

# FYI<sup>®</sup> Roundup

## For Your Information<sup>®</sup>

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## Recent Research in HR and Employee Benefits 2017 – Spring Edition

Our spring *FYI Roundup* examines a variety of publications that offer insights, trends and analyses about HR and employee benefits. In this issue, we focus on financial wellness programs, retirement plan distribution choices, and making the best use of HSAs. We also highlight some of the latest technological trends and benefit perks popping up in an increasingly multigenerational workplace, and continue looking at issues specific to Millennials.

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### Employee Benefits

Employee perspectives indicate that benefit programs should transition to meet the needs of a changing workforce. Recent reports have explored the issue, including two from this year's [15<sup>th</sup> Annual U.S. Employee Benefits Trend Study](#) by MetLife that examined the results of over 2,500 interviews with benefit decision makers and employees.

[Work Redefined: A New Age of Benefits](#) – Evaluates employee benefits within the context of changing needs by a changing workforce. Increasingly, mobile technology is driving what work looks like. As lines blur between work and life, employees look to their employers for financial and emotional well-being. Offering tailored choices for a more diverse workforce, as well as expertise, guidance and simplified enrollment processes, are some of the ways employers can address these needs. (MetLife, 2017)

[The Millennial Benefits Perspective](#) – Analyzes younger and older Millennial perspectives on benefits and financial well-being by age group. The survey highlights demographics, like marriage status and living arrangements, and major life events to explain generational differences in benefits decision making. It found that companies made up of 25-50% Millennials were most likely to customize and provide a range of benefits to meet their employees' diverse needs. The survey also examines the trend toward companies with higher populations of Millennials moving benefit selections to exchanges. (MetLife, 2017)



[Benefits Rock, but Money Still Talks](#) – Examines survey data from 100 business managers and owners and 1,000 entry- to mid-level employees to understand how they value certain benefits and workplace perks. The survey concluded that regular bonuses were the most important job incentives, ranking above additional vacation, health and dental insurance, and 401(k) plans. It also found that employees were most willing to give up low-cost benefits, such as product discounts, free snacks and casual dress days, for additional compensation. Variables included benefits offered by company size, age (i.e., generation of worker) and willingness to offer benefits, and importance of perks for employee morale. (Paychex, 2017)

## Financial Wellness

From saving for emergencies to retirement plan decision making, employee financial well-being remains a primary concern for employers and employees alike. New reports and surveys explore various ways in which employers can incorporate changes into the workplace, whether by adding financial wellness programs, or increasing opportunities for education and guidance.

[Liquid Savings of Working Households Ages 50-64](#) – Examines results of several surveys that looked at household ability to cover unexpected expenses. The surveys found that most households were likely to be able to cover the



median cost of an unexpected expense in the \$400 to \$2,000 range, with the exception of households headed by people under 25. While households with high incomes had a larger savings cushion, pre-retirees at all income levels experienced shortfalls, with more than a third having less than \$2,000 in liquid savings. Of that group, black and Latino pre-retiree households had lower liquid savings levels than white households with similar incomes. (AARP, 2017)

[The Guardian Study of Financial and Emotional Intelligence](#) –

Identifies local and global factors influencing American workers and concludes that financial well-being is inextricably linked with life

satisfaction, including work-life balance. While 79% of working Americans surveyed reported serious stress-based concerns – with finances being a major driver, 21% were confident about their current behaviors and future prospects. The study grouped respondents by similar attitudes about life and money, financial decision making, technology, sources of stress, and drivers of happiness without regard to socioeconomic or demographic variables, such as income, education or age. It then identified model behaviors individuals could employ to improve their overall financial and emotional well-being. Key areas for financial improvement included planning, education, ownership and advisor relationships. (Guardian Life, 2017)

[The Power of the Wellness Effect](#) – Highlights the trend toward employer-sponsored financial wellness programs, and the benefits employers enjoy by providing them, such as increased employee productivity, improved workforce and cost management, and optimized investments in employee benefits. The report explores ways employers can implement a program using various tools that motivate employees to adopt the right behaviors and focus on the three foundational elements of financial wellness: managing day-to-day finances, achieving important financial goals, and protecting against key financial risks. (Prudential, 2017)

[Employee Financial Wellness Survey](#) – Tracks the financial and retirement well-being of more than 1,600 full-time employed U.S. adults, and categorizes their views on financial wellness by the following age groups: 21 to 35 (Millennials), 36 to 56 (Generation X) and 57 to 74 (Baby Boomers), as well as by gender. Across all generations,

participants defined financial wellness as freedom from financial stress and debt, enjoying life, and being prepared for emergencies, rather than in terms of retirement. The survey found that student loans and depleted retirement accounts were significant issues for Millennials and Generation Xers, and employees with financial stress are less productive than other employees, impacting employer costs. (PwC, 2017)

[Paycheck or Pot of Gold Study](#) – Analyzes plan participants' decision-making process for taking a lump sum versus an annuity from a DB or DC plan, and evaluates whether individuals' experiences over time met their original expectations. The study found that many participants who chose lump sums over lifetime incomes wanted to maintain control over their money, had other income sources, or thought they could achieve better investment returns. It also found that they were depleting the lump sums too quickly relative to their life expectancy, while those who chose annuities were more confident about their financial security. Insights from this study suggest steps employers can take to ensure that retirement plan participants are able to achieve successful retirement outcomes, including financial literacy programs, education about tax treatment and the effect of longevity on options, and providing various income options. (MetLife, 2017)

## Health

With the changing health care landscape and generational shifts in the workplace, employers are evaluating ways to control costs and keep up demands. Recent research provides some insights into trends and the need for new metrics on health care quality. Making better use of health savings accounts and introducing new technology into the mix are some of the issues evaluated in the current literature.

[Employer Guide to Wearables](#) – Looks at the metrics used by employers in evaluating wellness programs and suggests five factors for employers to weigh when selecting wearable devices, including price, usability, relevance to the overall wellness program, data options, and user community. The report reviews 21 wearable devices based on specific functions and 10 criteria important to employers, and reviews individual products. (Springbuk, 2017)

[Making the Most of Your HSA](#) – Reviews the tax advantages of HSAs, managing HSAs, allocating HSA contributions to investments versus cash balances, and various factors involved in making those decisions. In addition to investment guidelines, specific scenarios based on age and health expenses are provided (Fidelity, 2017)

[Transforming Health Care Quality Measuring and Reporting](#) – Explores key changes employers want to see in health care quality measure. Noting over 6,000 measures in use today, the report suggests that they must be reduced and harmonized to provide value. It calls for a new approach that adds the right measures, focuses on principles over measurement, and promotes innovative collaboration among providers, insurance carriers, and employers to improve quality and advance broader value changes in health care. (American Health Care Policy Institute, 2017)

[State of Employee Benefits](#) – Identifies major themes for the 2017 plan year based on an analysis of 2016 open enrollment choices by employees at over 500 large employers. The report concludes that employees have more health plan choices, even though HDHP plans are increasingly offered; plan participation fluctuates with age; employee costs are up significantly, regardless of plans offered; employees, especially Millennials, are increasing their contributions to HSAs and



FSAs; and more employers are offering voluntary benefits, even though participation has actually fallen. (BenefitFocus, 2017)

## Millennials

With continued focus on an increasingly multigenerational workforce, two new studies looked at issues of particular importance to Millennials that confirmed preconceptions of differences in generational attitudes but found some surprising similarities.

[Millennial Study 2017](#) – Compares the importance of essential elements of the “American Dream,” including housing, career, family, and finances, to Millennials, Baby Boomers, and Generation X. The study breaks down responses specific to Millennials by gender, urban versus rural areas, and in California. While the study concludes that Millennials want more flexibility than prior generations, they are actually very stable. It also found that most Millennials believe the American Dream is still attainable, but only half have plans in place to finance it. (Bank of the West, 2017)

[The Future of Retirement - Shifting Sands](#) – Provides statistical data on key issues related to retirement planning concerns around the world in the context of political, social, economic and technical changes. Issues include the decline of state pensions and social welfare provisions, economic volatility and interest rates, rising health care costs, and longevity. The report also examines Millennials’ retirement prospects and the effect of technology on retirement planning and expectations. (HSBC, 2017)

## Workplace

Who let the dogs in? Long viewed as an incentive to attract and retain employees, pet-friendly workplaces and other pet-related policies tied to company culture are increasing in popularity. Other recent reports look at workplace trends from different perspectives and find room for improvement, both on a broader policy-making level



and a more granular level regarding motivation for taking or leaving a job.

[PAWrometer](#) – Analyzes data from a poll of 1,000 employees and 200 HR decision makers from a mix of company sizes and industries on pet-related policies. More than half of respondents indicated that benefits such as pet-related PTO, pet bereavement and “pawternity” leave are more important than being able to bring pets into the workplace. In general, pet-related benefits and permitting pets in the workplace have a positive impact on employees, and are a major draw for recruiting. Millennials in particular are the most likely employees to

advocate for pet-related policies from their employers or prospective employers. For HR, the biggest challenges of pets in the workplace are distractions and pet-related allergies, which mean developing policies that address separate work areas, implementing air-filtration systems, and requiring pets to be leashed near the employee’s desk. (Banfield Pet Hospital, 2017)

[Making the Workplace Work](#) – Examines workplace trends from the view of chief HR officers at major U.S. companies and finds that many policies are outdated, in light of changes in technology, global competition, and generational expectations. The report recommends regulatory and policy changes on issues related to defining the employment relationship, student loan repayment, scheduling and leave, diversity and inclusion, compensation, health care, workforce development and training, employee representation, retirement, workplace security, and immigration. (HR Policy Association, 2017)



[State of the American Workplace](#) – Identifies workforce issues and trends related to employee attraction strategies, retention and engagement. Areas examined include employee readiness to leave a job, and job attributes that matter most to employees, such as work-life balance, company culture, employee development, job security and stability, flexibility and pay. The report also provides an in-depth discussion of perks and benefits, including those most commonly offered

versus, what employees really want, the gap between offerings and perceptions, and how Millennials' views and needs differ from other generations. (Gallup, 2017. Note: Registration may be required to download the report)

## U.S. Bureau of Labor Statistics Employee Compensation Data

BLS's recent release, [Employer Costs for Employee Compensation](#), provides comparative data on employer costs for wages, salaries and employee benefits in private industry and state and local government in December 2016. Overall, wages and salaries averaged \$23.87 per hour and accounted for 68.4% of total costs, while benefits averaged \$11.03 and accounted for the remaining 31.6%. Total compensation costs for private industry workers averaged \$32.76 per hour worked, while compensation costs for state and local government workers averaged \$47.85 per hour. (BLS, 2017)

The table below shows the relative importance of employer costs for employee compensation as of December 2016 for private industry and state and local government workers:

Compensation Component	Private Industry	State and local government
Wages and Salaries	69.7%	63.0%
Benefits	30.3%	37.0%
Paid Leave	6.9%	7.5%
Supplemental Pay	3.5%	1.0%
Insurance	8.0%	11.8%
Health	7.6%	11.5%
Retirement and Savings	4.0%	11.1%
Defined Benefit	1.8%	10.3%
Defined Contribution	2.2%	0.8%
Legally Required	7.8%	5.6%

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