In Tight Labor Market, Employers Urged To Rethink Compensation Strategy

Traditional employee compensation plans find themselves challenged as competition for talent increases. Elliot Dinkin of Cowden Associates, advises employers to develop alternative approaches to total compensation.

(Pittsburgh, PA) January 14, 2020— In November of 2019, according to the U.S. Bureau of Labor Statistics, the unemployment rate in the U.S. reached 3.5%, an 18-year low[1], while the number of job openings in the country rose to 7.267 million.[2] Meanwhile, a new report from ADP Research Institute show that employee turnover is averaging 60% annually in the U.S., with even higher rates in certain industries.[3] "In today's competitive market, employers need to pay close attention to their employee retention rates" says Cowden Associates CEO Elliot Dinkin, a nationally known expert in actuarial, compensation, and employee benefits issues. "A high turnover and job vacancy rate can negatively impact a company's ability to improve revenue and margins, smoothly adapt to technological change, and remain competitive in its market."

An often-cited factor in today's high employee turnover rate is generational behavior; in a recent study by staffing firm Robert Half, 75% of respondents in the millennial (18- to 34-year-old) group said they thought job-hopping would be beneficial to their careers, even in traditionally stable fields like finance.[4] In actuality, however, Department of Labor statistics show very little change in median job tenure with current employer for members of different age groups across 30 years: 1.5 years for 20- to 24-year-olds in 1983 vs. 1.3 years in 2014, and 3.0 years for 25- to 34-year-olds in both 1983 and 2014.[5]

What these figures suggest, says Dinkin, "is that people's attitudes toward their jobs fluctuate with their needs, which tend to change at different points in their lives. Finding ways to accommodate those needs is an increasingly important factor in maintaining workforce stability in today's tight labor market."

Dinkin further explains, "In order to satisfy employees across all generations, it is practical—and smart—to allow employees to choose from a menu of options. Employees with young children, for example, might opt to use more PTO and reduce the level of base compensation. Younger employees might opt to reduce or opt out of medical benefits in exchange for a matching school loan payment. Employees managing their own finances might accept a bare minimum of core benefits and increase pay supplement.
Whatever options are devised, the current one-size-fits-all approach to total compensation will no longer suffice if a company truly wants to become—or remain—an employer of choice. Designing tailored total compensation could be an effective solution to the challenges posed by today's highly competitive labor market."

About Cowden Associates:

Cowden Associates, Inc., headquartered in Pittsburgh, PA, was created in 2001 by the merger of Halliwell and Associates and MMC&P Spectrum Benefits, which was founded by Jere Cowden in 1986. Currently led by President & CEO Elliot Dinkin, Cowden Associates specializes in helping corporate clients find the best solutions, both for the enterprise and for its employees, with regard to compensation, healthcare benefits, retirement and pension issues, and Taft-Hartley fund consulting. Winning Workplaces and The Wall Street Journal have recognized Cowden Associates as a "Top Small Workplace," a lifetime designation awarded to the executives for their ability to build and lead savvy organizations. For more information, visit http://www.cowdenassociates.com .

1. "Labor Force Statistics from the Current Population Survey," U.S. Bureau of Labor Statistics, January 6, 2020.
2. "United States Job Openings," Trading Economics, January 2020.
3. Gregory, Ellen, "The Age of Employment Turnover," ADP Research Institute, August 2018.
4. "Changing Jobs: Is It Good for Your Career to Do It Often?", Robert Half, April 5, 2018.
5. "Employee Tenure Trends, 1983-2016," Employee Benefit Research Institute, September 20, 2017.

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Media Inquiries:
Karla Jo Helms
JOTO PR
727-777-5140

Kimberly Zambrello
JOTO PR
727-777-4622
www.jotopr.com