BENEFIT Plan Trends

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Concentration Difficult In Open-Plan Offices

While open-plan offices are meant to encourage collaboration and contribute to a collegial workplace culture, the threats to productivity and worker peace of mind caused by open-plan layouts are greater than most companies realize, according to the findings of a survey conducted by Oxford Economics.

The survey, which was conducted in the third quarter of 2015, asked more than 600 executives and 600 employees working for multi-national companies what elements of open-plan office layouts they believe contribute positively to the work flow, and what changes to current office design they would like to see implemented.

The results clearly indicated that employees value having a quiet place to work: 64% said being able to block out noise and distractions increases their productivity, 52% said it reduces errors in their work, and 48% said it allows them to focus on the task in front of them.

When asked to rank the factors that are most important in their work environment, the top priority cited by employees was the ability to focus and work without interruptions, followed by having space to collaborate with colleagues and coworkers easily and effectively, and the ability to seamlessly connect their devices no matter where they are in the office. By contrast, far fewer employees rated as important having access to space to take breaks or eat meals, amenities like free or subsidized food, or natural light.

The respondents were also asked which factors they believe were taken into account in designing their organization's office space. Large majorities said they think the top priorities were allowing and encouraging employees to interact with each other (85%), followed by improving employee productivity (81%) and satisfaction (81%), and allowing the organization to minimize costs; while somewhat smaller majorities said they thought minimizing distractions from excessive noise inside (69%) or outside (64%) of the office were considered.

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Employees of all generations appear to be increasingly likely to "run their numbers" to calculate where they stand currently with key financial goals, and are beginning to understand what changes they need to make to their money management, savings, and investing strategies to reach these goals.

The findings further revealed that in addition to ambient noise, constant connectivity to digital devices can distract both executives and rank-and-file workers. The survey showed that 43% of executives and 27% of employees experience pressure (either self-imposed or external) to be always connected to the office through digital technologies, and that 38% of executives and 27% of employees worry about information overload as a result of these technologies.

Workers Show Signs Of Becoming More Financially Savvy

Employees are becoming more proactive about their finances and are taking steps to assess their personal financial situations, but employers could do more to help change the financial trajectory of the millennial generation in particular, a new report by financial education provider Financial Finesse stressed.

The findings of the "Generational Research 2016" report are based primarily on the analysis of 35,703 financial wellness assessments that measure how well employees are managing their finances. The assessments were completed by employees between January 1, 2014 and December 31, 2015.

The analysis found that employees with higher financial wellness scores, as measured on a scale of zero to 10, also had higher contribution rates to an employer-sponsored retirement plan: the results showed that employees with financial wellness scores of 4.0, 5.0, or 6.0 had average deferral rates of 6.57%, 7.38%, and 8.37%, respectively.

The focus of the analysis was on the differences between the generations in their approaches to managing their finances. Not surprisingly, baby boomers (aged 55+) were found to have the highest overall financial wellness score of the generations, at 5.7; compared with 4.8 for generation Xers (aged 30 to 54) and 4.4 for millennials (under age 30).

The results indicated that in 2015, 78% of baby boomers had basic investment knowledge, 50% had run a retirement calculator, 56% were checking their credit score annually, and 45% knew how much to save for college education. When asked to rank their financial priorities, the baby boomers overwhelmingly selected retirement planning (91%), followed by investment planning (39%) and getting out of debt (34%). When asked to identify their main financial vulnerabilities, the top response was not saving enough for retirement (63%), followed by inadequate wealth protection (46%) and a lack of emergency savings (33%).

The 2015 findings for generation X showed that 38% had used a retirement calculator, 60% were checking their credit score annually, and 23% knew how much they have to save for college education. While the members of this age group chose retirement planning as their top financial priority (73%), they also ranked getting out of debt (55%) and managing cash flow (51%) as important considerations. Their most frequently cited vulnerabilities were not saving enough for retirement (56%), a lack of emergency savings (53%), and living beyond their means (40%).

Meanwhile, the 2015 results for millennials indicated that 23% had used a retirement calculator, 61% were checking their credit score annually, and 22% knew how much they have to save for college education. The top financial priority cited by the millennials was managing cash flow (74%), followed by getting out of debt (61%) and retirement planning (51%). However, these young adults rated not saving enough for retirement (60%) and a lack of emergency savings (60%) as their top two vulnerabilities, followed by serious debt (43%).

While 73% of millennials reported that they contribute to their company's retirement plan, the findings suggest they were lagging behind generation X in longer term goals like investing and retirement planning by substantial margins. Researchers observed that this may be because millennials tend to have a "free agent" mindset, which leads them to focus less on retirement than older generations.

The report emphasized that employees of all generations appear to be increasingly likely to "run their numbers" to calculate where they stand currently with key financial goals, and are beginning to understand what changes they need to make to their money management, savings, and investing strategies to reach these goals. However, researchers also recommended that employers use financial coaching programs to help employees overcome biases such as the tendency to value satisfaction today over future satisfaction, and to neglect the value of compounding.

Paid Time Off Banks Gain Ground On Traditional Paid Leave Systems

While most employers continue to offer paid time off to employees, the percentage of companies that provide workers with banks that combine different types of paid leave is growing, while the share of organizations that offer traditional paid time off arrangements is declining, the results of a survey recently conducted by nonprofit human resources association WorldatWork indicate.

The survey of 667 WorldatWork members, most of whom work at the managerial level or higher of a large company in North America, was conducted January 20-February 5, 2016. The goal of the survey was to examine paid time off (PTO) bank-style and traditional paid time off programs and practices.

The results showed that 88% of respondents believe it is necessary to offer some type of paid time off program to be competitive in the labor market. The top three reasons cited for offering these programs were encouraging employees to rest and rejuvenate, improving employee attraction, and satisfying employee paid time off expectations. Just 10% of the HR managers surveyed said their company is required by law to provide some or all of their employees with paid time off, but a majority (61%) said their organization encourages employees to take paid time off.

Traditional leave systems allocate employee paid time off as separate entitlements, such as vacation, sick, and personal days. A paid time off bank, by contrast, offers a combined pool of days that can be taken at the employee's discretion for a variety of absence types. The 2016 survey found that the use of PTO bank-type systems is gaining ground on traditional arrangements: 43% of respondents reported that their company has a PTO bank, up from 41% in 2014 and 28% in 2002; while 52% of respondents indicated that their organization has a traditional system, down from 56% in 2014 and 71% in 2002.

The respondents at companies with a PTO bank said they believe PTO banks offer greater workplace flexibility (63%) and are easier to administer (55%) than a traditional system. More than 40% of these respondents reported that the PTO bank improved absenteeism when it was first implemented, and 69% said their company features their PTO bank as a key employee benefit when attempting to attract new employees.

The survey also showed that at most organizations with traditional systems employee tenure determines total paid days off. On average, the respondents indicated that their organization offers each employee 10 to 22 days of vacation time, seven to 11 days of sick leave, and 3.5 personal days per year.

The findings further revealed that 26% of the respondents at an organization with a traditional system reported that their company is considering rolling various types of leave together to offer employees a PTO bank-type system. The top reasons they cited for transitioning to a PTO bank-type system were the simplicity of plan administration, cost savings, competitiveness, and flexibility.

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Financial Executives Report Slightly Lower Pay Increases In 2016

Pay raises for financial executives at both public and private companies in the U.S. are set to rise at a healthy rate of 4% in 2016, but are down slightly from the previous year, according to the results of a survey conducted by Grant Thornton LLP and the Financial Executives Research Foundation (FERF).

The survey of 363 active Financial Executive International (FEI) members from October 2015 through January 2016 found that the average salary increase for senior-level financial executives at both public and private companies is expected to decline slightly in 2016 compared to the previous year. For 2016, respondents at public companies reported an average salary increase of 3.7%, down from 3.9% a year ago; while respondents at private companies reported a 4.1% increase, compared to 4.4% in 2015.

Researchers noted that these numbers are consistent with broader market data, and are higher than the projected across-the-board average pay increases of 3.1%. However, of the financial executives surveyed, 26.5% said they received no salary increase for 2016, up slightly from 24.2% in 2015.

The findings for 2016 indicated that among public companies the average base salary of a chief financial officer is $303,975, and the average base salary of a corporate controller is $229,895; while among private companies the average base salary of a CFO is $217,509, and the average base salary of a corporate controller is $161,374.

Of the respondents at companies that offer a sign-on bonus, the most common offering reported is a cash bonus (46%), followed by stock options or restricted stock (28%), and a combination of cash and restricted stock or options (26%). The results also showed that more than half (60%) of the respondents have a target bonus opportunity in 2016, and that the median level on bonus percentages for the top finance position at private companies is slightly higher than at public companies.

The financial executives surveyed were also asked about the long-term incentives they are offered. Most (89%) of the public company respondents said they receive some form of stock-based incentive compensation, while just 35% of the private company respondents reported receiving some type of stock-based incentive compensation. By contrast, less than one-quarter (22%) of respondents reported that they are eligible to receive long-term cash incentives.

Among the executives surveyed who are eligible for long-term incentives and whose awards have a performance or market condition for vesting, the most common measures for determining payouts cited are company strategic goals/objectives (19%), followed by more specific company financial performance measures like EBITDA (15%).

Nearly all (95%) of the respondents said they have access to a defined contribution plan, while 23% said they have access to a defined benefit plan. However, nearly half (47%) of respondents at companies that provide a defined benefit plan said the plan restricts new entrants or has frozen benefit accruals.

When asked who at their company is responsible for making pay decisions, 45% of respondents said the CEO/management makes all compensation decisions, while 44% reported that their company's board of directors makes the pay decisions for senior executives.

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