

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Workplace Flexibility Programs Need Structure

While growing numbers of employers are offering employees flexible work arrangements in an effort to attract and retain talent, many companies have yet to put into place the structures necessary for managing and supporting workplace flexibility, a study released by human resources consultancy Hewitt Associates has warned.

Based on a survey of 90 U.S. employers, the study found that, of those companies that offer flexible work arrangements, 98% agree that the benefits of providing these programs match or outweigh the costs associated with implementing them. Of those respondents that sponsor flexibility programs, 66% reported that the programs increase employee engagement, 64% said they improve employee retention, and 49% said they make it easier to recruit new employees.

Results also showed, however, that relatively few employers have formal and consistent policies and procedures in place to manage flexible working programs. Just 27% of the flexibility program sponsors

surveyed said they have company-wide, formal written policies regarding flexibility.

Around one-quarter of respondents indicated they do not formally communicate to employees about the flexible work programs they offer, with fewer than half (48%) reporting that they provide education and communication about their workplace flexibility programs to all employees.

When those companies that do not communicate with employees about their flexibility programs were asked why they failed to do so, the most commonly cited reason was that their organization wishes to limit the use of flexible work arrangements, either because the company culture has not yet fully embraced flexible working or because they are concerned that having too many employees using the program would create logistical problems.

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*The types of flexible work arrangements offered were also found to vary. Some 46% of the employers surveyed offered job sharing; 39%, telecommuting; 36%, part-time work; and 31%, flextime.*

“Human capital has become many companies’ largest and fastest growing corporate expense, so organizations are feeling pressure to not only manage costs, but also to make sure they offer programs that can attract, retain—and most importantly—engage key talent,” said Carol Sladek, principal in Hewitt’s Work-Life practice.

Sladek noted that flexible work arrangements have become increasingly popular programs among employers because they are both highly valued by employees and relatively inexpensive for employers to implement.

“But these programs can also be terribly complex to design, manage, and measure,” Sladek observed. “Companies with consistent and formal policies, strong education and communication, and ongoing measurement strategies in place will truly succeed in maximizing the return on their investment—both in terms of costs and employee engagement.”

The findings further revealed that some employers are inconsistent in applying company policies regarding flexible work arrangements. The survey found that 39% of companies have policies or guidelines on flexible working that vary by location, business unit, department, or job class. Moreover, 31% of companies give individual managers discretion in deciding which employees will be offered flexibility.

Just 39% of the employers surveyed said they believe that managers understand their company’s flexible work arrangements, and only 42% said they are confident in their managers’ ability to manage employees who take advantage of flexible work programs. At the same time, however, 61% admitted that they do not provide training to managers in how to administer flexible work arrangements.

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“As flexible work arrangements continue to change and evolve, establishing a

formal, company-wide policy will provide some level of consistency across the board and enable employees and managers to know what is expected of them,” said Sladek. “Employers should leave some room for flexibility so arrangements can be adapted to address business requirements, workload, work-life demands, and other factors that vary from worker to worker.”

In addition, 71% of the employers said they do not measure the effectiveness of flexible work arrangements, while just 14% indicated they conduct formal assessments of the programs. Of those respondents that do measure their company’s flexible work programs, 73% said they base their judgments about the success of the programs on employee engagement; 69%, on employee retention; and 50%, on productivity.

By using hard data, such as turnover statistics, recruiting results, and employee engagement surveys, companies can establish an ongoing measurement strategy that ensures their programs meet company and employee expectations, Sladek observed. “Even more important,” she added, “it allows executives to more readily buy into these programs and see the positive implications on the business.”

## Older Workers Without Health Insurance Or Traditional Pensions Less Likely To Retire

Workers over the age of 50 who lack access to affordable health insurance options or a traditional pension are more likely than employees who have these benefits to delay retirement, preferring instead to continue earning an income and remaining covered under their employer’s health care plan, a study published by human resources consultancy Watson Wyatt Worldwide has concluded.

The study's findings are based on an analysis of survey data collected between 1992 and 2004 by the University of Michigan's Health and Retirement Study. The analysis showed that workers age 50 and older who rely on their employers for health care coverage, and who do not expect to receive employer-provided medical benefits in retirement, are 16.5 percentage points less likely to retire in a given year than workers who have access to health care coverage through another source. In addition to employer-sponsored retiree medical benefits, potential sources of health care coverage for younger retirees include a spouse's health plan, public health insurance, or COBRA.

"The link between health care and retirement security is just one of the factors affecting older workers' decisions about retirement," said Mark Warshawsky, director of retirement research at Watson Wyatt. "Most factors point to an aging workforce, driven by delayed retirements. A holistic view of these factors will help employers develop a better understanding of how their workforce might change in coming years and what that might mean for their business."

The analysis also showed that the type of retirement plan coverage affected workers' decisions about when to retire. The findings indicated that having only a defined benefit plan increases the likelihood of retirement among workers over the age of 50 by 4.1 percentage points. Meanwhile, workers who will receive most of their retirement income from defined contribution plans, such as 401(k) plans, were found to be less likely to choose early retirement.

Moreover, the analysis found that expected income from a traditional pension plan or from Social Security was more likely to cause workers to retire early than potential income from other forms of wealth, such as housing equity or other household financial assets. Researchers noted that the increase in the age at which workers can receive full Social Security benefits from 65 to 67 appears to be hav-

ing a considerable impact on retirement decisions.

Kevin Wagner, senior retirement consultant at Watson Wyatt, warned that, when the market booms, defined contribution plan participants might retire just when companies need to add workers, and when there are market busts, 401(k) plan participants might stay at work just when companies want to reduce the size of their workforce.

"To effectively predict and manage workers' exit from the workforce, employers need to take a comprehensive view of their benefit programs and tailor their retirement programs to meet both employee and employer needs," Wagner said.

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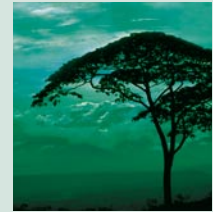
## Benefits Important To Recent College Graduates

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Recent college graduates applying for entry-level positions are placing considerable emphasis on benefits packages, job security, and length of commute when weighing competing job offers, according to an annual survey conducted by networking firm Experience, Inc.

The survey of 3,890 college students preparing to graduate and 108 employers found that, compared with previous years, priorities have shifted among college graduates evaluating job offers in 2008. When asked what factors they consider to be very important when making the decision about whether to accept a position, 60% of the graduates surveyed cited health care benefits, 57% said job security, 45% said retirement packages, and 42% said the commute. In addition, 73% indicated location is very important to them, and 20% said they would consider relocating in order to find a better job.

Possibly out of concern that a recession may be looming, members of the Class of 2008 appear to be increasingly aggressive in accepting job offers,




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researchers observed. Results showed that 31% of the college seniors surveyed in March and April 2008 had already accepted or were considering full-time job offers, compared with 22% of the seniors surveyed in the spring of 2007. The findings also indicated that fewer of the students surveyed in 2008 plan to attend graduate school than in previous years.

At the same time, however, nearly half (47%) of the students surveyed in 2008 said they expect to remain in their first full-time job for less than two years. By contrast, 73% of the employers surveyed said they expect new recruits to remain on the job for three or more years.

Commenting on the results of the survey, Jenny Floren, founder and CEO of Experience, said, "Larger employers are facing a very serious recruiting issue as baby boomers retire. Given the impact entry-level candidates will have to make from day one, organizations who understand what students value will be more successful in their recruiting and retention of Gen Y workers."

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## Work Stress Continues For Vacationing Employees

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Many workers are finding it hard to relax while on vacation, with growing numbers reporting that they will continue to remain in touch with the office even while on holiday, according to an annual survey conducted by recruitment website CareerBuilder.com.

The survey of 6,987 U.S. full-time workers conducted in February and

March 2008 found that 25% of employees plan to stay in contact with work while on vacation, up from 20% of those polled in 2007. Some 9% said their boss expects them to continue working on vacation, or to check their e-mail or voice-mail. To avoid having to work while on holiday, 7% reported lying to their employer about their accessibility.

In addition, 15% of respondents said they gave up vacation days last year because they did not have time to use them, and 9% reported that they failed to use four or more vacation days in 2007. Some 12% said they feel guilty when they are on vacation, and 6% said they worry that taking a vacation could cause them to lose their job.

Broken down by industry, sales representatives (50%), financial services workers (37%), and IT employees (37%) were the most likely of those surveyed to report that they plan to check in with the office while on vacation. Meanwhile, IT workers (19%) were the most likely to indicate that their employer requires them to continue working or monitoring their e-mail or voicemail while on holiday, followed by sales representatives (17%), financial services employees (14%), and professional and business services workers (12%).

"Taking a vacation is a great way for workers to re-energize themselves and bring fresh ideas back to the table," said Rosemary Haefner, vice president of Human Resources at CareerBuilder.com. "Unfortunately for some workers, getting away can add unnecessary stress to their lives."

Haefner recommended that employees take action to minimize the stress associated with being away from the office, including preparing co-workers for their absence and organizing major projects so that there are gaps in the schedule that allow for time away.




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