Why a Healthy Workforce May be the Next Great Employment Differentiator

Does your organization consider health care and benefits costs a barrier to profitability? Most companies subscribe to that belief, so if yours is among them, it's not alone. Yet, as the United States finds itself in one of the most unique situations in its history — complete with a changing political landscape, an unprecedented economic downturn and sweeping health care reform — it may be time for your company's leadership to embrace a bold new way of thinking.

What if your organization considered the health of its workers — along with sales, net gains and profitability — in the valuation of its business?

The Connection Between Personal Health and Corporate Health

Research establishing the connection between employee illness and the loss of productivity is abundant. What's harder to come by is proof that investing in the health and well-being of workers can dramatically improve business results. To achieve corporate health — to meet goals and profitability expectations — supporting and maintaining the personal health of workers is critical.

In this year's Aflac WorkForces Report, conducted in partnership with leading research firm Harris Interactive, a powerful connection emerged between a company's profitability and growth, and its attitude about employee benefits — as well as the value of benefits communications *(see Chart 1)*

Z100868 5/11

CHART 1

More Robust Benefits Offerings:

CHARACTERISTIC	GROWING SALES	MAINTAINING SALES	DECLINING SALES
Major medical	85%	80%	74%
Life insurance	75%	69%	57%
Critical illness	31%	23%	15%
Dental	79%	72%	63%
Vision	66%	57%	45%
Disability	67%	60%	51%
Voluntary insurance	55%	44%	41%
Flexible spending	54%	47%	38%
401(K)	81%	74%	62%
Flexible work options	36%	32%	28%
Flexible scheduling	43%	34%	29%
Current benefits package meets employees' needs extremely/very well	66%	55%	52%
Feels benefits package is significantly more competitive than others in industry	58%	43%	46%
Communicates 6+ times throughout the year	22%	19%	13%
Feels company communicates extremely/ very effectively about benefits offered	51%	41%	37%

Companies that have integrated health management strategies into their corporate planning — in the form of comprehensive insurance options and improved benefits communications — are reaping the rewards with improved attendance, retention, productivity and even attraction of top-notch recruits.

Benefits decision-makers know that many factors contribute to the overall health of their workforces, including employee wellness. However, an often-overlooked component is a worker's perception of his or her health and its effect on work performance. Senior leaders frequently view benefits programs merely as tools for helping employees cope with the cost of illness, but fail to understand that benefits may actually affect productivity — and, thus, the bottom line.

Health Care Reform or Not, Rising Health Care Costs Will Not Go Away Anytime Soon

Organizations that haven't tied the health of workers to key business outcomes often shift and cut benefits costs — to their own detriment.

According to Aflac's WorkForces Report, 49 percent of companies say controlling health/medical insurance costs is a top HR issue. That's not surprising when you consider that total health care costs have more than doubled in a decade — from $4,793 in 2001 to $11,058 in 2010 — and are expected to continue increasing over the next 10 years (Hewitt Associates).

In the past 12 months, 36 percent of

CHART 2

Overall benefits package is very influential on:

CHARACTERISTIC	GROWING SALES	MAINTAINING SALES	DECLINING SALES
Loyalty to employer	44%	37%	33%
Job satisfaction	46%	40%	32%
Decision to leave	28%	23%	23%
Likelyhood to refer a friend	33%	25%	24%
Strongly disagree that benefits package is a "one-size-fits-all"	18%	12%	13%
Strongly agree that employees take full advantage of benefits we offer	21%	15%	17%
Strongly/somewhat agree employees are satisfied with benefits offerings	72%	63%	63%

companies increased employees' copayments, 34 percent increased employees' share of premiums, and 20 percent introduced a major medical/health care plan with a high deductible (more than $1,000), according to the Aflac study. This year doesn't look much different. Nearly one-third (31 percent) of companies plan to increase employees' share of premiums, 28 percent expect to increase copayments, and 14 percent intend to implement major medical/health care plans with high deductibles (more than $1,000).

Senior leadership must pose an important question: "We've cut costs and shifted expenses in the past. What can we do differently to get a better outcome?"

Unhealthy Human Capital Is the Major Factor in Eroding Corporate Prosperity

Good health has been identified as a major factor in the accumulation of household wealth. Conversely, high medical expenses and unhealthy habits erode household wealth and force people to spend money that might otherwise be saved for the future or applied to existing debt.

The same principle applies to corporations and organizations, yet most are focused on controlling health/medical insurance costs. Instead, they should be sure employees have the coverage needed to protect their health and well-being — coverage that, at the same time, increases business productivity and enhances a company's reputation as a desired place to work. The Aflac survey reveals that employers rank controlling health/medical insurance costs as their most important HR issue, over retaining employees, increasing employee productivity and recruiting employees.

Employees are well aware that employers consider reducing health care costs more important than providing quality benefits: They ranked reducing health care costs as the most important objective of their companies' benefits programs, with increasing productivity/maintaining a healthy workforce as the fifth-most-important goal.

Ironically, the very issue companies consider a low priority — increasing productivity/ maintaining a healthy workforce—directly impacts their ability to reduce health care costs. Unhealthy workers negatively affect productivity, corporate profitability and innovation. And, as the Aflac study shows, there are lots of unhealthy, distracted workers out there.

In fact, 6 out of every 10 employees (59 percent) have experienced a personal issue that has affected their ability to get work done. Of those, 40 percent experienced a health problem. Of most

Z100868 5/11

concern to businesses is the fact that 69 percent of employees who experienced a such an issue said it decreased their ability to concentrate; 52 percent said it decreased productivity; and 46 percent said it kept them from arriving on time, working a full day or — worse caused them to miss work entirely.

Even employers surveyed say an average of 22.1 percent of work productivity is lost due to employees' concern about personal issues they are experiencing.

Productivity Thought to Be Lost Due to Personal Issues

A key factor in workers' health and workplace engagement is concern about whether they have adequate insurance protection. According to the Aflac study, 49 percent of employees said having the right coverage would have helped them cope with their personal issues while on the job.

Invest in Creating a Healthier, Protected Workforce and Profitability Will Follow

Although the current job market can be characterized as employer-driven, the pendulum will eventually swing in the other direction. When that happens — and top talent is in short supply —companies that demonstrate value and good will toward their workers by making comprehensive, wide-ranging benefits packages available will reap the rewards.

Benefits packages are a unique aspect of the employer-employee contract, because they simultaneously move the dial on worker productivity, retention and recruitment. Employers acknowledge the power of outstanding benefits. Eighty-nine percent say strong benefits packages influence job satisfaction, and 86 percent believe they influence employee loyalty.

Employees are up-front about the effect benefits have on their loyalty. Sixty-three percent say their overall benefits packages factor into whether they'll change jobs, and more than half (54 percent) say they'd probably accept an employment offer that featured slightly lower compensation but better benefits.

A company's benefits package also has a major impact on recruitment and referrals. Sixty-four percent of workers say their company's packages play a role in whether they'll refer a friend to their employer.

A workforce comprised of talented, loyal workers is crucial to any company's success — regardless of the economy, market conditions and political atmosphere. As Americans struggle to build (or rebuild) their nest eggs and plan for retirement, it's clear that cutting benefits and shifting health care costs to workers will only increase employee anxiety. And, as the Aflac WorkForces Study shows, a stressed-out and nervous workforce has a negative effect on companies' bottom lines.

Employers looking for sound investments would be wise to put their money on benefits plans that foster peace of mind; encourage and reward overall employee health; and build a more focused, engaged and loyal workforce.

ABOUT THE AFLAC WORKFORCES REPORT

The Aflac WorkForces Report is an annual study analyzing the forces impacting the trends, attitudes, and use 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 employees and their bottom line. For more information, please visit **www.AflacWorkForcesReport.com.**

METHODOLOGY

The 2011 Aflac WorkForces Research was conducted by Harris Interactive on behalf of Aflac. The research contained two components of research among the US workforce – Employer research and Employee research. The Employer Survey was conducted online within the United States between August 17, 2010 and September 9, 2010 among 2,117 Benefits Decision Makers. Results were weighted to be representative of US companies with at least 3 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 in two phases. The first phase was conducted between August 17, 2010 and September 1, 2010 among 3,035 employed adults aged 18 and older who are employed full or part time at a company with 3 or more employees and not retired. Results were weighted as needed for age, gender, education, race/ethnicity, region, household income and industry. The second phase was conducted between February 11-15, 2011 among 1,188 employed adults aged 18 and older who are employed FT/PT and not self-employed. Results were weighted as needed for age, gender, education, race/ethnicity, region, and household income. Propensity score weighting was also used to adjust for respondents' propensity to be online on both phases of this research. No estimates of theoretical sampling error can be calculated; a full methodology is available.

Z100868 5/11