Rigid Compensation Practices May Be Triggering Today's High Turnover Rates

Traditional compensation plans are failing to meet the needs of many millennial and Generation Z employees. Elliot Dinkin of Cowden Associates, urges employers to set aside the cookie-cutter approach and create economic but flexible alternatives.

(Pittsburgh, PA) February 17, 2020—A recent report from ADP Research Institute shows the current average employee turnover rate in the United States is 60%.[1] "One of the most often cited reasons for job-hopping is dissatisfaction with compensation," says Cowden Associates CEO Elliot Dinkin, a nationally known expert in actuarial, compensation, and employee benefits issues. "Many employees, especially in the millennial and Gen Z age groups, feel that their compensation arrangements, while theoretically equitable, are not right-sized to fit their needs."

A major factor in this perceived imbalance, notes Dinkin, is the widespread prevalence of student loan debt. Since 1995, the percentage of lower-income Americans enrolled in college has more than doubled, and is now in par with that of the middle-income group.[2] During the same period, tuition at private American colleges has increased by 129% in constant dollars, and public college tuition has increased 206%.[3] To defray these expenses, students in virtually all income groups have taken out proportionately larger student loans; the current average student debt load in the United States is now $32,731.[2]

And student loan debt is by no means the only economic challenge facing the younger, and thus lower-paid, cohort of today's workforce. Between 1990 and 2018, the average rent for a small house or apartment in the U.S. increased 59% in inflation-adjusted dollars, and the average sale price for a home increased 36%. During the same period, the average salary increased only 24%. [3]

What seems clear from these figures, Dinkin suggests, is that the economic needs of younger employees vary significantly from those of older colleagues who might be free of student debt and well into repayment of a fixed-rate mortgage. Adjusting overall compensation offerings to provide affordable, equitable ways to help younger employees meet those needs will be increasingly important to any company seeking to become—or remain—an employer of choice.

"In order to satisfy employees across all generations," says Dinkin, "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. Employees dealing with sizable student debt might opt to reduce or opt-out of medical benefits in exchange for a matching school loan payment. Whatever options are devised, the current one-size-fits-all approach to total compensation will no longer provide the kind of stable, highly trained workforce needed in today's competitive environment."

About Cowden Associates, Inc.:
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

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