Compensation has been pivotal in the employer-employee relationship since the onset of the Industrial Revolution. What has changed in recent years is the nature of compensation—a mixture of salary, bonus, and benefits—and the importance today’s workers place on each component. Small and midsize businesses (SMBs) face unique challenges on this front.

“Since the pandemic, more workers recognize how fragile health can be and now place more value on health care benefits, mental health support, and schedule flexibility,” says Tina Wang, division vice president of HR for ADP’s small and midsize business services and Canada. “Small businesses cannot always compete on salary alone, so offering and advertising all the components of your compensation and benefits package in job posts can help to differentiate you in a still-tight job market.”

Rising employee expectations
The tight labor market and high inflation are driving higher employee expectations when it comes to benefits, particularly for SMBs struggling to recruit and retain new talent, says Don Baylor, head of worker solutions at Lafayette Square, which provides financing and services to mid-market companies.

“Since 2020, nearly 80 percent of workers have higher expectations of their employers,” Baylor says, citing research by Benefex, which also found that 92 percent of employees now say that well-being is important to them when choosing a new employer. “Ease of access and ease of use should be top considerations when considering which employee benefits to deploy.”

Flexibility is a key consideration for SMBs in their efforts to recruit top talent. According to ADP’s Commercial Insights Market Pulse Survey, more than half of businesses with fewer than 50 employees report that flexible work hours and schedules are the most important benefits in attracting and retaining workers.

“Offering paid time off is highly valued and helps workers be more refreshed for the job,” says Matt Farwell, senior vice president and general manager of small business services at ADP. “And the ability for employees to quickly request time off, change shifts with another employee, or manage pay or personal information on a mobile app is another convenience today’s workers have come to expect.”

Balancing pay and benefits
A winning compensation strategy involves more than the sum total of its parts. “The challenge is how employers find a balance between competitive pay and providing a flexible benefits package that meets the needs of each employee,” says Hannah Yardley, chief people officer at Achievers Workforce Institute. “A sense of belonging is paramount and is the main driver of employee engagement, retention, and productivity.”

SMBs competing for top talent can boost their odds by tapping the expertise of third-party experts, such as a payroll services provider. “First, small business leaders should confirm if their compensation packages are competitive for both the job title and the local area,” says Jim Sperduto, president of ADP’s small business, retirement, and insurance services, noting that ADP provides its clients with access to an exclusive and regularly updated salary benchmarks tool to help in that effort. “Then they can highlight offerings unique to their size and culture to attract talented candidates who prefer a smaller workplace.”

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