Small businesses regain some ground

Still challenged with the slow economy, but better equipped for health care reform

In the fourth annual Aflac WorkForces Report, benefits decision-makers from small businesses say sales and revenue are stable at their companies. Which should be good news, but many say they still aren’t enthusiastic about hiring. Instead, employers are more positive when it comes to other matters. They’re more confident with their understanding of health care reform, they’re taking better care of their employees and aren’t having to rely on cost-cutting measures.

Sales and revenue remain stable, still employers aren’t ready to grow their workforce

Over the past four years, small businesses report relatively stable sales and revenue growth trends, see Figure 1. Stability in the marketplace is a good sign, however, small employers are still not seeing enough growth to impact their hiring trends or predictions for 2014. In fact, employers’ predictions for 2014 are similar to those of 2010 and more than 10 percentage points lower than the previous year, see Figure 2.

Figure 1: Small businesses’ sales and revenue growth

Companies with three to 99 employees that say they are growing, maintaining or declining in terms of sales and revenue over the past 12 months. Approximately half say they’re maintaining and a third are growing. The most significant change was seen from 2011 to 2012 when employers who said sales and revenue were declining dropped 16 percentage points.
Small businesses are taking care of their current workforce

Small businesses are showing a strong trend towards working to keep their current employees. Though small businesses generally offer fewer benefits options to their employees than medium- or large-sized businesses and have even decreased the number of plan options from 2011 to 2014, the decrease is slowing and fewer small businesses predict they will reduce benefits in 2014, see Figures 3 and 4. Additionally, from 2010 to 2013, small businesses implemented fewer cost-cutting measures, including fewer layoffs and raise decreases. They predict a similar decline in 2014, see Figure 5.

Figure 2: Small businesses’ hiring trends 2010-2014

Companies with three to 99 employees that say they hired or plan to hire full- and part-time employees.

Figure 3: Small-company benefits offerings trends
Figure 4: Fewer small businesses predict they’ll eliminate or reduce benefits

Companies with three to 99 employees who took or plan to take cost-cutting measures.

Note: Data is not available for 2011.

Figure 5: Small businesses reduce cost-cutting measures targeted at employees

Companies with three to 99 employees who took or plan to take benefits cost-cutting measures.
Success: Small businesses are better equipped to handle health care reform than in years’ past

As more of the Affordable Care Act has been implemented, small businesses say they understand health care reform more now than in the past. Their understanding of the law has nearly doubled in the past year, moving the dial for the first time in four years, see Figure 6. While their understanding grows, small companies are less likely than medium- or large-sized companies to say they feel extremely or very prepared to address changes to the health care system in 2014. They’re also less likely to choose self-funded benefits programs, compared to fully-funded programs, see Figure 7. Though self-funding can help companies save costs related to state tax and health regulations, these plans generally require more administration, which small employers may not be equipped for amidst changes to health care.

Figure 6: Small businesses’ understanding of health care reform rises in 2014

The percent of businesses with three to 99 employees that say they understand health care reform extremely or very well. In 2014, 30 percent of small-business decision-makers say they understand health care reform extremely or very well, jumping from 17 percent consecutively in 2011, 2012 and 2013.
Figure 7: Percentage of small businesses with self-funded and fully-insured benefits programs

The percentage of businesses with three to 99 employees with self-funded or full-insured benefits programs. Data is not available for 2011.

Rebuilding for the future

Findings from the 2014 Aflac WorkForces Report show that, while there are still plenty of areas where small businesses can continue to improve, many are showing positive signs with stable revenue and sales, and gaining understanding of the changing health care landscape.

Three key takeaways for today’s small-business leaders

1. Cultivate your current business model for future growth.

If your company is seeing slight growth or maintaining sales, you may not feel you’re safely out of the recession just yet. While it may not be time for building a bigger workforce, it’s a good time to innovate your current business and workforce strategies for the years ahead. Consider this year to be a time for careful planning and strategic innovation.

2. Look for low-cost ways to boost your employee benefits package.

As a small-business leader, you’re aware of the importance of retaining your employees and your company is likely taking strides to better care for your current employees. To contain costs when it comes to benefits, look to private exchanges, the government
SHOP Marketplace or self-funding. Additionally, no matter which benefits delivery option your company chooses, offering voluntary benefits can help employees build a financial safety net for rising out-of-pocket expenses without impacting your bottom line.

3. Rely on insurance brokers or agents for help with understanding health care reform and how it may impact your business.

Though your confidence is growing, there are likely still key pieces of the nation’s health care law that remain a mystery. Small companies with fewer than 50 employees have fewer requirements to pay attention to, but they aren’t completely out of the woods. Take time to discuss communication and reporting requirements with an insurance broker or benefits advisor. They should be able to help guide you toward the key pieces your company needs to pay attention to now.

About the Aflac WorkForces Report

The 2014 Aflac WorkForces Report is the fourth annual Aflac employee benefits study examining benefit trends and attitudes. The study, conducted in January 2014 by Research Now on behalf of Aflac, captured responses from 1,856 benefits decision-makers and 5,209 employees from across the United States. As part of the fourth annual Aflac WorkForces Report, 596 benefits decision-makers at small companies¹ and 1,467 employees at small companies shared their opinions on a variety of workplace-benefits topics.

To learn more about the Aflac WorkForces Report, visit AflacWorkForcesReport.com.

¹ For the purposes of the Aflac WorkForces Report, small companies are defined as those with three-99 employees.

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