40% have held additional employee forums such as town halls or other interactive sessions to address economy-related concerns.

While almost half (47%) have changed employee roles to expand responsibilities, a far smaller number is expanding the use of recognition programs (27%) or creating special compensation programs for high-performing or at-risk employees (18%).

“Even as employers look ahead to an eventual economic recovery, they still face many challenges, such as the potential disengagement of top performers,” said Brian Wilkerson, global director of talent management at Watson Wyatt.

“Employers can manage this to some extent not only by effectively communicating with employees, but also by ensuring that they are rewarded for the job that they do—in particular taking into account how that job might be changing in the current environment.”

Other findings:

- The survey found that almost three in 10 (27%) think their company’s business results have already bottomed out, and a further 15% think they are currently at bottom.
- Looking ahead three to five years, 83% expect to see an increase in the number of employees working longer, past their desired retirement ages, and 43% of employers expect to see a reduction in staff sizes. Half also expect to see an increase in the difficulty of retaining critical-skill employees, and 46% in attracting them.
- More than a third of employers have noticed an increase in the number of employees taking hardship withdrawals (36%) and loans (37%) from their 401(k) and 403(b) plans in the last two months.