BENEFIT Plan Trends

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Talented Managers Enhance Productivity and Profitability

To remain competitive, companies should select managers based on their innate talent for developing and engaging employees, and for creating enthusiastic, energized teams, a research report by performance management consultancy Gallup recommended.

Published in May 2015, the report, "State of the American Manager: Analytics and Advice for Leaders," looks at the characteristics that distinguish great managers from the rest, and examines how levels of talent and engagement affect a company's profitability and productivity. The report's findings are based on over four decades of talent research, a study of 2.5 million manager-led teams in 195 countries, and analysis of the engagement levels of 27 million employees.

According to the report, great managers possess a rare combination of five talents: they motivate their employees, assert themselves to overcome obstacles, create a culture of accountability, build trusting relationships, and make informed, unbiased decisions for the good of their team and company. The study found that companies that hire managers based on their talent realize a 48% increase in profitability, a 22% increase in productivity, a 30% increase in employee engagement scores, a 17% increase in customer engagement scores, and a 19% decrease in turnover.

The study classified managers according to whether they have "high talent," "functioning talent," and "limited talent." Researchers observed that, compared with their less talented peers, high-talent managers are more likely to be brand ambassadors for their companies, are more proactive about encouraging their friends and family to use their company's products and services, and have a greater understanding of their company's brand promise.

The report also noted that in their interactions with employees, managers with high talent place more emphasis on employees' strengths than on their weaknesses—an approach that has been found to be associated with greater levels of employee engagement and well-being and team productivity and profitability. But not every team

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has a great manager, researchers pointed out: the findings indicated that just 18% of current managers have the high talent required of their role.

Citing recent studies of employee engagement, the report warned that just 30% of U.S. workers are engaged, and that the share of managers who are highly motivated and committed to their job is almost as low: 35% of managers are engaged, 51% are not engaged, and 14% are actively disengaged. However, the results also showed that managers who are identified as having high talent are much more likely to be engaged than their peers: 54% of managers with high talent are engaged, compared with 39% of managers with functioning talent and 27% of managers with limited talent. Moreover, managers have been found to account for at least 70% of the variance in employee engagement scores across business units.

The report recommended that companies seeking to hire and develop great managers create a holistic, talent-based human capital strategy that recognizes that not all employees who are successful in a non-managerial role, such as a sales representative or an engineer, will be a talented manager. The authors advised companies to develop leadership career paths for employees who show strong managerial talent, rather than basing hiring and promotion decisions on employees' past performance in a completely separate role, or offering a manager position as a reward for long service.

Working after Leaving the Office

As increasingly advanced forms of communication technology allow workers to remain connected to clients and the workplace around the clock, the traditional eight-hour work day may no longer be relevant, especially among workers in professional and business services, the results of a recent survey by recruitment website CareerBuilder survey indicate.

The survey, which was conducted online from May 14 to June 3, 2015, asked 1,078 full-time workers in information technology, financial services, sales, and professional and business services about their habits and attitudes toward the traditional nine-to-five work day. The survey found that a majority (63%) of employees in these industries believe working nine to five is an outdated concept, and that many find themselves working outside of the traditional eight-hour time frame: 38% reported that they continue to work outside of office hours, 50% said they check or respond to work emails outside of work, and 24% said they check work emails during activities with family and friends.

The survey results also suggested that many workers have a hard time switching off mentally even after they leave the office: 20% said work is the last thing they think about before they go to bed, while 42% said it is the first thing they think about when they wake up. Meanwhile, 17% admitted they have a tough time enjoying leisure activities because they are thinking about work.

Researchers observed that while staying connected to the office outside of required office hours may seem like a burden, a majority (62%) of the workers surveyed perceive it as a choice rather than an obligation.

Broken down by gender, the results indicated that male workers are more likely than female employees to work outside of office hours (44% versus 32%), check or respond to work emails outside of work (59% versus 42%), and check on work activities while they are out with friends and family (30% versus 18%). However, the survey also showed that women are more likely than men to go to bed thinking about work (23% versus 16%).

In addition, the survey found that continuing to work outside of traditional office hours is more common among middle-aged than among younger or older employees: 31% of the 18- to 24-year-old respondents said they work outside of office hours, compared to 50% of the 45- to 54-year-olds and 38% of the respondents ages 55 and above. However, 52% of respondents ages 18-24 said they check or respond to work emails outside of work, compared with 46% of respondents ages 55 and above.

The findings further indicated that older workers are more likely than their younger counterparts to view staying connected to the office as a choice: 70% of respondents ages 55 and above, but 56% of respondents ages 18-24 said they stay connected to the office by choice. Meanwhile, younger workers were more likely than older workers to say they think about work before going to bed (31% of workers ages 18-24 versus 11% of workers ages 55 and above), or wake up thinking about work (59% versus 31%).

Most IRA Withdrawals Are Legally Required Distributions

A relatively small share of individual retirement account (IRA) owners make withdrawals in a given year, and most of those who do are individuals over age 70½ who are required by law to take a distribution from their traditional IRA, according to a report by the Employee Benefit Research Institute (EBRI).

The report, "IRA Withdrawals in 2013 and Longitudinal Results 2010-2013," by EBRI senior research associate Craig Copeland, was published in July 2015. The report's findings were based on an analysis of data from the EBRI IRA Database, an ongoing project that collects data from multiple IRA plan administrators. For year-end 2013, it contained information on 25.8 million accounts owned by 20.6 million unique individuals, with total assets of $2.46 trillion.

The analysis showed that just over 22% of individuals who owned a traditional or Roth IRA took a distribution in 2013, and that the overall IRA withdrawal percentage was largely driven by activity among individuals aged 70½ or older who own a traditional IRA—the group who are required to make withdrawals under Federal required minimum distribution (RMD) rules for IRA owners beyond that age. The findings indicated that for those at the RMD age, the median withdrawal rate appeared to be close to the amount that was required to be withdrawn, although some individuals had significantly higher distribution rates.

Looking at withdrawal activity by age, the analysis found that 64.9% of the individuals who took a withdrawal were aged 65 or older, and that just over half (50.8%) were aged 71 or older. By contrast, only 12.2% were younger than age 50.

An analysis of a "consistent sample" of IRA owners—meaning only those individuals who had an account in the database from 2010-2013—showed that the percentage of individuals who took a withdrawal from a traditional or Roth IRA rose from 13.1% in 2010, to 15.5% in 2011, 16.7% in 2012, and 18.4% in 2013; in line with the aging of the individuals in the consistent sample. The analysis of the consistent sample further showed that approximately 25% of IRA owners aged 71 or older took a withdrawal amount in excess of the sum required by law for traditional IRAs.

In addition, the results showed that while just over 80% of the individuals examined in the database owned traditional IRAs, 95.6% of the individuals who took a withdrawal owned a traditional IRA, whereas 18.2% of the individuals who took a withdrawal owned a Roth IRA. According to Copeland, the disparity in

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the withdrawal rates between the IRA types is almost entirely attributable to the RMD rules that apply to traditional IRAs, but not to Roth IRAs. He also noted that the withdrawal rates observed among those aged 70 or older over the four-year period studied indicate that most individuals were withdrawing at a rate that suggests that they should be able to maintain the IRA as an ongoing source of income throughout retirement.

Health Plan Sponsors Are Taking a Wait-and-See Approach

Although most health plan sponsors report that they intend to adjust their long-term health benefit strategies to evolve with the changing health care landscape, the results of a recent survey by human resource consultancy Aon Hewitt indicates that so far the majority of employers have not made significant changes to their health plans, and are instead waiting to see what similar companies do before taking action.

The results of the survey of more than 1,000 companies were released on July 9, 2015. According to researchers, most of the employers surveyed are heavily influenced by the actions of their peers when deciding whether to adjust their plans: more than three-quarters of respondents (77%) said the actions of their peers have a significant or moderate influence on their own health care strategies, and 59% said they are influenced by the actions of major employers in their key geographies.

When asked whether they expect the upcoming 2016 national election to have an impact on their health strategy, 46% of the companies surveyed said they believe it will have little to no impact. While nearly half (49%) said they anticipate that the election will have some impact, most indicated that they plan to move forward with their current strategy, and will develop some alternatives tied to different election scenarios.

The survey also asked plan sponsors about the kinds of changes they expect to make in 2015. Just 16% said they intend to increase deductibles and copays, 10% said they will provide cost and quality transparency tools, and 9% said they will provide personalized, aggregated online views of health care usage and other information. However, nearly half said they anticipate making changes in these areas over a three- to five-year time period.

While most (87%) of the employers surveyed reported that increasing participant awareness of and decision-making related to health issues is their top priority, researchers noted that the shares of companies that offer various health and wellness-related programs are expanding relatively slowly. The findings indicated, for example, that in 2015 nearly two-thirds of the employers surveyed offer biometric screenings (65%) and smoking cessation programs (64%), and around one-third offer stress reduction (33%) and nutrition (35%) programs.

Researchers speculated that companies have been slow to make changes because health care cost increases have eased over the past few years, reducing the pressure on health plan sponsors to deviate from the status quo. They therefore predicted that the rate at which companies will take action will be determined by a combination of the predicted spike in future cost trends and major moves by other employers, particularly by companies in related industries.

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