BENEFIT Plan Trends

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Employers Lack Confidence in Their Succession Management Programs

Many employers are not confident that they are promoting the right people to executive-level positions or fostering the talent they need to lead their organization into the future, according to a report recently released by executive recruitment firm Korn Ferry.

The report's findings were based on a survey conducted in August-September 2014 of more than 1,000 business leaders across 54 countries. The survey found that only around one-half of respondents (51%) are confident that their organization knows which candidates they should be investing in as potential leaders, and only 52% are confident they have identified those who are "ready now" for specific roles.

The respondents cited having the right competencies for a role as the leading factor they consider in making a promotion decision, followed by whether the candidate has the right traits for a leadership role given the company's culture. However, nearly two-thirds (63%) said that a lack of candidates with the right traits and dispositions for the company's culture was the most important reason why promotions fail. The survey also found that almost one-third (32%) of respondents were dissatisfied with recent succession management outcomes.

When asked to identify the motivations that drive succession manageagement, the top response of the executives polled was to meet future strategic initiatives, followed by to mitigate the business risk of having too few "ready now" candidates, to attract and retain high quality candidates, and to address external pressures.

The executives surveyed expressed a strong preference for selecting internal candidates for the majority of leadership roles, with most agreeing that the ideal mix when filling open leadership positions is to develop two-thirds of leaders from within, and hiring one-third from the outside.

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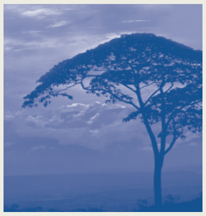


The stressors found to contribute most significantly to health care expenditures were a lack of health insurance, high job demands, and work-family conflict.

Yet the results also showed that when sourcing leadership talent, almost half reported they were more dependent on outside hires than internal promotions.

According to the report, the survey's findings indicate that there are seven key signs employers should consider when determining who has the potential to rise to senior levels within an organization: a track record of formative experiences, learning agility, self-awareness, leadership traits, the drive to be a leader, aptitude for logic and reasoning, and the ability to manage derailment risks.

Researchers further recommended that when selecting which candidates to include in their succession management programs, employers look beyond the potential of the senior managers or vice presidents who are usually considered for top-level executive positions, and go deeper into the organization to identify high-performing candidates among mid-level employees. Currently, they noted, only 38% of survey respondents indicated that their organization's succession programs included mid-level managers, and only 13% said the programs were open to skilled professionals.

The report also cited another survey conducted in February 2015 among millennial generation employees (born after 1980) which showed that when asked what matters most to them in terms of job satisfaction, the top response was the ability to make an impact on the business (23%), followed by a clear path for advancement (20%), and development and ongoing feedback (16%). By contrast, income came in at fourth place (13%).

To ensure that younger employees remain engaged and satisfied, researchers advised companies to communicate to workers at all levels the expectations for key roles, providing them with resources for development so that they can advance their skill sets, even if they do not appear to have the potential to reach the very top of the organization.

Workplace Stress May Be Hazardous To Employee Health

Workplace stress appears to pose serious risks for workers and their employers, contributing to at least 120,000 deaths each year and accounting for up to $190 billion in additional health care costs, a new study released in February 2015 has warned.

The working paper, "The Relationship Between Workplace Stressors and Mortality and Health Costs in the United States," was written by Stanford business professors Jeffrey Pfeffer and Stefanos A. Zenios, and by Joel Goh of Harvard Business School. Based on a meta-analysis of 228 studies, the authors estimated the relative risks of poor health outcomes associated with exposure to 10 common workplace stressors: unemployment, lack of health insurance, exposure to shift work, long working hours, job insecurity, work-family conflict, low job control, high job demands, low social support at work, and low organizational justice.

The analysis revealed that, overall, these stressors increase health care costs in the U.S. by 5% to 8%. The results further indicated that job insecurity increased the odds of reporting poor health by 50%, while long work hours increased mortality by almost 20%. In addition, highly demanding jobs were found to raise the odds of a physician-diagnosed illness by 35%.

The stressor shown to have the biggest impact on increased mortality was a lack of health insurance, followed by unemployment. The results also indicated, however, that low job control was an important factor in mortality, contributing an estimated 31,000 excess deaths annually. The stressors found to contribute most significantly to health care expenditures were a lack of health insurance, high job demands, and work-family conflict.

To put these results in perspective, the authors pointed out that their estimate of workplace-associated mortality is comparable to the fourth (cerebrovascular diseases) and fifth (accidents) largest causes of death in the U.S. in 2009, and exceeds the number of deaths from diabetes, Alzheimer's, or influenza.

The researchers further observed that psychological stressors, such as work-family conflict and work injustice, appear to have as much impact on health as long work hours or shift work. For example, the study found that employees who reported that their work demands prevented them from meeting their family obligations, or vice versa, were 90% more likely to self-report poor physical health; and that employees who perceive their workplaces as being unfair were around 50% more likely to develop a physician-diagnosed condition.

The authors also criticized wellness programs that focus on individual behavior through, for example, smoking cessation programs or incentives to lose weight, while ignoring management practices that create stress, and thus a negative context for employee choices.

To address the problem of workplace stress, the authors recommended that political and business leaders consider new regulations and policy changes which go beyond current overtime restrictions and wage laws, and focus instead on prevention.

Plan Sponsors Increasingly Use Automatic Features

The majority of sponsors of 401(k) or similar defined contribution retirement plans now have automatic features in their plans to help ensure that workers are saving enough to receive full company matching contributions over time, according to the results of a recent survey conducted by human resource consultancy Aon Hewitt in the 4th quarter of 2014.

The survey of approximately 100 companies with defined contribution (DC) plans showed that 70% of respondents have some form of automatic enrollment for new hires. The findings further indicated that 29% of the employers polled automatically enroll participants in the plan at a savings rate that is at or above the company match threshold; while another 27% of employers automatically enroll employees below the full match rate, but automatically escalate contributions over time so that workers will eventually be saving enough to receive the full company match. The survey also showed that 8% automatically enroll participants below the full match threshold and have contribution escalation as an opt-in feature.

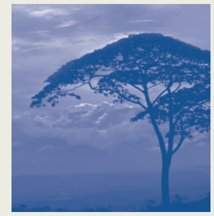
In addition, the survey found that, among the respondents who sponsor plans with automatic enrollment, 7% have default savings rates above the full company match level, 34% have default rates at the full company match level, and 59% have default rates below the full company match level. Moreover, 62% reported that they have embedded contribution escalation, 22% said they have optional escalation, and 16% indicated they have no escalation.

The survey also asked the respondents who reported that their company has not yet implemented automatic enrollment and why they had not done so. More than two-thirds (67%) cited the increased cost of the match as the biggest barrier, 37% said they are concerned about the reaction from employees, and 30% said they do not want small account balances in the plan.

Employers Value Wellness and Well-Being Programs

Most employers see workplace wellness programs and well-being initiatives as key components to improving employee health and containing rising health care costs, the results of a recent survey conducted by WorldatWork and HealthMine indicated.

The survey of 443 human resource professionals, conducted in December 2014 and January 2015, was designed to identify ongoing trends in traditional



70% of respondents have some form of automatic enrollment for new hires and 29% of the employers polled automatically enroll participants in the plan at a savings rate that is at or above the company match threshold.

wellness plans and new trends in employee well-being. The results showed that 96% of respondents support employee well-being programs, and 74% plan to increase their well-being offerings or activities in the next two years. The top reasons cited for offering well-being programs were improving employee health (82%), decreasing medical premiums and claims costs (78%), and perceived value to employees (77%).

When asked what elements of well-being they support within their organization, the top responses were employee assistance program (EAP) resource and referral (81%), workplace safety (72%), immunizations (72%), mental health/behavioral coverage (70%), physical fitness (69%), smoking cessation (66%), financial education (63%), flexible schedules (62%), encouraging time away from work (61%), and diet and nutrition (61%).

The HR professionals were also asked in the survey what changes they would make to their well-being programs if their organization no longer sponsored a health care plan. Most indicated that their company would continue offering a range of well-being programs: 95% said they would keep workplace safety programs, 92% said they would continue to encourage time away from work and flexible schedules, and 90% said they would preserve their employee assistance programs (EAPs).

Among the programs the respondents said they would be less likely to retain if they were no longer sponsoring a health care plan were resiliency training (29%), disease management (29%), mental/behavioral health coverage (27%), and wellness coaching (26%).

Nearly half (49%) reported having a well-being program strategy, and 54% of those respondents said they have had one in place for three or more years. A majority said they are measuring the effectiveness of their well-being programs (72%). When asked how the effectiveness of well-being programs is measured at their organization, 52% said by participation rates, 37% indicated by health care costs, and 31% said by employee satisfaction surveys.

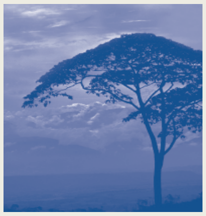
Researchers noted that since 2011, when a similar survey was conducted, the share of employers surveyed who said they are supporting well-being by offering physical health risk assessments (biometrics, physical fitness, etc.) had increased by 14 percentage points, to 58% in 2015.

The results also showed that the longer an organization has had a well-being strategy in place, the more well-being programs it tends to offer: employers with well-being strategies in place for five or more years were shown to have a significantly higher average number of programs than those with strategies in place for three or fewer years.

The findings further indicated that some well-being programs are only available to select employees or groups: the 2014-15 survey found that the share of programs available to exempt/salaried employees only had increased 4% since 2011, and the share of executive-only programs had risen 5%. However, 90% of respondents in 2014-15 reported that for the majority of their well-being programs, all active employees are eligible to participate.

Researchers noted that for most well-being programs, employers neither offer incentives for participation nor penalties for failure to participate. However, the survey found that 64% offer incentives for participating in physical health risk assessments (biometrics, physical fitness, etc.) and 43% offer incentives for engaging in physical exercise, while 17% impose penalties for failure to participate in smoking cessation and 11% impose penalties for failure to participate in physical health risk assessments.

In addition, the survey found that 58% of line managers and supervisors are empowered to and responsible for supporting employees in participating in the programs.



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