



# HR Practices Report



2019 is Set to Challenge Even  
the Strongest HR Professionals

**2018-2019**

## 2019 is Set To Challenge Even the Strongest HR Professionals

Pay Equity, the Paid Family Medical Leave Act, the first of five-consecutive annual minimum wage increases, low unemployment and the continuing escalation of health care costs in Massachusetts will stretch the capacity of even the best HR departments. What can an employer do? Employers are encouraged to integrate their compensation, benefits, and recruitment strategy that establishes them as an employer of choice in this new regulatory environment.

Despite a recent decrease in confidence in the Massachusetts economy, employers report plans for higher annual salary increase budgets, the same or higher level of recruitment activity, and lower health-care increases for 2019. With unemployment trending down, and the January 1, 2019 minimum wage increase, HR professionals across the state will continue to face new challenges. They'll need to stretch payroll budgets, attract, retain, and reward top talent, and comply with new and existing requirements across the entire HR spectrum.

Participants project a 2.86 percent salary increase budget, up from a 2.66 in the prior year. Even after a re-alignment with salary trends over the past ten years, projected salary increase budgets in the AIM HR Practices Survey still have not broken through the 3.0% barrier since prior to the economic downturn in 2008. National salary increase projections have increased slightly to 3.2%.

Survey participants also project an increase in recruitment activity in 2018. Last year, 33% of participants projected that recruitment activity would increase over the previous year. This year, 42% of participants reported they are experiencing an increase in recruitment activity.

In direct contrast to last year, these higher projections for salary budgets and recruitment activity come at a time of decreasing confidence in the economy, as measured by AIM's Business Confidence Index. The Associated Industries of Massachusetts Business Confidence Index (BCI) lost 1.6 points to 61.0 in October, the fourth decline in the last five months. The reading remains well within optimistic territory, but the BCI now sits 1.7 points lower than its level of a year ago and at its lowest point since May 2017.

According to Raymond G. Torto, Chair of AIM's Board of Economic Advisors (BEA) and Lecturer, Harvard Graduate School of Design, "Fears about slowing growth, trade wars and rising interest rates buffeted financial markets this month, and some of those same fears, combined with an increasingly acrimonious mid-term election, affected employers as well."

Survey participants report lower rates of increase to insurance premiums for their offered health plans than they did in 2017. Rates of increase for HMOs and Tiered Networks dropped by 2 per-

centage points and 3 percentage points respectively. Perhaps this downward trend is the result of plan design changes which include increasing deductibles and co-payments and limiting eligibility of spouses with access to another health care plan. Eight percent of respondents report they prohibit spouses from enrolling in health care plans if they have access to coverage from their own employer and another five percent are considering a shift to this practice.

Forty-nine percent of employers offer a cost-containment plan to their employees, either as a sole option or in combination with a traditional health plan. The number of companies offering only traditional plans continues to decrease from a recent high of 61% in 2016 to 51% in 2018.

Survey participants also commented on their compliance activity in regard to the Massachusetts Pay Equity Act. This law, which took effect on July 1, 2018, creates a potential liability for employers that pay different rates to men and women who perform comparable work. Employers that perform a self-evaluation to identify and remove gender-based pay inequities can maintain an affirmative defense to employee claims under the act. However, successfully performing a self-evaluation requires an investment in time and resources to build a compliant compensation process.

In response to the July 1, 2018 deadline for completing a self-evaluation and implementing remedial actions to secure the affirmative defense, 56% of survey respondents state that they have completed the self-evaluation. Of the companies who completed their own self-evaluation, one-third used the MA Attorney General's calculator and the remaining two-thirds used a different method to evaluate their data.

Questions related to company diversity and philanthropy initiatives were introduced to the HR Practices Survey this year. While 58% of respondents reported no specific diversity initiatives, those that did, include diverse employees in the recruitment process, establish branding that reflects their commitment to diversity, require search firms to present a diverse pool, post openings on diversity websites and/or source candidates through diversity organization affiliations. Additionally, diversity training, while up 3% over last year, continues to be reported at less than 20%. Sixty-eight percent of respondents report engaging in some type of philanthropy activity including providing matching gifts to charitable organizations, allowing employees to take time off to volunteer and organizing in-house volunteer activities.

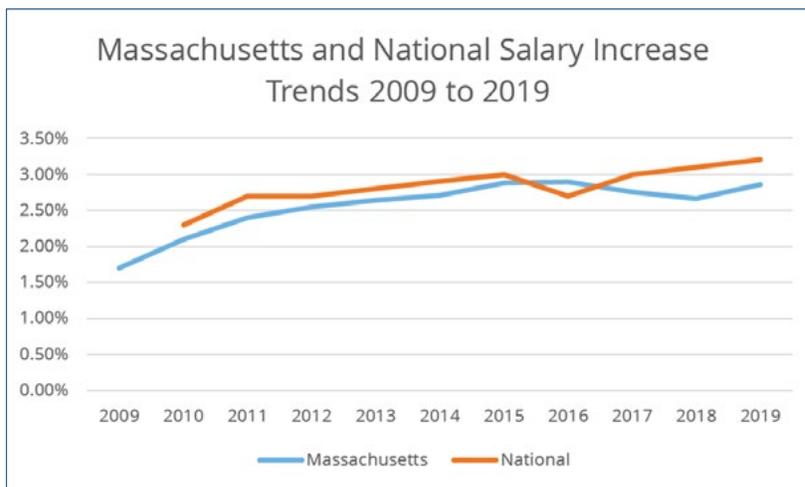
AIM's 2018 HR Practices Survey includes companies from manufacturing, retail, high-tech, financial services, health-care, and other industry sectors.

Survey participants maintain a positive outlook for 2019, despite some recent weakening, with 83% rating their business conditions as either excellent or good.

## Compensation Practices

One-third of survey participants have planned their salary increase budget for 2019. Salary increase budgets for 2019 are projected at 2.86 percent, up from 2.66 percent in 2018 and reversing the slight downward trend over the past two years.

The minimum wage in Massachusetts increased to \$11.00 an hour effective January 1, 2017 and will increase again on January 1, 2019 to \$12.00 an hour. This is the first in a series of five annual increases in minimum wage planned through 2023. Employees currently earning wages under \$12.00 per hour will need to be brought up to the new minimum effective January 1, 2019. Coupled with an unemployment rate that is at record low levels and the potential need to execute salary remediation as a result of pay equity self-evaluations, this may have an impact on overall salary increase budgets. The dollar amount allocated for annual increases may be adversely impacted by equity adjustments and strategies to attract and retain talent.



*Includes companies reporting a 0% merit increase. National projections are based on reports by World at Work.*

2019 Projected salary increase by industry					
Industry	<2.5%*	2.5%–2.99%	3.0%	>3.0%	Average 2019 Projected Increase
Manufacturing (n = 39)	13%	8%	66%	13%	2.90%
Non-manufacturing (n = 5)	20%	0%	80%	0%	2.80%
Service (n = 14)	21%	7%	43%	29%	2.65%

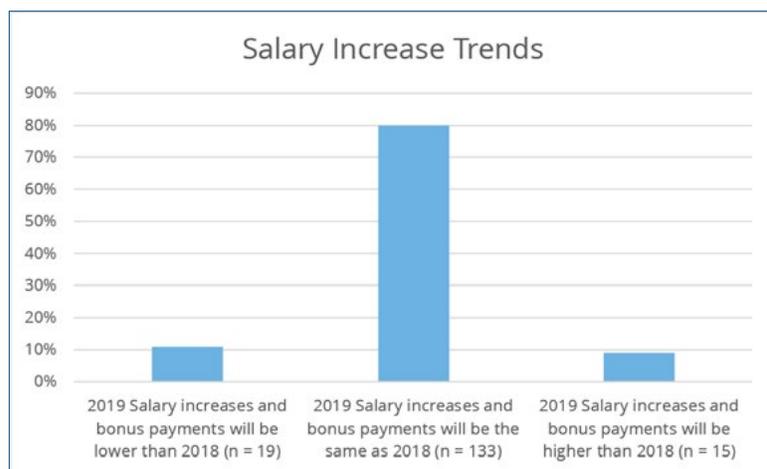
\*Data includes companies reporting a 0% merit increase.

For 2018, the average merit increase excluding companies reporting a 0% merit increase is 3.01%.

### Key Findings

- The 2019 projected increase for non-manufacturing companies (including construction, high tech, retail, and transportation) is 2.80% which is back in line with what companies projected for 2017 (2.78%). This is an increase from 2.43% projected for 2018.
- The service industry reports a slight decline in the overall projected increase from 2.72% for 2018 to 2.65% for 2019.
- All industries report more increases in the 3.0% or higher range.

## Salary increase and bonus payments compared to prior year



## Pay Equity

In August 2016, Governor Baker signed the Massachusetts Pay Equity Bill. The law, which became effective July 1, 2018, prohibits employer discrimination in any way on the basis of gender in the payment of wages, or pay for any person in its employ at a salary or wage rate less than the rates paid to its employees of a different gender for comparable work.

The more significant aspects of the law include the following:

- Equal pay for “comparable” as opposed to “equal” work
- “Comparable work” defined as work requiring the same skill, effort, and responsibility performed under the same working conditions
- Identification of six factors upon which an employer can justify variations in wages
- Opportunities for employers to gain a defense against actions by performing self-evaluations to identify variations in wages and implementing steps to remove them
- Pay transparency requirements prohibiting adverse actions to employees asking about or sharing pay information
- Limitations on pre-employment inquiries on an applicant’s pay history

As the law became effective on July 1, 2018, organizations have begun to evaluate their current pay practices and, if necessary, plan to remedy gender-based pay differentials.

- In 2018, 56% of 172 respondents reported that they have completed their own self-evaluation of pay practices, while another 9% reported that they completed an evaluation using the services of a 3rd party provider.
- Of the ninety-six companies who completed their own self-evaluation, one-third used the MA Attorney General’s calculator and the remaining two-thirds used a different method to evaluate their data.

## Minimum Wage

On June 28, 2018, Massachusetts Governor Charlie Baker approved a new law that will increase the minimum wage over the next five years while also reducing the Sunday pay rate for retail employees.

The minimum wage will increase as follows:

January 1, 2019	\$12.00/hr.
January 1, 2020	\$12.75/hr.
January 1, 2021	\$13.50/hr.
January 1, 2022	\$14.25/hr.
January 1, 2023	\$15.00/hr.

Massachusetts law currently requires retail establishments to pay employees at the rate of time-and-a-half for work performed on Sundays. Under the new law, the Sunday pay rate will gradually be reduced over the next five years until it is eliminated on Jan. 1, 2023. The first decrease will take place Jan. 1, 2019.

The Sunday rate for retail employees will be calculated as follows:

January 1, 2019	1.4 x the regular hourly rate
January 1, 2020	1.3 x the regular hourly rate
January 1, 2021	1.2 x the regular hourly rate
January 1, 2022	1.1 x the regular hourly rate
January 1, 2023	no additional rate for retail work on Sundays

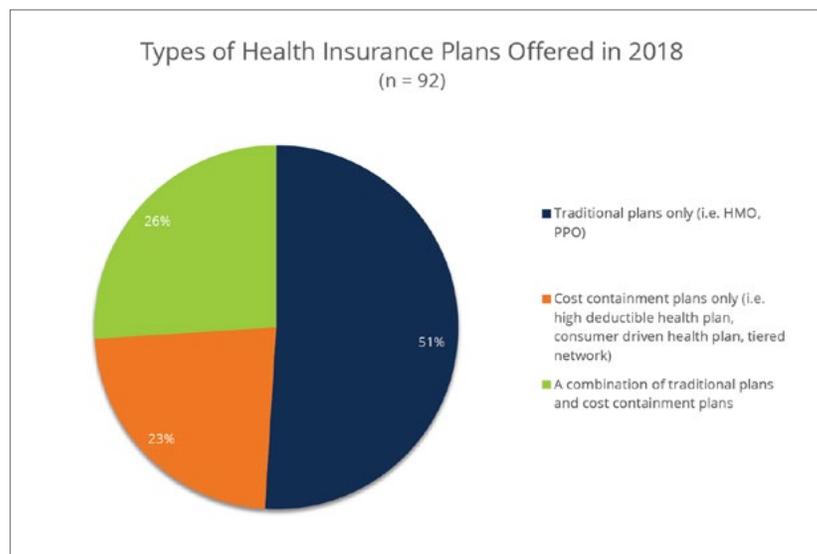
## Health Care—Health Insurance

Ninety-nine percent of 173 respondents in the 2018 AIM HR Practices Survey offered health insurance to their employees. This is consistent with the offer rate in prior years.

- 42% offered one plan
- 49% offered two plans
- 6% offered three plans
- 2% offered four plans
- 1% did not offer insurance

Employers remain committed to controlling health care costs and have changed their plan offerings to reduce costs for both the employee and employer. Traditional plans include health maintenance organizations (HMOs) and preferred provider organizations (PPOs) with lower deductibles and out-of-pocket expenses. Cost-containment plans are high-deductible health plans (HDHPs) that meet the minimum deductible levels as set forth in the following table.

Contribution and Out-of-Pocket Limits for High-Deductible Health Plans and Health Savings Accounts			
	For 2018	For 2019	Change
<b>HDHP minimum deductibles</b>	Individual: \$1,350 Family: \$2,700	Individual: \$1,350 Family: \$2,700	no change no change
<b>HDHP maximum out-of-pocket amounts (deductibles, co-payments and other amounts, but not premiums)</b>	Individual: \$6,650 Family: \$13,300	Individual: \$6,750 Family: \$13,500	Individual: +\$100 Family: +\$200
<b>HSA contribution limit (employer + employee)</b>	Individual: \$3,450 Family: \$6,900	Individual: \$3,500 Family: \$7,000	Individual: +\$50 Family: +\$100
<b>HSA catch-up contributions (age 55 or older)</b>	\$1,000	\$1,000	No change



Types of health insurance plans offered compared to previous years

Type of plan	2015	2016	2017	2018
Traditional plans only (i.e., HMOs, PPOs)	60%	61%	58%	51%
Cost-containment plans only (i.e., HDHPs, consumer-driven health plans, tiered networks)	9%	12%	16%	23%
A combination of traditional plans and cost-containment plans	31%	27%	26%	26%

Types of health insurance plans offered by employer size

Type of plan	Fewer than 20	20-50 (n = 44)	51-100 (n = 37)	101-249 (n = 42)	250-499 (n = 17)	500-1,000 (n = 10)	More than 1,000 (n = 2)
Traditional plans only (i.e., HMOs, PPOs)	58%	52%	43%	48%	41%	20%	*
Cost-containment plans only (i.e., HDHPs, consumer-driven health plans, tiered and limited networks)	21%	16%	11%	4%	12%	0%	*
A combination of traditional plans and cost-containment plans	21%	32%	46%	48%	47%	80%	*

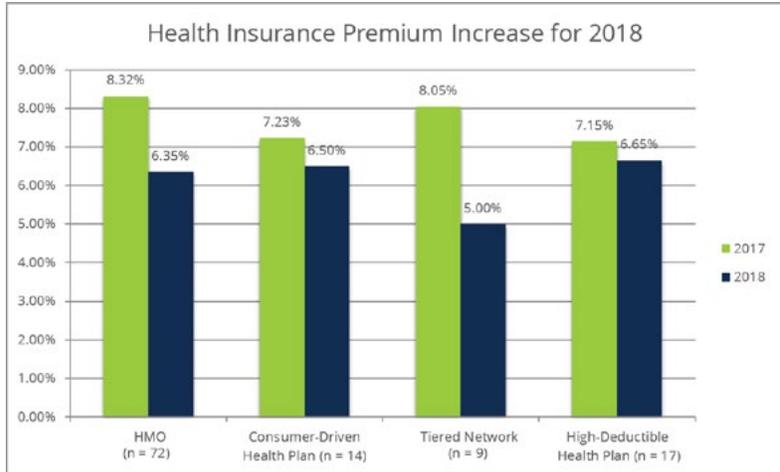
\*Fewer than five responses.

**Key Findings**

- Employers with less than 20 employees are more likely to offer a traditional plan than companies with 20 or more employees.
- Employers with 50 or more employees are more likely to offer a combination of traditional plans and cost-containment plans than smaller organizations.

### 2018 Average Health Insurance Premium Increase

Companies are reporting lower insurance premium increases for all plan types in 2018 with the lowest increase reflected in tiered networks.



Employer contribution to health insurance premium based on plan type and tier				
Type of plan	Employee only	Employee + one	Employee + children	Family
HMO (n = 62)	68%	60%	61%	61%
Consumer Driven Health Plan (CDHP) (n = 14)	77%	76%	75%	75%
Tiered Network (n = 10)	69%	73%	79%	73%
High Deductible Health Plan (n = 13)	71%	69%	69%	71%

#### Key Findings

- As employers encourage cost-containment strategies, the employer contribution towards HDHPs and CDHPs outpaces the contribution toward traditional HMOs for all tiers of coverage.

## 2019 Plan Design Changes

Companies make decisions each year regarding plan changes, cost-shifting strategies, and cost sharing. By plan type, the percentage of companies planning to make plan design changes is listed below:

Percentage of companies planning to make changes by plan type			
Plan change	HMO (n = 42)	HDHP (n = 12)	CDHP (n = 8)
Increase co-payments	48%	58%	13%
Increase deductibles	33%	67%	38%
Increase employee cost	55%	42%	75%
Increase out-of-pocket expenses	31%	33%	25%
Increase in-network deductible	10%	17%	0%
Increase RX co-payments	24%	25%	38%

Increasing co-payments, deductibles and employee contribution towards the premium continue to be the most common strategies for cost sharing.

Eight out of 97 respondents prohibit spouses from enrolling in health insurance coverage if they have access to coverage through their own employer. Another five respondents are considering this change. This number has steadily increased over the past four years as employers continue to look for ways to save money on health insurance premiums.

## Recruitment

Forty-five percent of 170 respondents are currently recruiting for the same number of positions in 2018 as they did in 2017. Another 42% are recruiting for more positions than the prior year.

### The average length of time to fill a vacancy:

Length of time	Percentage
Fewer than 30 days	26%
31 – 60 days	54%
61 – 90 days	15%
More than 90 days	5%

We regularly hear from employers that recruiting can be a challenge in a tight labor market with historically low unemployment. Eighty percent of respondents report the average length of time to fill a vacancy is less than 60 days. This seems consistent with a national Talent Acquisition Survey conducted by SHRM in 2017 which reported the average length of time to fill a vacancy was 36 days.

### Methods used to source open positions (n = 175)

Method	Percentage	Number
Online Ads (Indeed, Monster, Career Builder, Craig's List)	87%	152
Employee Referrals	84%	147
Use of temp agency for temp-to-perm	58%	101
Social media sites (Facebook, Twitter, LinkedIn)	51%	89
Contingency Firms / Employment Agencies	30%	52
State Agency (Unemployment Office, Future Works)	22%	39
On-line resume databases	18%	32
Print Ads	13%	23

### Online Recruitment Boards

Online recruitment continues to be the preferred method for sourcing candidates. Consistent with the 2017 AIM HR Practices Survey Report, eighty-seven percent of companies (n = 175) report using online recruitment boards. Of those:

- 88% place job postings on Indeed, up from 73% in 2017 and 69% in 2016.
- 24% place job postings on Monster, and 14% use CareerBuilder.

## Social Media

Fifty-one percent of 175 respondents use social media for recruitment. This is a decrease from 60% reported in 2017. Of those companies using social media for recruitment:

- LinkedIn is used by 86% of companies.
- Facebook is used by 51% of companies.

## Referral Bonuses

Nearly half of surveyed companies report offering an employee referral bonus and seventeen percent of companies report offering sign-on bonuses.

Referral bonus offered by employee classification			
Type of Position	Number	Average	Range Paid
Executive	27	\$859	\$200-\$5,000
Exempt	60	\$720	\$100-\$3,000
Non-exempt	64	\$629	\$75-\$3,000
Hourly	63	\$537	\$50-\$3,000

Average referral bonus offered by employer size and employee classification				
Number of companies	Executive	Exempt	Nonexempt	Hourly
20-49	\$550	\$821	\$737	\$316
50-99	\$907	\$633	\$642	\$575
100-249	\$700	\$771	\$644	\$751
250-499	\$620	\$611	\$495	\$400
500-999	*	\$657	\$657	\$600

\*Fewer than 5 responses.

Companies often place restrictions around referral bonuses

- 64% of companies require new employees to remain employed for 60 days before payout.
- 7% of companies require new employees to remain employed for 30 days before payout.
- 16% of companies limit the referral bonus to specific positions within the organization

## Candidate Testing

Thirty-three percent of 175 respondents require candidates to participate in behavioral or skills assessments before making an offer of employment.

Of the fifty-nine companies conducting behavioral or skills assessments, the following tests are conducted:

- 47% conduct ability testing (math, grammar, technical skills)
- 37% conduct behavior/personality testing
- 48% request writing samples for select positions

	Executive	Exempt	Salaried non-exempt	Hourly non-exempt	Based on individual position
Professional reference (n = 160)	70%	68%	58%	43%	26%
Criminal background checks (n = 120)	71%	68%	67%	59%	26%
Social security number trace (n = 88)	74%	73%	67%	60%	28%
Education verification (n = 75)	53%	51%	31%	20%	45%
Driving-record check n = 96)	24%	23%	21%	18%	67%
Credit check (n = 48)	35%	33%	21%	10%	69%

## Reference Checking

Companies more frequently conduct reference checks for executive and exempt employees than for salaried non-exempt and hourly non-exempt positions. Other levels of background checks—including social security number traces, and CORI checks—are consistently applied across all employee classifications. Education verification, driving checks and credit checks are typically based on the requirements of an individual position.

## Flexible Work Arrangements (n = 133)

- 70% of companies offer flexible work schedules.
- 53% of companies offer the ability to work remotely.
- 53% of companies offer the ability to work part-time.
- 20% of companies offer a compressed work week (example: 4 ten-hour days).
- 5% of companies provide for other types of flexible work arrangements.
- <1% of companies offer job sharing

## Training and Development

Enacted in 1998 and financed entirely by employers, the Workforce Training Fund Program (WTFP), through the Commonwealth of Massachusetts, Executive Office of Labor and Workforce Development provide grant resources to Massachusetts businesses to train current and new employees. The WTF grant program is administered by the Commonwealth Corporation.

### Express Grant Program

A company is eligible for an Express Grant if they have 100 or fewer employees in Massachusetts. Grant funds are limited to \$30,000 per company per calendar year, and \$3,000 per employee per course. Approved businesses are reimbursed for up to 50% of the actual training cost. This program is designed for small employers to quickly and easily provide training for employees.

Thirty-six percent of 102 eligible respondents have applied for an Express Grant through the WTFP. Fifty-eight percent of those applications were approved.

### General Grant Program

Training grants are awarded to employers, employer organizations, labor organizations, and training providers. Companies of any size are eligible to apply. Participating employers must contribute to the WTFP. \*

Training grants range up to \$250,000. Grant funds must be matched dollar-for-dollar. Match may include in-kind expenses such as employee wages during training. Training must be completed within 24 months or less.

Applications are accepted on a continuous basis – no deadlines. Grant approval decisions are made in approximately 60 days. Employers may use training providers of their own choice and begin training once a contract is executed. Grants fund the majority of training programs, except those that are legally mandated.

The General Grant Program focuses on the following areas:

- Projects that result in job retention, job growth, and/or increased wages
- Projects through which training would make a difference in the company's productivity, competitiveness, and ability to do business in Massachusetts
- Projects for which the applicant has made a commitment to provide significant private investment in training for the duration of the grant and after the grant has expired

*\*All for-profit and some non-profit organizations contribute to the Workforce Training Fund Program (WTFP) via a surcharge on Unemployment Insurance payments. Visit [wtfp@commcorp.org](mailto:wtfp@commcorp.org) for more details.*

Twenty-three percent of respondents (n = 173) say they have applied for a General Grant. Of the 133 companies that have not applied for a WTFP grant:

- 29% did not know about the program
- 26% felt the application process was too difficult
- 12% did not meet eligibility requirements
- 33% had other reasons, including hesitancy to provide financial data and no need for training

### **Small Business Direct Access Program**

The Small Business Direct Access Program addresses smaller-scale training needs by making training slots available free of charge to eligible businesses.

Businesses with 100 or fewer Massachusetts employees that contribute to the Workforce Training Fund are eligible to access training through the Small Business Direct Access Program.

Businesses should consider the program when:

- The scope and scale of training needs are smaller than what would be proposed in a General Program application.
- Training needs cannot be easily met by a consortium or Express Program grant

### **Preferred Training Methods**

Employers identified the following as their preferred methods of training delivery (respondents could select more than one answer) (n = 165):

- 59% prefer Webinars
- 58% prefer on-site training conducted by a third party
- 55% prefer on-site training conducted by an internal trainer
- 42% prefer self-guided e-learning
- 34% prefer cross-training/mentorship
- 15% prefer public training
- 5% other

Key Findings:

- The number of companies reporting Webinars as a preferred method of training has increased from 50% in 2017 to 59% in 2018.
- Self-guided e-learning has also seen an increase from 36% to 42%.

Reported impediments to offering employee training (n=159)	
Reason	Percentage
Can't afford to take time away from work	69%
Cost of sending the employee to training	35%
Not a priority for the organization	24%
Desired programs are not offered in employer's geographic area	23%
Not sure which programs to send employee to	13%
Desired programs are not offered in employer's geographic area	23%
Other	5%

Training programs conducted in 2018 (n=173)	
	2018
Harassment Prevention	59%
Supervisory Skills	55%
Safety/OSHA	54%
Employment Law Compliance	38%
Software Skills	28%
Customer Service	24%
Interviewing Skills	19%
Diversity and Multicultural Training	17%
Project Management	15%
Implicit Bias	4%

There has been a significant increase in the percent of companies offering harassment prevention and supervisory skills training.

- Harassment prevention training increased from 44% in 2017 to 59% in 2018.
- Supervisory skills training increased from 27% in 2017 to 55% in 2018.

### Succession Planning

Succession planning is the process of identifying key employees to fill critical roles within your organization. Identification of the skills, experience, and training required to meet the needs of a future leadership role are all part of a succession plan.

Twenty-four percent of 175 respondents have a formal succession plan for executive employees. Thirty-two percent have a formal succession plan for management and key contributors and seven percent have a formal succession plan for exempt/non-management employees.

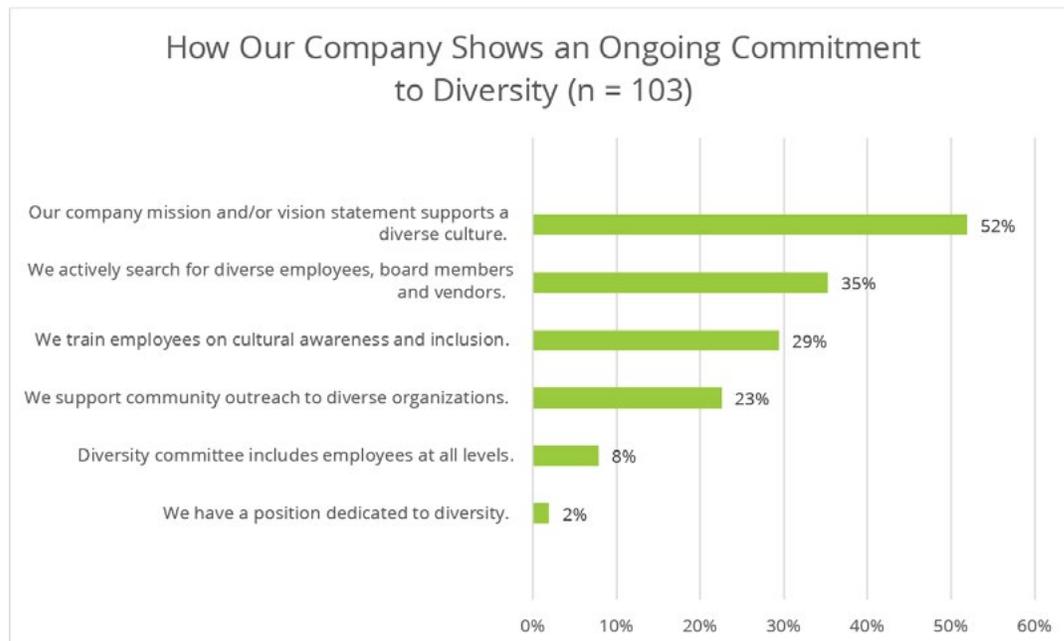
## Diversity

This is the first year that AIM HR Solutions has requested survey responses based on diversity initiatives.

Forty-two percent of 173 respondents report engaging in one or more specific diversity initiatives. Companies employ a variety of strategies to attract diverse candidates to their organization.



Respondents could select more than one response.



## Philanthropy

Companies support social responsibility and philanthropy in a variety of ways (n = 114)	
	Percentage
We organize programs to support charitable donations during work hours such as food drives, clothing drives, and other donations.	60%
Our employees participate in volunteer activities together either during or after work hours (ex. Habitat for Humanity, United Way, Relay for Life)	39%
We match employee gifts to charitable organizations.	27%
We allow our employees to take paid time off to volunteer at a charitable organization.	22%
We have established a philanthropy committee within our organization.	10%

Respondents could select more than one response.

Organizations also show their commitment to philanthropy by making company donations to charitable organizations, listing their favorite charitable organizations on their website, and purchasing tables at fundraising events.

Of the organizations that provide matching gifts, the maximum annual gift match per employees is (n = 27):	
	Percentage
Less than \$50	7%
\$51 - \$100	33%
\$101 - \$250	19%
\$251 - \$500	22%
More than \$500 per year	19%

The amount of time companies allow employees to take to volunteer at a charitable organization each year (n = 24)	
	Percentage
Less than one day (8 hours)	17%
One day (8 hours)	62%
More than one day (8 hours)	21%

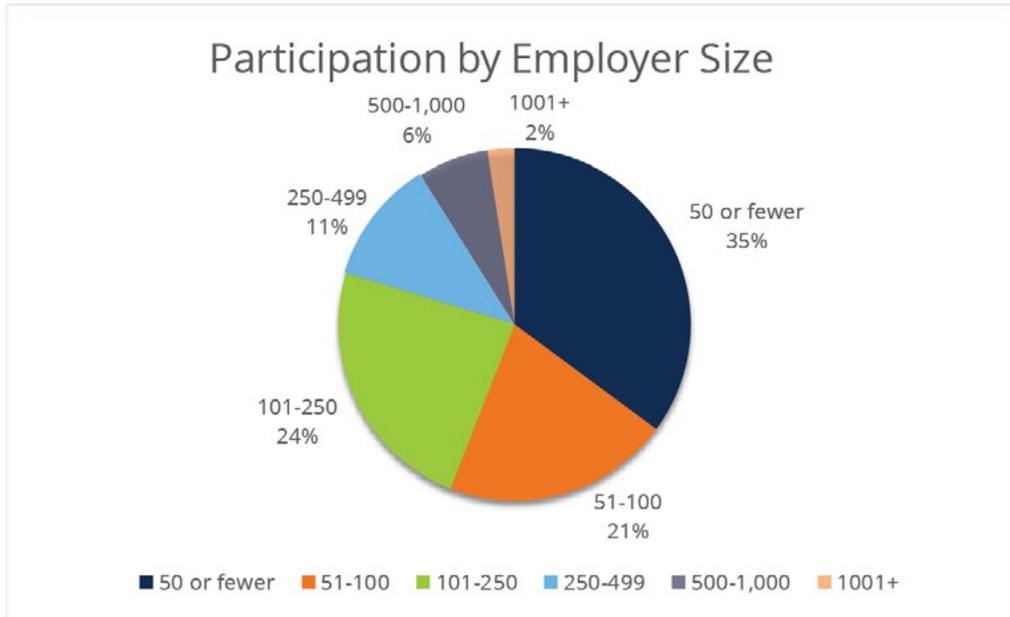
## HR Recordkeeping

Frequency with which companies review/audit/update specific documents					
	Annually	Every 2 Years	After law or regulatory changes	No schedule	Total
Posters*	55%	1%	37%	7%	168
Data Security	39%	4%	17%	41%	167
I-9 Forms (auditing forms only)	37%	8%	20%	35%	171
Employee Handbook	36%	12%	25%	27%	169
Job Descriptions	31%	19%	9%	41%	169
Employee Files	27%	11%	13%	49%	169
Employee Applications	18%	3%	37%	43%	167

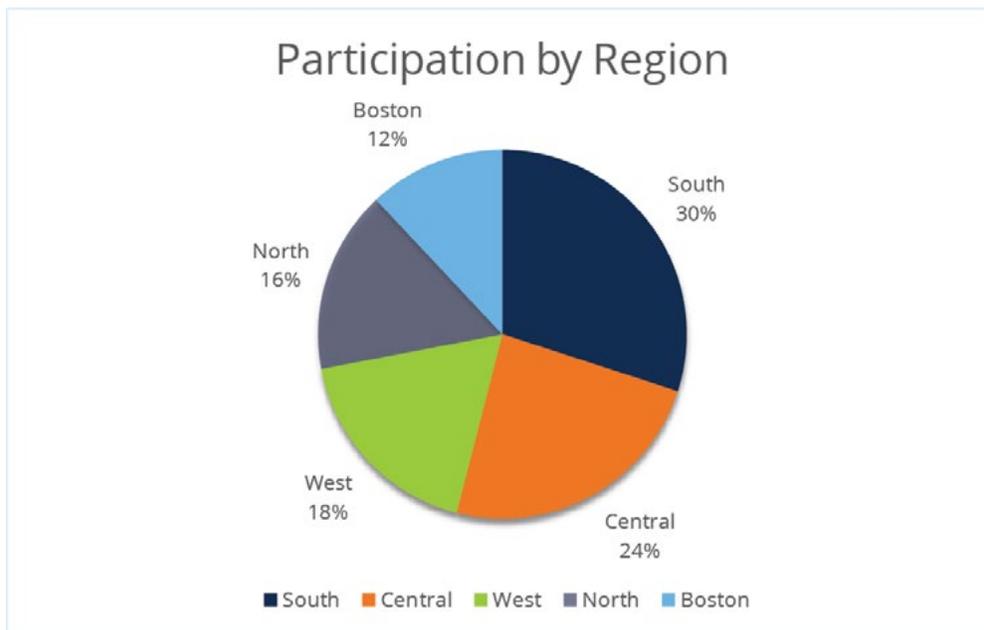
\*Massachusetts employers should note that a new wage and hour poster is now available on the Attorney General's website: ([https://www.mass.gov/files/documents/2018/10/25/WH\\_Poster\\_Oct2018\\_ENG.pdf](https://www.mass.gov/files/documents/2018/10/25/WH_Poster_Oct2018_ENG.pdf))

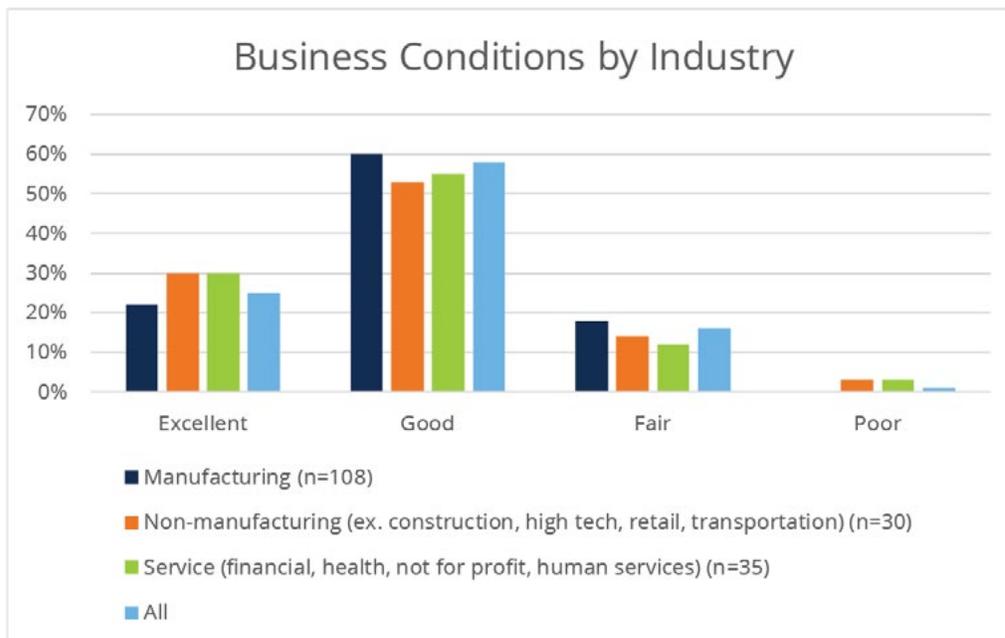
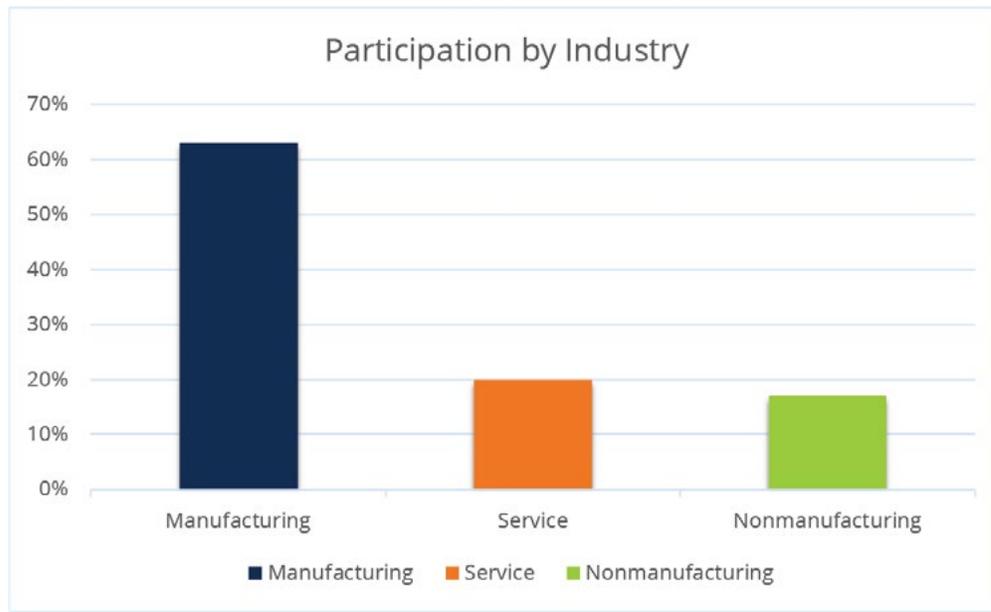
## Survey Participant Demographics

One hundred seventy-five companies participated in this year's HR Practices Survey.



Survey participants are from all regions of Massachusetts.









2018-2019



ASSOCIATED  
INDUSTRIES OF  
MASSACHUSETTS

[www.aimnet.org](http://www.aimnet.org) | 617-262-1180