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## Communication Plays Critical Role in Improving Retention Power of Health Benefits

WASHINGTON, February 23, 2005 – How well a company communicates the value of its health benefits can do more to retain top-performing employees than the actual richness of the benefits themselves, according to a new analysis by Watson Wyatt, a leading human capital consulting firm. Additionally, companies that cannot hold their health care budgets down as a share of total compensation have higher turnover rates for top performers.

In its analysis, Watson Wyatt found that, among employers that offer rich benefits but have poor communication strategies, the average turnover rate is 17 percent for top-performing employees. Among employers that offer less costly benefits but have effective communication strategies, the average turnover rate is 12 percent among top performers. Supplementing rich benefit programs with effective communication practices yields employers an even lower average turnover rate of only 8 percent for top performers.

These findings correspond with the results of Watson Wyatt's WorkUSA® 2004 study. Only 22 percent of surveyed employees at organizations that poorly communicate the value of their rich benefit programs are satisfied with their benefit package. Conversely, 76 percent of employees at organizations that effectively communicate the value of less rich benefit packages are satisfied. The effectiveness of the communication about the value of the benefits is clearly the determining variable – not the richness of the benefit package itself.

"The results really drive home the fact that effective communication is vital for employers if they want to see returns on their health benefit investments and retain top talent," said Kathryn Yates, global director of communication consulting at Watson Wyatt. "Employers can spend huge sums of money on benefits, but if their employees aren't aware of the cost or don't appreciate the value of the benefits, they aren't going to see a return on their investment."

Furthermore, the analysis suggests that, as the increasing costs of health benefits crowd out cash wages, turnover rates for top-performing employees increase. Among companies whose health benefits account for more than 14 percent of their employees' total compensation, the average turnover rate is 12.5 percent among top performers. But among companies whose health benefits account for less than 10 percent of their employees' total compensation, the average turnover rate is only 8.8 percent. Companies that participated in the study spend, on average, 11 percent of their total compensation budgets on health care benefits.

"As salary budgets continue to be squeezed by the rising cost of health benefits, it's essential that employers couple effective benefits communication with longer-term strategies – such as health management and consumer-driven health plans – to control health care costs," said Yates. "If employers attempt to offset rising health benefit costs by continually cutting back on other forms of compensation, their turnover rates – especially among top performers – will really take a hit."

### About Watson Wyatt Worldwide

Watson Wyatt Worldwide is one of the world's leading human capital consulting firms, providing services in the areas of employee benefits, human capital strategies and related technology solutions. The firm is a global alliance between U.S.-based Watson Wyatt & Company, a publicly traded company (NYSE: WW), and U.K.-based Watson Wyatt LLP, a privately held, limited-liability partnership. Together the companies operate as Watson Wyatt Worldwide, with more than 5,900 associates in 88 offices in 30 countries. Corporate offices are in Washington, D.C., and Reigate, England.

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