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Retirement Confidence Shows Signs of Recovering Among Workers and Retirees

American workers and retirees are expressing higher levels of confidence about their ability to afford retirement, even though many are still not taking the necessary steps to achieve that goal, according to the latest results of an annual survey conducted by the Employee Benefit Research Institute (EBRI) and Greenwald & Associates.

The 2015 survey was conducted in January and February through telephone interviews with 1,003 workers and 1,001 retirees aged 25 and older. The findings indicated that retirement confidence is continuing to rebound from the lows registered during the financial crisis, and that optimism is growing especially among Americans who report that they and/or their spouse have a retirement plan, such as a 401(k) or other defined contribution plan, a defined benefit plan, or an individual retirement account (IRA).

The results showed that 67% of all of the workers and 78% of the full-time workers surveyed in 2015 report that they or their spouse have saved for retirement. Among those who indicated they have a retirement plan, 35% said they have saved at least $100,000.

Also In This Issue

Researchers noted that the percentage of workers who said they are confident about having enough money for a comfortable retirement increased in both 2014 and 2015, after reaching record lows between 2009 and 2013. In the 2015 survey 22% of workers said they are very confident, up from 13% in 2013 and 18% in 2014; while 36% indicated they are somewhat confident. Meanwhile, 24% of workers admitted they are not at all confident, a share which is statistically unchanged from 28% in 2013 and 24% in 2014.

The survey also found that worker confidence in the affordability of various aspects of retirement showed signs of rebounding in 2015. For example, the percentage of workers who said they are very confident in their ability to cover basic expenses rose to 37%, up from 25% in 2013 and 29% in 2014. Researchers also

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pointed out that the percentages of workers who report they are very confident in their ability to pay for medical and long-term care expenses have been gradually rising in recent years.

In addition, the results showed that confidence in having a financially secure retirement increased among the retirees surveyed in 2015, with 37% saying they are very confident, up from 18% in 2013 and 27% in 2014. Meanwhile, 14% of retirees in 2015 said they are not at all confident, a share which was statistically unchanged from 14% in 2013 and 17% in 2014.

The findings of the latest survey further showed that workers are somewhat more confident in 2015 than in recent years that they are doing a good job of preparing financially for retirement: 25% of the workers surveyed in 2015 said they are very confident, up from 17% in 2013. Overall, about two-thirds of the workers polled said they are somewhat or very confident about their financial preparations, while around one-third indicated they are not confident.

Researchers noted, however, that for workers without a retirement plan, savings remain low and only a minority appear to be taking the basic steps needed to prepare for retirement: just 23% of respondents without a retirement plan said they have done a retirement needs calculation, and 64% without a retirement plan reported they have saved less than $1,000. When those who indicated they are not saving for retirement were asked why, 50% cited the cost of living and day-to-day expenses.

In addition, the results of the 2015 survey showed that both workers and retirees are less likely than they were in the 2014 survey to describe their level of debt as a problem: 51% of workers (down from 58% in 2014) and 31% of retirees (down from 44% in 2014) indicated they have a problem with their level of debt. The types of debt most frequently reported were mortgages, credit card debt, and car loans.

While 64% of the workers surveyed said they feel they are behind schedule when it comes to planning and saving for retirement, researchers pointed out that this assessment may not be based on a careful analysis of their individual circumstances: only 48% of the workers polled reported that they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably in retirement.

Workforce Investment Can Lead To Better Financial Performance

Placing a greater emphasis on workforce development appears to be correlated with superior financial results for companies, according to a global study of best practices in talent strategies released by Oxford Economics with support from software provider SAP SE.

The findings of the study "Workforce 2020" are based on surveys conducted in the second quarter of 2014 of more than 2,700 executives and 2,700 employees, as well as interviews with 28 executives across 27 countries, including the United States. The study examined whether there was a correlation among companies between workforce development and financial performance. The study classified a company as high-performing if it had above-average revenue or profit margin growth over the past three years. Of the executives surveyed, 15% reported that their organization had above-average revenue growth, and 32% reported that their company had below-average revenue growth.

The results indicated that executives at high-performing companies differed in several key ways from leaders at low-performing companies. For example, relative to their low-performing peers, executives at higher-growth companies

were found to be more forward-looking and better prepared to adapt to changing workforce trends. In particular, high-performing respondents were shown to be more likely than low-performing respondents to claim that they pay attention to the demographic shifts shaping the workplace, and to indicate that an influx of millennials and an aging workforce are two key market shifts affecting their business strategy.

The findings further showed that higher-growth companies are better at attracting quality talent: 55% of high-performing respondents said that they are satisfied with the quality of job candidates recruited for most positions, compared with only 46% at firms with below-average profit margins. The results also indicated that 60% of executives at high-growth companies are more merit driven than tenure driven, compared with less than half of respondents at low-growth companies.

In addition, the research indicated that top-performing organizations prioritize workforce issues at a far higher level than those that are low-performing, extending through the top management of the company: 64% of the executives surveyed at high-growth companies said workforce issues drive strategy at the board level, compared with 49% of their counterparts at low-growth companies. Meanwhile, nearly one-quarter of respondents at underperforming companies acknowledged that workforce issues are an afterthought in business planning in their organization, and will likely remain so three years from now.

The findings also revealed that high-performing companies are significantly more likely than low-performing organizations to offer supplemental training programs as an employee benefit, and to have a formal mentoring program.

Respondents at both high- and low-performing companies reported that they are currently impeded by a lack of data related to the job market, industry, customers, and financials; and by a shortage of visual representations of complex data. However, respondents from low-performing companies were significantly more likely than respondents from high-performing companies to say they expect to suffer from an inability to obtain the data they will need to do their job effectively in the future.

Employers Increasingly Use Big Data to Manage Benefit Programs

As "big data" changes many aspects of the business world, private-sector employers and researchers are committing to capturing and analyzing the vast amount of health and retirement data in their benefit plans in an effort to control costs and improve the quality of their benefit programs. According to plan sponsors and researchers who spoke at a recent policy forum sponsored by the Employee Benefit Research Institute (EBRI).

The forum, "Measured Matters: The Use of 'Big Data' In Employee Benefits" was held in Washington, DC, on December 14, 2014. The speakers in the forum included employers, research and analytic experts, health and retirement plan executives, and consultants. A number of participants observed that both health and retirement benefit plan sponsors are increasingly using massive amounts of data and computer-driven data analytics to determine how employees behave in relation to health and retirement plans, which programs do and do not work, and how to get better results at lower cost.

For example, they noted, some companies are using big data to assess whether financial incentives in wellness programs lead to lower health care costs. In the realm of retirement plans, experts predicted that analytics could help to produce personalized "score cards" that employees can use to understand their retirement readiness in relation to others, and help them take action to achieve their individual goals.

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While the forum participants emphasized that both the health and the retirement fields are in the very early stages of using big data, several of the speakers pointed out that many workers are already seeing the results of this trend. For example, they noted, the rapid growth in the use of electronic medical records has made it easier for employees to access their own health records online. The speakers also generally agreed that although efforts are being made to capture and analyze data on both health and retirement programs, the health sector is considerably farther down the road than the retirement sector in using data analytics in benefit plan design and management.

Executives and HR Managers Remain Skeptical of Evidence-Based HR

While many executives and human resource leaders express skepticism about using advanced analytic tools to improve their HR capabilities, business leaders who fail to embrace evidence-based HR risk losing ground, a new report on the use of "big data" and other advanced analytics in HR functions by professional services company KPMG International has warned.

The report's findings are based on a global survey conducted in September 2014 of 375 C-suite executives and upper-level managers—some of whom were serving in an HR role and some of whom were not. The report defines evidence-based HR as the use of data, analysis, and research to understand the connection between people management practices and business outcomes, such as profitability, customer satisfaction, and quality.

The survey showed that more than half (55%) of respondents remain skeptical about the potential of big data and advanced analytics to make a real difference to the HR function. The results also indicated, however, that an overwhelming majority (82%) of these skeptical respondents expect their organization to either begin using or to increase their use of big data and advanced analytics over the next three years.

The findings further showed that more than one-third (35%) of respondents have either not yet applied advanced analytics or big data tools to improve the efficiency of the HR function, or don't know whether their organization currently does so. However, more than three-quarters (76%) said they expect the increasing use of data-driven insights in the HR function to positively impact profitability over the next three years.

When asked to identify the single largest obstacle to the use of evidence in people management, the largest share (32%) of respondents cited corporate culture, followed by the lack of skills and resources (30%), and the quality of the data (29%).

The findings also suggested that a major roadblock in the widespread acceptance of this approach may be the credibility of the HR function: 30% of the non-HR executives surveyed said they do not agree that the HR function plays a sufficiently strong role in meeting the organization's strategic objectives, compared with only 8% within the HR function.

Researchers pointed out, however, that despite this large gap in perception, there is still a strong view among non-HR executives that HR can become more value driven, with 49% saying they agree that HR leaders are able to clearly demonstrate tangible correlations between people management initiatives and business outcomes.

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