

2012 INDUSTRY INSIGHTS:

Government Agencies

The U.S. government employs over 2.1 million workers spanning many occupations, including administration, health care, education, law enforcement and many more.¹

Historically, the government sector adds jobs to its payroll each year, but this growth trend may be slowing. According to a 2012 U.S. census report, 2010 marked the first year for state and local government's total employment to decline since 1992.² The government is not immune to health care cost increases and other economic market pressures. Insights from the 2012 Aflac WorkForces Report reveal several trends that will have a significant impact on the sector and its success in 2012 and years to come.³

TREND ONE:

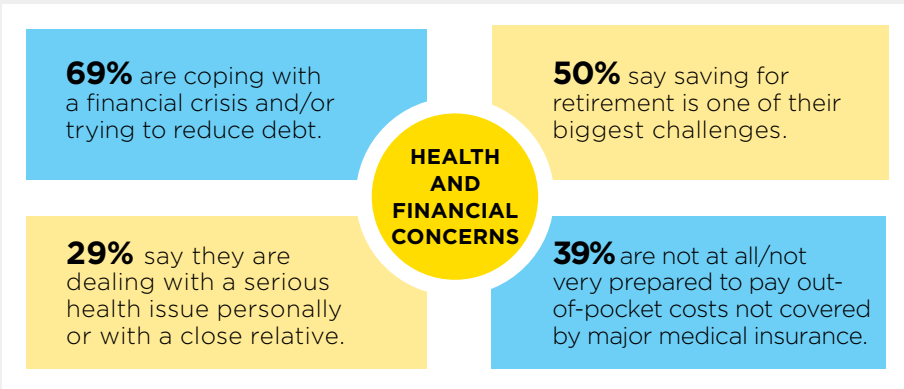
Government workers face vulnerabilities with financial future and health

Similar to workers across other U.S. industries, the Aflac study found that government workers face significant financial and health challenges. In fact, well over half of these workers (69%) say they are coping with a financial crisis and/or trying to reduce debt right now. Additionally, a little over 3-in-10 (31%) say one of their biggest challenges is having enough money to meet their current expenses and nearly 2-in-5 workers (39%) say they are not at all/not very prepared to pay

out-of-pocket costs not covered by major medical insurance.

These workers are also concerned about retirement, with 50 percent saying that saving for retirement is one of their biggest challenges and nearly half (45%) saying their expected retirement age is older than they previously anticipated. This is not surprising when nearly one quarter of government employees (20%) say they are not very/not at all confident in their financial future.

Contributing to their anxiety are family and health issues. More than a quarter of workers (29%) say they are experiencing a health issue personally and/or with a close relative. Similarly, 30 percent say they have experienced a family issue that has impacted their ability to get work done.



TREND TWO:

Managing health care costs to minimize employee impact

Responses from government employers reveal that the sector plans to combat rising costs by shifting costs to employees through increasing employee share of premiums and copays, as well offering health savings accounts as an alternative to major medical plans (Chart 1). Like most industries, government workers value their benefits options, and 35% of workers say maintaining health benefits options is the most impor-

tant issue for them right now. Just over half (53%) say they would feel more negatively towards their employers if they increased the employee portion of health insurance costs. To minimize the impact of negative responses from even the facilities' top talent, government employers will need to work to maintain competitive benefits packages, and look to cost-effective solutions that minimize the impact on employees.

Chart 1: Government Employers Plan to Reduce Benefits Options in 2012*

	Health Care Industry	All US Industries
Increase employee premiums	32%	26%
Increase employee co-pays	31%	26%
Implement a high deductible plan	11%	15%
Offer an HSA as an alternative	13%	11%
Eliminate contributions for family coverage	7%	5%

* Respondents could choose from more than one option.

TREND THREE:

Tailoring benefits to meet employee needs

When it comes to benefits options, government employers are calling for greater employee engagement, but they may not be using the most effective strategies. While 44 percent of government employers say it is very or extremely important to tailor benefits to employees at different levels or life stages, government employers are least likely to make these types of benefits available (just 27% versus 33% of industries overall).

The Aflac study reveals a surprising benefit to offering a range of options to employees – increased employee interest and engagement. In fact, the majority of

employees (69%) say they would be more likely to take advantage of a benefits package tailored to their personal situation.

For employers, ongoing feedback is critical to understand the gaps in both benefits offerings and employee engagement and comprehension in their benefits. Implementing benefits surveys and measurement, while also engaging benefits and HR partners as needed, can help to government employers to gain important feedback from employees regarding their benefits decisions. The Aflac study reveals that only 32 percent of government employers say they are asking employees about their

preferences or needs when it comes to benefits options. A similar ratio (35%) survey benefits satisfaction. These results reveal

room for improvement for government employers to make informed decisions when developing employee benefits offerings.

TREND FOUR:

Leveraging benefits communication drives employee engagement

Many government employees want to receive information about benefits from their HR departments, yet more than 4-in-10 (45%) say their HR departments communicate too little about employee benefits options. A clearly-communicated benefits package can have a significant effect on employee retention and the bottom line, especially when 42 percent of employees say that a well-communicated benefits package would make them less likely to leave their job; however, 35 percent of government employees say they do not truly understand their employer’s contribution towards their insurance benefits options.

options insight. In fact, 1-in-4 government employees (25%) get their health benefits information from colleagues, yet only 6 percent say this is their preferred method of communication. This is not surprising when 45 percent of government employees say their employer communicates about employee benefits options only during open enrollment and new hiring.

Employees say they prefer to receive benefits information from HR professionals, yet they are turning to their peers for insurance and benefits

Government employers will need to regularly review their communications plans to ensure they are communicating through multiple channels throughout the year, while also seeking advice, guidance and tools from their benefits providers to ensure they are communicating most effectively with employees.

TREND FIVE:

Wellness programs and voluntary insurance options offer solutions to maintain a competitive benefits package and keep workers adequately insured

Many government employers are utilizing wellness initiatives to reduce health care costs. Over half (56%) have a wellness program in place, which is nearly 1.9 times the national average. Not only do 1-in-4 government employers say they strongly agree that wellness programs can help reduce health care costs, but 41% say insurance premiums are lower as a result of their company’s wellness program. Workers show interest in programs that help to improve their health and wellness. In fact, 39% say if their employer offered options to improve their health and lifestyle, they would be happy to participate, if it meant lower premiums. With nearly 3-in-4 (72%) government workers saying they agree they could be healthier if they exercised more, wellness programs may be critical to help increase healthy workforce habits and reduce

health care costs. To learn more about the return on investment of wellness programs, read Aflac’s recent article: *The Wellness Movement: Examining the Role of Wellness Programs and Their Impact on America’s Workforce*.

Voluntary insurance options are also a promising cost-reducing measure. While in the past it is has been viewed as a nice-to-have benefit, voluntary insurance is increasingly considered a cost-effective supplement to core benefits and essential to helping companies achieve their goals. Considering that the majority of government employees (64%) say they would be at least somewhat likely to apply for voluntary benefits plans if made available by their employer, employees are also sharing their interest in having these supplemental options available. The most

popular reasons that these workers gave for adding voluntary coverage include: to offer them more options when it comes to health care coverage, to give them more comprehensive coverage and to meet their needs.

Not only do voluntary plans offer workers the option to bolster their insurance coverage, but

many plans include a wellness benefit that covers the expense of preventive procedures (e.g., mammograms, vaccines, etc.) and may pay the policyholder cash benefits for covered wellness visits. This can go a long way in encouraging annual visits to the doctor or preventive procedures to support overall health and well-being and to lower health care costs.

CONCLUSION

A resilient workforce is essential for the government sector. As many government employees face financial and health-related issues, many may already contribute to large losses in productivity and engagement on the job due to being under-protected and unprepared for unexpected events. The lat-

est findings from the Aflac study support a comprehensive approach, focusing on managing health care costs, establishing effective communication strategies and delivering competitive benefits solutions to retain, protect and engage a healthy government workforce.

¹ U.S. Census Bureau (2012). Annual Survey of Public Employment and Payroll Summary Report: 2010. Accessed July 23, 2012 from <http://www2.census.gov/govs/apes/g10aspep.pdf>.

² Bureau of Labor and Statistics (2012). Current Employment Statistics. Accessed July 23, 2012 from <http://www.bls.gov/ces/>.

³ 2012 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 24–February 23, 2012.