

FYI® Roundup

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Recent Research in HR and Employee Benefits 2017 - Summer Edition

Our Summer *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, global HR subjects including debunking millennial stereotypes, leadership issues, and workforce trends. Recent research addressing wellness, paid leave, retirement security, workforce and workplace concerns is presented as well as data on why Americans are reluctant to take paid time off. We also highlight the latest data released by the U.S. Bureau of Labor Statistics and the Social Security and Medicare Trustees.

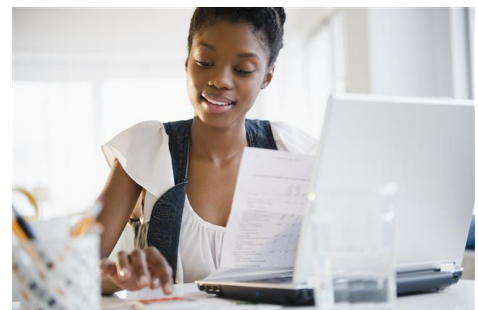
In this issue: [Financial Wellness](#) | [Global HR](#) | [Health Care](#) | [Paid Leave](#) | [Retirement](#) | [Retirement – DC Plans](#) | [Workforce](#) | [Multigenerational Workforce](#) | [Women in the Workforce](#) | [Workplace Issues](#) | [The Multigenerational Workforce and Paid Leave](#) | [Latest U.S. Government Reports](#)

Financial Wellness

Financial wellness remains a hot topic for employers, as concerns about employee financial stress and retirement readiness continue to grow. New research provides a foundation for understanding the impact and benefits of financial wellness for both employers and employees.

[A Financial Wellness Primer](#) – Offers a working definition of financial wellness and surveys growing body of research surrounding these programs. Although financial wellness is a new field, the report concludes that there is evidence that such programs benefit both employers and employees. Topics examined include the role for employers in promoting financial literacy and wellness, costs of a financially unhealthy workforce, productivity gains and ROI, and the value of retirement readiness. (Defined Contribution Institutional Investment Association [DCIIA], 2017)

[Planning & Progress Study - Advisor Advantage](#) – Looks at the impact using a financial advisor has on perceptions of retirement readiness. In a survey of over 2,700 Americans ages 18 and over, with an oversample of 632 interviews with Millennials, findings revealed that 70% of those with a financial advisor felt confident their retirement plan would withstand market cycles, compared to 30% without an advisor. More than three-quarters with advisors viewed themselves as disciplined planners, compared to



41% of those not using an advisor. Increasing use of professional financial advice since 2016 was particularly pronounced among Millennials, rising from 21% to 29%. (The Northwestern Mutual Life Insurance Company, 2017 – Report can be downloaded from the website)

[Workplace Benefits Report](#) – Considers the effect of employee financial stress on productivity at work. The survey involved over 1,200 employees at companies of all sizes participating in 401(k) plans, and found that more than half experienced stress at work over finances. Millennials spent the most time at work on personal finances and were more likely than older generations to report that financial stress had impacted their health. Most respondents looked to their employer for guidance on financial concerns, with 67% stating that their employer was influential in helping them save for retirement. (Bank of America Merrill Lynch - Report can be downloaded from the website)

Global HR

Human resources professionals face a variety of issues in an increasingly global world, and there are a number of new studies focused on hot-button issues, such as: longevity and retirement planning, financial literacy, generational shifts and the accompanying stereotypes, understanding employee retention challenges, and planning for salary budgets on a global scale.



[We'll Live to 100 – How Can We Afford It?](#) – Reviews the sustainability and affordability of current retirement systems on a global level in light of increasing life expectancy. Lack of access to pensions and inadequate savings rates, together with low financial literacy, are some of the issues that need to be addressed. The worldwide retirement savings gap in 2015 is estimated to be \$70 trillion, with the largest shortfall being in the United States. Lack of individual savings is the biggest challenge. (World Economic Forum, 2017)

[Millennial Myths & Realities](#) – Looks at the various perceptions of Millennials and separates out the myths from realities surrounding the most common stereotypes of that generation. The report examines millennial behavior and attitudes towards such issues as money, technology, health and wellness, marketing, employment, and social attitudes. Survey data bases on feedback from 23 countries is analyzed to dispel or confirm various notions about Millennial. (Ipsos Mori, 2017)

[Successful Retirement - Healthy Aging and Financial Security](#) – Investigates retirement outlook of people in 15 countries and evaluates changes from previous annual surveys. The report concludes that progress in financial planning for retirement has been slow, and examines the role of employers in facilitating retirement readiness. It also looks at the role of health in attitudes towards and preparations for retirement, concluding that better current health correlates with a greater sense of retirement readiness. (Aegon, TransAmerica Center for Retirement Research, 2017)

[Evolution of Work 2.0: The Me vs. We Mind Set](#) – Examines the employee-employer disconnect between perspectives on work, especially as it relates to retention issues. While employees focus on their work environment, opportunities for advancement and meaningfulness of their work, employers look at the bigger picture of financial performance and reputation. The tightening labor market contributes to the high number of employees willing to leave their jobs (63%); with almost half walking away because a job did not meet their expectations. A “bait and

switch” situation where benefits are promised during recruitment and then disappear over time contributes to their decision. (ADP, 2017)

[Planning Global Compensation Budgets for 2018](#) – Provides projected 2018 salary increases across 72 countries, based on IMF and ERI data and global historical trends. The report includes key observations for each region, including overall findings that wages are lagging behind productivity in many countries, and that technological advances and trade integration are the main factors in the decline of labor’s share in national income. The report provides a starting point for multi-national organizations in evaluating income distribution and other issues in financial planning and budgeting for the coming year. (Economic Research Institute, 2017)

[The C-suite - Moving Up and Moving In](#) – Looks at the journey C-suite executives in Australia and New Zealand have taken to reach their positions. Rather than the road to success being a linear path, all of those interviewed pointed to a “sliding door” moment in which their decision to take or walk away from an opportunity ended up having a significant effect on their career. Those interviewed came from diverse backgrounds, represented multiple sectors, and had prior experience in everything from government to nonprofits to startups. Willingness to take risks and the ability to strengthen team performance were key factors in their pathway to success. (Korn Ferry, 2017)

[2017 Global Retirement Index](#) – Creates an overall retirement security score based on an analysis of 18 key drivers of retiree welfare across four broad categories: Finances, Health, Material Wellbeing and Quality of Life. The top 10 countries include eight from Western Europe, with the United States falling several notches from last year’s rankings, to number 17 out of the 43 countries included in the study. Economic uncertainties and the increasing shift towards individual responsibility for retirement funding are combining to make retirement security one of the biggest social challenges ahead. But perhaps the biggest factor is an increasingly aging population. (Natixis, 2017)

Health Care

Health care remains a top concern in the workplace, and several new studies show that while employers can help mitigate the fallout from increasing costs by providing more voluntary benefits and investing in wellness programs, there is still room for improvement on issues such as retiree health care costs.

[Big-Picture Benefits](#) – Looks at how employers can help reduce employee financial risks from increased health care costs by incorporating voluntary benefits into their benefits packages. The report examines how employers are increasingly shifting the cost of health care onto employees through higher premiums and coinsurance, or through high-deductible plans. Many workers end up struggling financially under this burden or skipping medical care due to the cost. The report argues that by offering voluntary benefits such as disability or critical care insurance, employers can help offset some of the consequences and ease the economic burden on employees. (Colonial Life, 2017 – White paper can be downloaded from the website)



[Workplace Wellness Goes Beyond ROI](#) – Evaluates the changing reasons employers are offering workplace wellness programs. This survey found that 75% of employers are now offering wellness programs primarily to improve employee health and well-being, rather than to reduce health care costs. The investment is paying off with decreased absenteeism and increased productivity, as well as greater employee satisfaction. However, even though most employers report that their initiatives have been successful, some barriers remain, including lack of

interest and time to participate on employees' part, and difficulty maintaining momentum of a program.

(International Foundation of Employee Benefit Plans – gratis to members; non-members may contact IF to inquire about purchase)

[Playing the Long Game: Understanding How Health Care Costs Can Impact Your Retirement Readiness](#) – Looks at how knowledgeable Americans are about retirement health care costs. Only 14% of those surveyed had a realistic understanding of the savings they would need for health care in retirement, even though 41% ranked health care costs as their biggest concern. The results show the need for further education on the challenges of saving for health care in retirement. (Voya Financial, 2017)

Paid Leave

New studies look at the current landscape of paid family leave among employers as well as the success of various state programs, and offer a framework for designing a national policy to help reduce uncertainty and inequities:



[Paid Family Leave in the United States](#) – Reviews current state paid family leave programs as a roadmap for creating a national policy. The report looks at the outcomes of state programs in California, New York, New Jersey, and Rhode Island, concluding that, among other positive effects, paid family leave can improve worker retention. A national policy would help resolve the current inequities that result from the patchwork of public and private programs that currently exist. (Urban Institute, 2017)

[Paid Family and Medical Leave: An Issue Whose Time Has Come](#) – Focuses on recommendations for designing a federal paid parental leave policy at the time of birth or adoption of a child. The report evaluates design factors such as eligibility, wage replacement, job protection, and financing mechanisms. The authors conclude that key elements in any federal policy should include availability of benefits to both mothers and fathers, wage replacement of 70%, up to a maximum of \$600 per week for eight weeks, and job protection, with the program being financed by payroll taxes and other savings in the federal budget. (AEI Brookings, 2017)

[Survey of Paid Parental Leave in the United States](#) – Measures paid leave for new parent employees apart from other paid leave. The study found that only 38% of employers offered paid leave to some or all new parent employees, with 80% of those offering full pay for an average of 4.1 weeks. Most employers obligated by law to offer leave to new parents offered more than legally required, and 25% offered more leave to birth mothers than to other qualifying caregivers. (WorldatWork/Mercer, 2017)

Retirement

An aging population in an uncertain economy has pushed retirement concerns front and center these days. New studies evaluate retirement savings behaviors and attitudes, and how an increasing inability to rely on employer and government programs will impact future retirees.

[Social Security Retirement Benefits and Private Annuities: A Comparative Analysis](#) – Clarifies the similarities and differences between Social Security



retirement benefits and annuities, and the factors that determine how much lifetime retirement income an individual would receive. The report found that even though the steady income provided by annuities make them seem similar to Social Security benefits, many workers do not understand factors such as interest rates and life expectancy, and have difficulty knowing how much to annuitize. (U.S. Social Security Administration, 2017)

[Living Too Frugally? Economic Sentiment & Spending Among Older Americans](#) – Evaluates attitudes of older Americans towards spending and economic health. The study found that financial optimism has decreased as longevity has increased, even though such concerns are generally unfounded given that wealth and investments tend to grow over time. The average adult over 60 years of age will reduce their spending by 20% over a ten-year period. Such reluctance can create self-fulfilling economic problems by leading to overly aggressive investment. (United Income, 2017)

Retirement – Defined Contribution Plans

As defined benefit plans continue to become a thing of the past, plan sponsors are focusing on issues surrounding defined contribution plans. A new survey looks at the largest 401(k) plans and some of the concerns plan sponsors have, and how they are addressing challenges.

[Human Resources Perspective – A Survey of Larger 401\(k\) Plans](#) – Reports on the commitment of large 401(k) plan sponsors to participant retirement readiness. Almost half use formal metrics to track preparedness, with those using automatic enrollment more likely to report the use of metrics. Although 64% of those surveyed were positive about progress compared with two years ago, 70% reported that leakage of plan assets remained an issue. (T. Rowe Price – Deck can be downloaded from the website)

Workforce

New reports covering human resources and the workforce focus especially on the trend towards a gig economy, and the issues faced by independent, hourly, and part-time workers. Generational shifts and a strong job market are driving some of the changes, while stagnant wages and regulatory uncertainty are creating challenges for HR professionals.

[Top Challenges for U.S. Businesses with Hourly Workers](#) – Reports that businesses with hourly employees face increased challenges due to rising hourly wages, an increasingly younger workforce, and an uncertain and shifting regulatory landscape. The top issues are revenue growth/profit margins (39%), employee retention/turnover (24%), and customer experience (23%). Only 5% identified compliance as one of their top challenges. (Deputy, 2017 – Report can be downloaded from the website)



[The State of Independence in America](#) – Reviews the state of the independent workforce in the United States, comparing trends over time. The report finds that independent workers make up 31% of the workforce and are distributed across multiple demographics. Three key trends in 2017 include a strong job market enabling independents to increasingly compete on their own terms, an increase in the number of people seeking to supplement their income due to stagnant wages, and a decrease in the percentage of “reluctant independents,” or workers who prefer a traditional job but cannot find one that is better than the

independent options. The report also looks at generational differences and psychological aspects of preferences for traditional versus independent work, and concludes that there is evidence for independent workers being happier, healthier, and wealthier. (MBO Partners, 2017)

[Part-Time Nation](#) – Looks at the financial vulnerability of workers in the “gig economy,” in the context of availability of employee benefits for part-time workers. The report finds that the number of people working part-time or contingent positions is increasing and expected to rise 35% in the next three years. Although part-time work offers increased flexibility, only 32% of such workers are receiving insurance and retirement savings benefits. The report notes that financial stress contributes to even lower well-being among part-time workers, and that lack of benefits decreases job satisfaction. (Guardian, 2017)

[HR Mythbusters 2017](#) – Examines what is happening in the HR arena in mid-market companies nationwide, looking at Millennials and tenure, the fastest-growing jobs, performance and vacation time, turnover at high-growth companies, and unlimited vacation usage. The report concludes that Millennials are not necessarily job hopping more often than prior generations, and that employee retention remains a critical issue for HR. The report also found that high employee turnover interferes with company growth. Other findings include that vacation use is tied to better job performance, and that unlimited vacation policies are actually underutilized compared to traditional paid time off (PTO). (Namely, 2017 – Report can be downloaded from the website)

Multigenerational Workforce

Generational shifts in the workforce bring both challenges and opportunities. Several new reports look at Millennials as they continue to advance into the workforce, and at the upcoming convergence of Generation Z and Millennials in the workplace, evaluating possible conflicts and solutions between two very different generations.

[Gen Z and Millennials Collide at Work](#) – Examines the issues confronted by the impending collision of Generation Z and Millennials in the workplace. The report found that both generations have a collaborative work style, and expect incorporation of digital technologies into the workplace. The main challenges with Gen Z will be retention and engagement, while Millennials who are moving into management roles lack the emotional IQ and people skills to effectively manage a team. Financial stress continues to be an issue for both generations. (Randstad, 2017)

[Merrill Edge® Report: Millennial Mindset](#) – Examines how affluent Millennials’ perception of life milestones compares to older generations. Younger adults are more focused on obtaining their dream job and saving for travel, than prioritizing traditional milestones, such as getting married and becoming a parent. Overall, Millennials are saving 36% more than older generations, and are more likely to embrace technological approaches to investing, such as robo advisors and using mobile portals. (Bank of America, Merrill Edge, 2017)

Women in the Workforce

New research on women and earnings look at some of the challenges women in particular face in relation to amassing retirement savings, as well as specific issues related to high net worth women and wealth transfer.

[Wealth Transfer Report: Women](#) – Examines the influence high-net-worth women will have in the coming years over wealth transfer. The study found even though 98% of women reported being sole or joint decision makers over daily banking, and 84% are fully or jointly responsible for the family investment portfolio, only 22% are fully

prepared for the wealth transfer process. The study also found that women are less likely than men to pass their wealth on to the next generation while living, apparently out of the fear that they will run out of money. (RBC Wealth Management, 2017 – Report can be downloaded from the website)

[Closing the Retirement Income Gender Gap](#) – Looks at the reasons women are experiencing the retirement income crisis more acutely than men, and sets out steps that plan sponsors can take to improve their retirement outcomes. In addition to greater longevity than men, women also carry more debt, are more likely to be single later in life, and are not prioritizing saving for retirement. The report sets out several ways plan sponsors can help, including using automatic enrollment, providing a guaranteed lifetime income option through annuities, and offering more financial wellness education. (Prudential, 2017)

Workplace Issues

Touching on everything from regulatory uncertainty to perceptions about company culture, new surveys of the most pressing workplace issues shed light on current challenges. Compliance issues in an uncertain regulatory environment and the importance of a positive company culture are key takeaways.

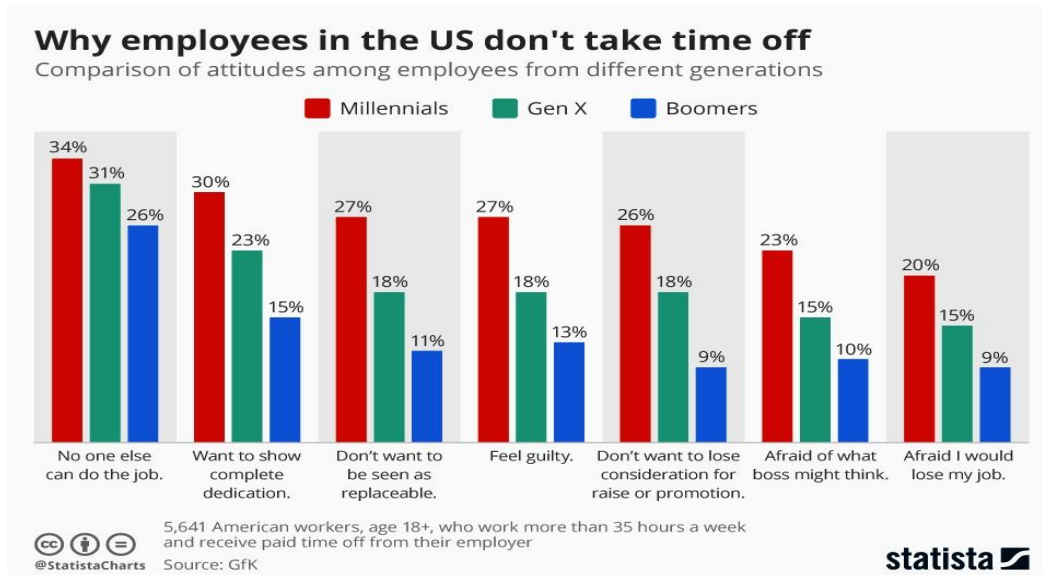


[The Littler Annual Employer Survey 2017](#) – Reports on the key legal, technical, and social issues impacting the workplace. This survey of 1,229 in-house counsel, HR professionals, and C-suite executives found that a patchwork of state and local employment law regulations was creating compliance challenges. At the federal level, there was deep uncertainty about the Trump administration's potential actions, although most expected to see health care and immigration reform prioritized. Equal pay, LGBTQ rights, and EEOC enforcement was also expected to be impacted by the new administration and FMLA leave continued to be an ongoing challenge. Reducing the risk of data breaches caused by employees was also a priority. (Littler, 2017 – Report can be downloaded from the website)

[Making the Most of Company Culture](#) – Looks at employee perceptions about company culture across multiple industries, company sizes, job levels, and regions. 80% reported company culture as being very important, with 71% stating that their organization's portrayal of its culture was accurate. Most said that the company portrayed its culture as positive, while 8 in 10 said that employees viewed the culture as toxic. 61% believed that their organization's culture came from the top down, with 67% stating that an open door policy was used to gain feedback. 8 out of 10 employees stated that their organization did respond to feedback. (HR Daily Advisor Research/TINYpulse®, 2017 – Report can be downloaded from the website)

Focus on: The Multigenerational Workforce and Paid Leave

The chart below provides insight about why American workers are reluctant to take PTO.



Latest U.S. Government Reports

The Bureau of Labor Statistics - Behind the Numbers

[BLS – Behind the Numbers: Understanding the Labor Productivity and Compensation Gap](#) – Evaluates data from 183 industries over the period 1987-2015 to determine trends underlying the widening gap between productivity and compensation. In most cases, compensation lagged behind productivity. The largest gaps were in the information, manufacturing, and retail trade industries. Compensation relative to productivity grew the fastest in water, sewage, and other systems industries, the golf and country club industry, and the publishing field. Reasons for declining labor share include globalization, increased automation, and faster capital depreciation.

Social Security and Medicare – Annual Reports

Annual reports from the Trustees of the Social Security and Medicare trust funds provide information on the current and projected financial status of both programs.

[2017 OASDI Trustees Report](#) – Provides annual projections for the solvency of Social Security and Disability Insurance trust funds. This year's report projects that Social Security trust funds will be depleted by 2034, the same estimate as last year. (Social Security Administration, 2017 – Report can be downloaded from the website)

[2017 Medicare Trustees Report](#) – Provides annual projections for the solvency of Medicare trust funds. The Trustees project that the Hospital Insurance portion of the trust will be depleted in 2029, one year later than last year's projection, and that the Supplementary Medical Insurance portion will remain adequately financed indefinitely, although an aging population and rising health care costs cause projected costs to increase over time. (Centers for Medicare and Medicaid Services, 2017 – Report can be downloaded from the website)

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