

**AFLAC**

WORKFORCES  
REPORT

**EXECUTIVE SUMMARY**

Bringing Benefits to Bear for Business

# Performance & Profitability

Judgment day may soon arrive for employers. There will be consequences, or payoffs, stemming from company behavior and actions during the economic recession because many experts believe a sustained job recovery is imminent. The approach organizations employed during the downturn will decidedly come back to either hurt or help them as the health of the employment market continues to improve.



*“Workers who are extremely or very satisfied with their benefits program are six times more likely to stay with their employer, compared to those workers who are dissatisfied with their benefits program.”*



**U.S. COMPANIES**

HEALTH CARE  
REFORM

SLOW ECONOMIC & JOB  
RECOVERY

UNPROTECTED  
DIMINISHED WORKFORCE

DIMINISHING BENEFITS  
OPTIONS

RISING  
HEALTH COSTS

ANTICIPATED JOB  
CHANGE

According to a recent study by the Society for Human Resource Management (SHRM),<sup>1</sup> the majority of HR professionals and managers surveyed agreed that turnover will rise significantly once the job market improves. Further, they also feel that the job market will improve within the next year.

The aftershocks of the recession are just now beginning and will continue for quite a while. From navigating a historically slow recovery and rising health care costs to the reality of a large number of workers simply biding their time before jumping ship at the first signs of economic stability – it’s clear, business leaders need to be in prevention mode.

The 2012 Aflac WorkForces Report, conducted in partnership with national polling firm

Research Now, finds that one of the most overlooked, and often underestimated, ways to help prevent or minimize these challenges is through a strategically designed, effectively implemented benefits program. This stop-gap measure alone can dramatically decrease worker attrition, lower health care costs, and create a healthier, more productive workforce. Yet, alarmingly, more companies this year are shedding, not bolstering, benefits options.

To help companies rethink their beliefs and approaches to benefits utilization and delivery, this year’s groundbreaking study uncovers quantifiable connections between a variety of benefits aspects and their bearing on business performance.

## **BENEFITS PROGRAMS THAT MEET WORKER NEEDS HELP COMBAT WORKER ATTRITION**

It appears the warnings of potential turnover among workers at the first signs of recovery have begun to materialize. A growing number of U.S. employees are pink-slipping their employers. The Bureau of Labor Statistics (BLS), in a February 2012 report, showed that the number of workers quitting has been steadily rising since its low point in December of 2009. The BLS reported that the number of employees who leave their jobs tend to rise when there is a perception that jobs are available.

Organizations that haven’t already placed a premium on retaining their top talent will need to do so quickly. According to the Aflac study, nearly half (49%) of workers are at least somewhat likely

to look for a new job in the next 12 months, and 27 percent are very or extremely likely.

As HR decision-makers analyze the best measures to prevent an exodus of workers, the Aflac WorkForces Report provides clear, undeniable evidence that a world-class benefits program can deliver results. In fact, the study found that workers who are extremely or very satisfied with their benefits program are six times more likely to stay with their employer, compared to those workers who are dissatisfied with their benefits program.

Further, when asked how influential an overall benefits package is in the decision to leave a

CHART 1: HARD AND SOFT ROI OF EMPLOYEE WELLNESS PROGRAMS

WORKPLACE ATTITUDE	OFFERED AND TAKE PART	OFFERED, DON'T TAKE PART	NOT OFFERED AT ALL
Overall satisfaction with benefits package	62% extremely or very satisfied	52% extremely or very satisfied	37% extremely or very satisfied
How satisfied are you with your job?	67% extremely or very satisfied	55% extremely or very satisfied	52% extremely or very satisfied
Believe company takes care of its employees	73% strongly or somewhat agree	66% strongly or somewhat agree	56% strongly or somewhat agree
Belief that productivity is an important issue for the organization	70% extremely or very important	67% extremely or very important	57% extremely or very important
Belief that controlling health/medical costs is an important issue	72% extremely or very important	63% extremely or very important	47% extremely or very important
How likely are you to look for a new job in the next 12 months?	19% extremely or very likely	22% extremely or very likely	32% extremely or very likely
How well does current benefits package meet your family's needs?	68% extremely or very well	56% extremely or very well	41% extremely or very well
How effectively does your HR department communicate about benefits?	52% extremely or very effectively	44% extremely or very effectively	29% extremely or very effectively

current employer, 34 percent say very or extremely influential. And, when asked what their current employer could do to keep them in their job, 49 percent said “improve my benefits package.”

Beyond keeping workers in their current positions, the 2012 Aflac WorkForces Report also uncovered a clear correlation between

satisfaction with benefits and satisfaction overall. Consider this – 73 percent of workers who indicate they are extremely/very satisfied with their benefits package also say they are extremely/very satisfied with their job. This compared to only 33 percent of workers who say they are extremely/very satisfied with their job but who are also dissatisfied with their benefits package.

## BENEFITS PROGRAMS THAT ADDRESS TOTAL HEALTH CAN COMBAT RISING HEALTH CARE COSTS

The importance of employee wellness has grown over the past several years, with some experts predicting that over the next 10 years the country will successfully transition the health care system from one which “fixed people who were sick” to one of preventative, diagnostic medicine. However, as is often the case with bold new concepts, many companies are not convinced of its effectiveness, or have perhaps been too limited in scope and implementation of wellness programs.

Impactful wellness programs are not just hosting a company fun run, or hanging a few health-related posters around the office. Wellness programs must be comprehensive, engaging and holistic, encompassing key areas of employees’ everyday lifestyle and include a

focus on a healthy workplace and community, education about eating well and exercise, and the ability to manage stress and focus on prevention. Otherwise, participation will not happen and companies will not see the results and ultimate benefits they expect. Promoting a culture of well-being and health takes passionate and persistent leadership from the C-level down.

When viewed holistically, the payoff can be tremendous. In fact, a study by Towers Watson and the National Business Group on Health shows that organizations with highly effective wellness programs report significantly lower voluntary attrition than do those whose programs have low effectiveness (9% vs. 15%).<sup>2</sup>

The Aflac WorkForces Report examined the

CHART 2: EMPLOYEE ATTITUDES AND BELIEFS

EMPLOYEE VIEWS	Employer does not offer voluntary benefits options	Employer offers voluntary benefits options
Employees are satisfied with benefits offerings	41%	55%
My current benefits package meets my family needs	45%	60%
My employer takes care of its employees	59%	67%
I'm taking full advantage of my benefits offerings	46%	61%
A comprehensive benefits package safeguards my health and wellness	59%	70%

prevalence of wellness programs in today's environment, as well as their impact on worker satisfaction, well-being and ultimately, productivity. The findings were quite surprising. Workers who are offered wellness programs and take part in those programs are significantly more likely to be satisfied with their job, feel positively towards their employer, and consider their well-being better protected, compared to workers who aren't offered wellness programs at all. **SEE CHART 1**

Traditionally, HR departments have arguably been not only too narrow in addressing solely physical health concerns, but too limited in options or programs to do so, and often disregard the importance of a financially-secure employee as a key part of overall wellness. Yet, the impact of the current economic landscape, combined

with a general lack of basic understanding of financial principles, has left many American workers in fiscal distress and high debt. In fact, the Aflac study found that only eight percent of workers strongly agree their family will be financially prepared in the event of an unexpected emergency, while 51 percent are trying to reduce debt.

Nearly six in 10 workers (58%) don't have a financial plan in place to handle the unexpected,

and the same amount either don't consider health insurance to be a part of their financial plan or consider it a minor part. Clearly, many Americans are in a difficult financial position, and that often means turning to their employer for help.

Employers are also feeling the effects of worker anxiety. Individuals with stress caused by large outstanding debts and unstable financial situations report incidences of ulcers and digestive problems, migraine and other headaches, anxiety, depression and even heart attacks at rates between two and three times the national average. This stress translates into higher health care costs and other negative effects on the workplace. Financially-stressed employees experience higher absenteeism and turnover, lower levels of job satisfaction and lower productivity.<sup>3</sup>

Companies are also experiencing higher productivity losses due to distracted workers. Nearly half (46%) of workers who have experienced a personal issue that impacted their ability to get their work done, say it was due to a health issue specifically. Additionally, the Aflac study finds that nearly half of companies (43%) estimate their average productivity loss stemming from employees' concern over personal issues is between 11 and 30 percent. Productivity losses related to personal and family health problems cost U.S. employers \$1,685 per employee per year, or \$225.8 billion annually.<sup>4</sup>

The wellness model that successful companies have embraced uses a holistic approach and

BENEFIT	OFFERED IN 2011	OFFERED IN 2012
Major Medical	80%	80%
Dental	72%	65%
Life	68%	58%
Vision	57%	47%
Disability	61%	50%
Critical Illness	24%	12%
Flexible Spending	47%	37%

takes into account an employees' physical health, as well as the benefit of assisting employees in becoming savvy savers, spenders and investors. These employers understand that by improving

the financial wellness of employees, they are also creating an environment for better overall employee wellness.

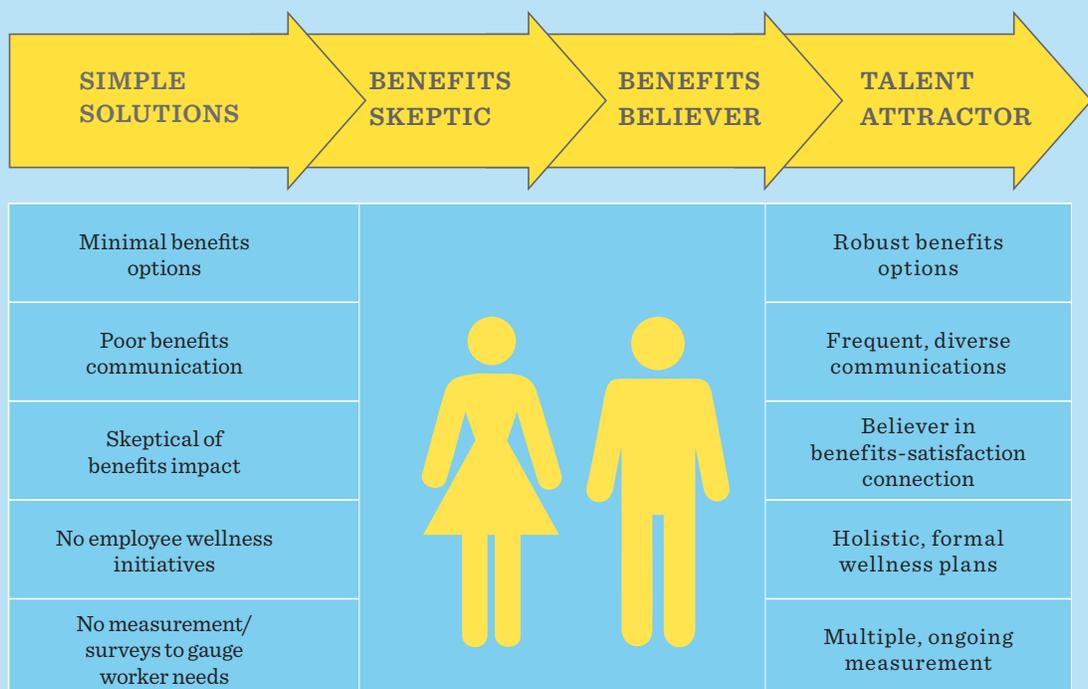
## VOLUNTARY BENEFITS OPTIONS DELIVER WORKER PEACE OF MIND, HIGHER PRODUCTIVITY

Although a strong business case can be made to building robust benefits programs, U.S. companies are actually decreasing the amount of ancillary benefits options they offer in 2012. The study found that on average, 10 percent of companies across the U.S. are decreasing all of their ancillary benefits options. Many others are decreasing a portion of their benefits options, leaving employees with fewer choices for coverage and protection. However, evidence has shown not only the desire for more benefits options, but the impact a comprehensive benefits package can have on crucial workplace outcomes. Simply put, more choices to bolster protection are a must-have for employees.

Voluntary insurance plans can resolve the many market pressures faced by HR and benefits managers today, at no direct cost to the company. They offer a unique opportunity to satisfy competing priorities, including the ability to create robust, competitive benefits packages in the face of diminishing budgets and rising health care costs.

Voluntary insurance can include policies for accident, cancer/specified-disease, dental, life, short-term disability, specified health event, hospital confinement indemnity, hospital intensive care, lump sum critical illness, and vision. It is traditionally viewed as coverage that exceeds an employee's core benefits packages, yet as many companies are cutting back on core health care coverage to curb rising costs, the need for voluntary insurance has become essential.

Many HR decision-makers choose not to add voluntary benefits that could help workers with the financial obligations of unexpected health events because they feel their employees don't have an interest in purchasing such options. However, survey findings conclude quite the opposite. The majority (60%) of employees say they would be interested in purchasing voluntary insurance. Perhaps it is because 32 percent of the workforce says "maintaining my health care benefits" and 22 percent say "increasing out-of-pocket expenses" are the most important issues for them right now.



Not only is there a need for more benefits options, the Aflac WorkForces Report also found significant differences in the mindsets and attitudes of workers who are offered voluntary insurance benefits options, compared to those who work for a company that does not offer such benefits options. Employees who are enrolled in or offered voluntary insurance plans at their company are more likely to say they are satisfied with their benefits package, it meets their needs and it is more competitive than their peers' benefits. A higher percentage of these employees express more positive feelings

**44%**

*of workers say they would be less likely to leave if they had a well-communicated benefits program.*

Borrowing a page from the medical community, often the key to prevention comes down to early detection. The same holds true for today's organizations seeking ways to combat the potential effects of forces, economic and otherwise, threatening their livelihood. Through a strategic "diagnosis" of their current beliefs, utilization and delivery of benefits, companies can identify where they fall on a spectrum of benefits proficiency.

The 2012 Aflac WorkForces Report identified four segments of organizations, based on their perspectives on the importance of workforce health as a cultural, financial and mission-critical initiative, as well as their general utilization of

## **MASTERING EFFECTIVE BENEFITS COMMUNICATION & MARKETING**

It may be that the ability to communicate employee benefits in a way that drives participation, increases perceived value and fosters a company-wide sense of trust is the most underestimated challenge in the business world. And, given the potential power of benefits options in driving employee satisfaction, attraction and retention, it's fair to say it might be the most important as well.

about their benefits and level of protection and are taking full advantage of their employee benefits. **SEE CHART 2**

Making voluntary insurance policies available can allow companies to enhance their benefits offerings, differentiate themselves from competitors, and offer workers choice in additional coverage that best suits their needs. These types of supplemental insurance policies and ancillary benefits offerings will be a greater differentiator than ever before in the battle to attract a talented workforce and protect them.

## **VARYING DEGREE OF BENEFITS BELIEFS & COMPETENCIES AMONG U.S. COMPANIES**

benefits options. Based on responses to a wide range of questions, the study uncovered a wide disparity among businesses today.

Most importantly, the study findings shed light on companies that are best-in-class when it comes to benefits packaging and execution. These "talent attractors" span size and industry, but all share common beliefs about their company's role in worker health and protection. The HR decision-makers at these organizations are more likely to believe that improving employee health is very important to workforce productivity. And, they understand fully what their workers' benefits needs are and how to excel at communicating and marketing those benefits needs.

Unfortunately, feedback from U.S. workers indicates most companies' communications and education about benefits isn't up to par. In fact, the Aflac WorkForces Report finds that only nine percent of workers say their HR department communicates extremely effectively about benefits packages offered. Another 22 percent say their HR department communicates not at all or not very effectively.

Surprisingly, the study found little difference in how employees perceive the effectiveness of benefits communication, regardless of whether they work for large or small companies. This is contrary to the common belief that larger organizations fare better due to larger internal and external resources.

Corporate America spends billions of dollars on health and welfare benefits options every year. It is vital that

organizations begin extending beyond simply communicating, to marketing their benefits packages. Both employees and employers can experience the negative effects of insufficient communication and marketing of benefits options. On the other hand, when a company shows it cares about its employees, both parties reap rewards in the form of happier, more engaged, and more productive workers.

## CONCLUSION

In the recent years, companies have faced an unprecedented number of macroeconomic and labor market forces that still have the potential to erode corporate profitability or shut their doors altogether. A combination of recent, positive economic news and an improved job market is helping to boost consumer confidence. In fact, according to a recent Conference Board survey of economists<sup>5</sup>, U.S. consumer confidence registered a one-year high earlier this year as optimism about the labor market offset other concerns.

A more confident workforce, combined with more job openings, can lead many workers, who may be on the fence about job change, to move forward and make their exit. The recessionary environment has caused workers to reassess the employer-employee value proposition. They are now taking a closer look and asking, “What is my employer providing me, in both hard and soft benefits, that makes me loyal to them?”

Protecting your best assets – your workers – is vital, and that means you must find ways to maximize their engagement levels and willingness to remain loyal to your organization.



Workers Feel Financial Strain and are

# UNPREPARED *for* MEDICAL EMERGENCIES

## Workers Fret About Finances, Yet Don't Plan for Emergencies

- » Nearly 6 in 10 (58%) don't have a financial plan for dealing with unexpected life challenges or events.
- » 34% say learning they had an unexpected serious illness or injury would leave them concerned about how it would affect their ability to pay for monthly expenses.
- » More than a quarter (26%) of all employees say they consider saving \$50 each month a greater hardship than adjusting to a large unexpected cost.
- » Of the 42% of Americans with financial plans in place, 22% say health insurance is not part of their overall plan. Another 36% say health insurance is only a minor part of their plan.
- » When asked if their goals and dreams are financially protected, 40% say they somewhat/strongly disagree. Another 24% only somewhat agree.

## Workers Under Financial Strain

- » When asked if their family will be financially prepared in the event of an unexpected emergency, 36% somewhat/strongly disagree. Another 29% only somewhat agree.
- » 51% are only somewhat confident about their financial future; another 24% are not very/not at all confident.

- » Six in 10 say they need to make cuts or sacrifices to save money.
- » The majority (68%) of workers are coping with a financial crisis and/or trying to reduce debt.
- » Over half (58%) expect their household financial condition to remain the same or get worse in the next 12 months.

## Workers Financially Underprepared

- » 45% say they would be unable to adjust to the large financial costs associated with a serious injury or illness.
- » 46% say they are not prepared to pay out-of-pocket expenses not covered by major medical insurance. Additionally, 40% are only somewhat prepared.
- » 28% have less than \$500 on hand to pay out-of-pocket health expenses; another 23% say they only have between \$500 and \$1,000.
- » 36% say they would have to borrow money from their 401(k), friends and/or family to pay out-of-pocket medical costs. An additional 30% would need to charge out-of-pocket expenses to a credit card.
- » The majority (60%) of employees have done nothing to prepare themselves and their families for possible changes to their health care plans.

The 2012 Aflac WorkForces Report was conducted January 24–February 23, 2012, by Research Now on behalf of Aflac.

Despite having Insurance

# WORKERS DON'T FEEL ADEQUATELY PROTECTED

## Workers are Enrolled in:

BENEFITS	%
Major Medical/ Health Insurance	78%
Dental Insurance	77%
Life Insurance	63%
Vision Insurance	58%
Disability Insurance	49%
Voluntary Insurance	31%

## Workers Don't Feel Protected by Current Insurance

- » When asked if they feel fully protected by their current insurance coverage, 27% say they somewhat/strongly disagree; 35% say they only somewhat agree.
- » If faced with an unexpected serious illness or injury, 38% would first consider whether their insurance would cover everything.
- » 38% are only somewhat satisfied with their overall benefits package, and 15% are not very/not at all satisfied.
- » 33% of workers say their current benefits package meets their current family needs only somewhat well, another 15% say not very/not at all well.

## Benefits Influence Attracting & Retaining Workers

- » 49% of workers say they are likely to look for a new job in the next 12 months. And, 27% are extremely/very likely to do so.
- » Nearly half (49%) say "improving my benefits package" is one thing my employer could do to keep me in my current job.
- » 65% say a company's benefits package is extremely/very influential in attracting and retaining talented employees.
- » 38% consider their overall benefits package as an extremely/very influential factor in determining loyalty to their employer; 34% significantly factor this into their decision to leave their current employer.
- » 61% are likely to accept a job offer with slightly lower compensation, but better benefits.
- » Nearly half (47%) say adequate insurance benefits play a very strong/strong role in helping employees cope with personal issues.

The 2012 Aflac WorkForces Report was conducted January 24–February 23, 2012, by Research Now on behalf of Aflac.

<sup>1</sup> Society for Human Resources Management/CareerBuilder Survey, <http://humanresources.about.com/cs/retention/a/turnover.htm>, Accessed 3/23/12

<sup>2</sup> Harvard Business Review Magazine, December 2010 issue, <http://hbr.org/2010/12/whats-the-hard-return-on-employee-wellness-programs/ar/1>, Accessed 3/23/12

<sup>3</sup> Aversa, Jeannine. "Stress Over Debt Taking Toll on Health." <https://web1.lifebenefits.com/lb/pdfs/F62382-28.pdf>, Accessed 3/26/12 on LifeBenefits.com

<sup>4</sup> Centers for Disease Control and Prevention, <http://www.cdc.gov/workplacehealthpromotion/businesscase/reasons/productivity.html>, Accessed 3/26/12

<sup>5</sup> The Conference Board, "Consumer Confidence Index" by Nielsen, February 28, 2012

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## ABOUT THE AFLAC WORKFORCES REPORT

The Aflac WorkForces Report (AWR) is an annual employee benefits study examining the forces that impact the trends, attitudes and implementation of employee benefits. Surveying both American workers and business decision-makers, the Aflac WorkForces Report reconciles the perceptions and realities of benefits in the workplace. The insights aim to help businesses make informed decisions about benefits to better protect their employees and their bottom line. The study, conducted by Research Now, surveyed nearly 2,000 benefits decision-makers and business owners and more than 6,100 American workers in February 2012.

## METHODOLOGY

The 2012 Aflac WorkForces Report was conducted by Research Now on behalf of Aflac. The research contained two components of research among the U.S. workforce—employer research and employee research. The Employer Survey was conducted online within the United States between January 24, 2012, and February 7, 2012, among 1,876 benefits decision-makers. Results were representative of U.S. companies with at least three employees based on company size (number of employees) and industry. No estimates of theoretical sampling error can be calculated; a full methodology is available. The Employee Survey was conducted online within the United States between February 7, 2012, and February 23, 2012, among 6,151 employed adults ages 18 and older who are employed full or part time at a company with three or more employees and not retired. The first 3,151 interviews were nationally representative while the remaining 3,000 interviews were conducted among the Top 30 DMAs—100 interviews per DMA. Results were weighted as needed for household income. No estimates of theoretical sampling error can be calculated; a full methodology is available.



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