

# BENEFIT

## Plan Trends



A monthly update focusing on Retirement and Executive Viewpoints

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## Small Businesses Anticipate Moderate Recovery In Hiring

Small business managers expect to hire more workers in 2011, but many report that the growth of their organization is hindered by ongoing challenges related to accessing credit, government regulations, and health insurance costs, according to a 2010 survey by recruitment web site CareerBuilder.

The survey of 1,356 managers at companies with 500 or fewer employees showed that just over half (51%) of small businesses are in a better financial position than they were one year ago, but most remain cautious in their recruitment plans.

Results revealed that 21% of small business managers plan to hire

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full-time, permanent employees in 2011, up from 20% in 2010 and 15% in 2009. Meanwhile, 5% of respondents indicated they expect to decrease permanent headcount, down from 6% in 2010 and 11% in 2009. Nearly two-thirds (64%) anticipate no change in full-time, permanent headcount. Results for companies with 100 or fewer employees showed that 18% expect to recruit more full-time permanent employees in 2011, roughly the same percentage as in 2010.

The findings further indicated that 11% of small businesses plan to hire part-time workers in 2011, up from



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*Results revealed that 21% of small business managers plan to hire full-time, permanent employees in 2011, up from 20% in 2010 and 15% in 2009.*

9% last year and 8% in 2009. The share of small businesses intending to recruit fewer part-time workers fell to 3%, down from 5% reported in 2010 and 11% in 2009. More than three-quarters (76%) anticipate no change in part-time staff levels.

In addition, 26% of small businesses plan to hire contract or temporary workers this year, and 31% expect to transition some contract or temporary staff into full-time, permanent employees. Results indicated that 14% of small business managers believe that their organizations will not be able to maintain current productivity levels without additional help, as their current employees are already burned out.

At the same time, however, 18% of the managers surveyed were unable to access the credit needed to support their businesses in 2010. More than one-quarter (26%) of those respondents who were unable to obtain credit in 2010 also indicated they could not hire new employees, while 66% of those respondents who accessed credit last year said they were able to add to their headcount.

When asked about their prospects for accessing credit in 2011, 33% of respondents said they do not think or are unsure if their companies would be able to obtain the credit they need, with 16% saying a lack of access to credit would prevent them from adding new employees this year and 8% saying they may not be able to stay in business without access to credit.

Matt Ferguson, CEO of CareerBuilder observed that small businesses have been in a holding pattern in recent years in which they were less likely than larger organizations to lay off staff, but were also less likely to add staff. "Over the last year, we saw modest, but continued gains in jobs that are carrying over into 2011," Ferguson said. "Before we see people back to work in greater numbers, we need to find ways to get this segment of the economy hiring again."

## Women Lag Behind Men In Retirement Savings

Even when they have similar individual and household characteristics, the retirement savings of working women lag behind those of men, but there are signs that younger women are starting to close the gender gap, according to a 2010 report by financial services consultancy LIMRA.

Based on the results of a survey of almost 2,500 private sector employees who are eligible to participate in a defined contribution retirement plan, the study found that the average balance of working women aged 50 or older is nearly \$63,000 less than that of working men of the same age. While the average retirement plan deferral rate is higher for women aged 50 or older, women in this age group tend to earn less than men of the same age (including their spouses or partners), which leads to lower account balances.

The report noted, however, that the gender differences were less extreme among women under age 50 who are coupled, either in a marriage or a civil union. These younger women are more likely than older women to earn the same as their spouse or partner.

In addition, the survey results indicated that women tend to be less knowledgeable than men about financial products and services. When rating their own knowledge about financial products and services, 29% of men described themselves as knowledgeable, compared to 14% of women. In addition, nearly three-quarters of men say they feel at least somewhat knowledgeable about financial products and services, compared with only 54% of women.

Yet, the survey findings also demonstrated that employees who have similar financial knowledge levels, regardless of gender, are comparable in terms of their retirement planning behavior. Results showed that men and women who rate

themselves as knowledgeable about investments or financial products are more likely than those who see themselves as somewhat or not knowledgeable to be very involved in monitoring and managing their retirement savings. This finding suggests that, if women improved their financial literacy, they would become more active in retirement planning activities.

“As an industry, we have to do more to educate women on the importance of retirement saving and planning,” Cecilia Shiner, senior analyst, LIMRA’s retirement research, said. “Companies can help employers provide the tools and information to encourage them to participate in their DC plans and become more involved in the financial decisions surrounding their retirement.”

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## Workers Look To Employers For Health Care Guidance

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Growing numbers of U.S. workers are turning to their employer and health plan provider for medical and health information, according to an October 2010 survey of employees by the National Business Group on Health, a nonprofit association of more than 300 large employers.

A total of 1,538 employees between the ages of 22 and 69 who receive their health care benefits through their employer or union participated in the survey. The poll found that three-quarters (75%) of workers used their employer as a resource for medical and health information in 2010, up from 54% in 2007. More than two-thirds (69%) rated their employer as a trustworthy source of health information.

Meanwhile, the percentage of respondents who reported relying on their health plan for health and medical information increased from 67% in 2007 to 76% in 2010. In addition, growing numbers of workers rely on health-oriented web sites, while fewer employees are seeking out

information from doctor’s offices, published articles, prescription drug package inserts, and pharmacists, or even from medical school, hospital, and government web sites.

Researchers noted that, given the rising cost of health care, employers are looking for ways to ensure that employees are receiving safe and appropriate quality health care, including care based on Comparative Effectiveness Research (CER), which can help doctors and patients know what type of health care works best by comparing the effectiveness of different tests or treatments.

The survey found that most employees are at least somewhat familiar with CER, with 53% of respondents saying they have heard about CER a few times and 28% saying they have heard about CER more than a few times. Of those respondents who indicated they are familiar with CER, 57% agreed that this type of research is very important. Results further revealed that 39% of respondents support incentives for using proven treatments, while 16% support imposing penalties for using treatments that research has shown work less effectively.

When asked to what extent they trust various organizations to conduct comparative research, 74% of respondents see nonprofit organizations focused on a specific illness as trustworthy organizations, while 70% would trust an independent panel of doctors and other health professionals and 61% would trust a college, university, or other educational institution to conduct comparative research.

“Employees face great challenges in navigating a complex, fragmented and hard-to-access health care delivery system,” said Helen Darling, President and CEO of the National Business Group on Health. “The amount of health care information that consumers need to sift through just to know what they should be doing seems endless and daunting.”

Darling added that the survey results show that workers want their employers to play a role in helping them access medical




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*Workers want their employers to play a role in helping them access medical information about their health and about how to make good treatment decisions from sources that are objective, trustworthy, and reliable.*

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## Improving Defined Contribution Plan Design

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Unless retirement plan sponsors have in place a comprehensive strategy for ensuring that employees are saving successfully for retirement, many defined contribution plans may fall short of their potential to deliver the desired level of benefits, according to a 2010 report by human resources consultancy Towers Watson.

The report's findings are based on a 2010 survey of 334 plan sponsors with more than 1,000 employees and at least \$10 million dollars in plan assets across a broad range of industry sectors. The survey asked employers how they are addressing issues surrounding their retirement plans, including plan design, investment, fees, communication, and governance practices. According to the report's authors, the question of how employers can design defined contribution plans that better prepare employees before and at retirement has attracted greater attention as a result of the closures and freezing of traditional pension plans over the past decade, especially in light of the recent economic downturn.

The survey showed that defined contribution plans are a primary source of benefits for new employees, as the majority of respondents who also sponsored defined benefit plans indicated that these plans are now inactive.

When asked whether they automatically enroll employees in the plan, 57% of plan sponsors reported that they employ auto-enrollment with the choice

of opting out, 18% said they auto-enroll all employees, and 39% indicated they auto-enroll only new employees. The findings showed that the overall opt-out rate among employees is very low, but it is slightly higher when auto-enrollment is applied to all employees, rather than to just new hires.

In addition, the survey found that, while auto-enrollment significantly improves plan participation, the initial default savings rates are often fairly low. Thus, to improve saving rates, 58% of respondents who offer auto-enrollment also said they provide contribution escalation. The findings indicated that auto-escalation is correlated with a lower opt-out rate.

Researchers added that almost half of respondents not currently using auto-enrollment and escalation are planning to or are considering adopting these features. According to the report's authors, further innovation in how these designs are deployed, communicated, and evaluated can be expected.

While employers are encouraging employees to save more, they are also considering whether there are more effective ways of providing the company match. Nearly half of plan sponsors who reduced or suspended their matching contribution during the economic downturn have moved to a new match approach.

Noting that planning for retirement cannot be uniform for all employees and employees are not always engaged, researchers recommended that plan sponsors continue to provide information to help participants better gauge how much they may need to meet their personal needs in retirement. "Ensuring that participants have an arsenal of tools to effectively manage their retirement finances should be a near-term priority for employers," the report's authors concluded.




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