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Majority Of Workers Have Paid Sick Leave Benefits

While access to paid sick days varies by occupational group and business size, the majority of U.S. employees are provided paid sick leave by their employers as part of a benefit package to attract and retain workers, according to a national survey conducted by the U.S. Bureau of Labor Statistics (BLS).

An analysis of the results of the BLS's "National Compensation Survey: Employee Benefits in the United States, March 2009," was published in an article in the March 2010 BLS newsletter *Program Perspectives*. The survey found that 61% of private industry workers and 89% of state and local government employees had access to paid sick leave as of March 2009.

The results also showed that, among private employers with plans that provide a fixed number of days of sick leave, the average number of paid sick days per year awarded to full-time employees after one year of service was eight. The average number of paid sick days per year awarded to full-time state and local

government employees after one year of service was eleven. Researchers noted that length of service had minimal or no impact on the number of paid sick days granted in both the private and public sectors. In addition, the analysis revealed that workers in establishments with 500 or more workers were given an average of eleven paid sick days annually, while those employed by businesses with fewer than 100 workers received an average of six paid sick days annually.

The findings indicated, however, that access to paid sick days varies greatly for different groups of workers and for employees of smaller and larger companies. Among private industry workers, access was found to range from 84% for management,

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Results showed that the average cost of sick leave per employee hour worked was 23 cents for private sector employers and 81 cents for state and local government employers.

professional, and related occupations to 42% for service workers. The survey also found that, while 80% of private sector employees at companies with more than 500 employees had access to paid sick leave, just 52% of workers at companies with fewer than 100 employees were provided with this benefit. And, while nearly three-quarters of full-time employees (73%) had access to paid sick leave, just over one-quarter of part-time employees (26%) had access to paid sick days. Results further showed that 81% of workers in the highest 25% of the wage distribution had access to paid sick leave, while only 33% of employees in the lowest 25% of the wage distribution were granted this benefit.

By contrast, 98% of full-time and 42% of part-time state and local government employees had access to paid sick leave. The survey also indicated that 97% of unionized state and local government employees had access to paid sick leave, compared with 83% of non-union state and local government workers. Among private sectors workers, 69% of unionized employees had access to paid sick leave, compared with 61% of non-unionized workers.

The report also included an analysis of the cost of providing sick leave to workers. Results showed that the average cost of sick leave per employee hour worked was 23 cents for private sector employers and 81 cents for state and local government employers. Researchers attributed the higher paid sick leave costs for state and local government workers to a combination of better access, more days received, and higher wage-related costs, based on factors such as differences in occupational structures. Researchers further observed that private industry occupations that have higher overall compensation costs also incur higher sick leave costs. For example, they noted, the average private industry employer cost for sick leave benefits in management, professional, and related occupations was 53 cents per employee hour worked, but only 8 cents in service occupations.

Employers Prepare For Health Care Reform Compliance

Since the passage of health care legislation in March, many employers remain uncertain about the impact the new law will have on their health plans, but some anticipate that the cost of providing health care benefits to employees will start to rise as early as next year, according to the results of a survey conducted by human resources consultancy Mercer.

The survey asked 791 employers that provide health care benefits whether they expect costs to fall or rise in 2011 as a result of the passage of the Patient Protection and Affordable Care Act (PPACA), and by how much. The findings indicated that one-quarter of respondents expect compliance with the first round of PPACA mandates will add at least another 3% to their projected 2011 plan costs, while around 10% anticipate a rise in costs of 5% or more. However, 42% said they expect costs to rise just 2% or less, and 30% said they could not yet estimate the impact.

The survey also asked employers about their level of concern over six major provisions of PPACA. Results showed that their top concern was the excise tax on high-cost plans, with 29% saying it poses a significant or very significant concern, and another 29% saying it is a concern. Researchers pointed out that the excise tax, which takes effect in 2018, is the last of the major provisions to be implemented, with the other provisions going into effect from 2011 through 2014.

The findings further indicated that the provisions mandating expanded coverage for older children and a ban on the use of lifetime benefit dollar limits, both of which go into effect in 2011, are each a significant concern for about one-fifth of employers. In addition, the requirement that employers automatically enroll new hires into a health plan is a significant

concern for 16% of respondents, with 88% reporting that they currently do not automatically enroll new hires in a plan.

Results also showed that employers are already considering how to manage the cost of the auto-enrollment requirement, as most believe that implementing this change would result in more employees joining the plan. The poll found that 43% of respondents will strongly consider using their lowest-cost plan as the default, although another 23% only expect to offer one plan. Moreover, one-fifth of the employers said they are strongly considering imposing the maximum allowable waiting period of 90 days before enrolling new hires.

Researchers observed that employers in different industries view the impact of the legislation differently. While the survey found that the requirement that employers offer “affordable” coverage to all employees working an average of 30 hours or more a week in a month, or be subject to penalties, is a significant concern for just 11% of survey respondents overall, this rule is of significant concern to 24% of respondents in the retail industry, which relies heavily on part-time labor.

When the 26% of respondents who currently do not offer coverage to all employees working 30 or more hours per week, and who thus may not be in compliance with this rule when it goes into effect in 2014, were asked what steps they intend to take, one-fifth indicated they will strongly consider changing their workforce strategy so that fewer employees work 30 hours or more a week. Meanwhile, 16% in this group said they will strongly consider adding a lower-cost plan for these newly eligible employees rather than adding them to an existing plan for full-time employees, and only 8% said they would seriously consider making no or minimal changes to increase the number of eligible employees and would instead pay the required penalty.

In addition, researchers noted that, while several health insurance providers have voluntarily agreed to provide dependent coverage to the adult children of

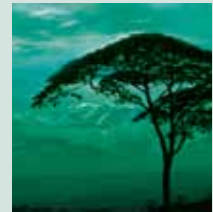
subscribers up to the age of 26 without waiting for the PPACA requirement to take effect, employers are not so eager to pay this expense. The survey found that only 6% of respondents currently extend coverage to dependent children up to age 26, and 24% of respondents who do not offer this coverage are likely to implement this rule before their next renewal, which for most plans is January 2011.

Regardless of when they implement the rule, employers are considering a number of possible actions to offset the increased cost that adding older dependent children to their plans could entail. Nearly half of surveyed employers (49%) said they would seriously consider requiring proof that dependents do not have coverage available to them through their own employers, one-fifth (20%) said they would seriously consider adding additional contribution rate tiers to reflect the number of family members covered, and 16% said they are likely to require higher contributions for all dependent coverage.

Employers Remain Skeptical About 401(k) Automatic Features

Most sponsors of defined contribution retirement plans are familiar with the concepts of automatic enrollment and automatic escalation, but the majority have not yet added these features to their own plans, according to the findings of a survey of 401(k) sponsors commissioned by AARP.

The survey of 806 large employers with 401(k) plans sought to provide a clearer picture of large employer attitudes toward and experiences with automatic enrollment and automatic escalation features. Results showed that the vast majority of respondents (94%) are either “very familiar” or “somewhat familiar” with automatic enrollment in 401(k) plans,



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and more than three-quarters (78%) are familiar with automatic escalation.

However, while nearly all large employers with 401(k) plans are at least somewhat familiar with automatic enrollment, the majority have not yet adopted it for their own 401(k) plan. Less than half of respondents (42%) reported that their 401(k) plan includes automatic enrollment, and just over one-quarter (28%) reported that their 401(k) plan has an automatic escalation feature.

Of those plan sponsors who have automatic enrollment, the majority (58%) reported that they automatically enrolled only new hires when they first adopted automatic enrollment, while just over one-third (35%) said they automatically enrolled all non-participating employees who were eligible for the plan. Of those respondents who indicated they automatically enrolled only new hires at adoption, just 11% reported that they have automatically enrolled all non-participating employees at least once since adopting automatic enrollment. The average default deferral rate among plans with automatic enrollment was 3.2%, with 55% of these plan sponsors reporting a default deferral rate of 3%.

When asked to identify the major reasons why 401(k) plan sponsors might offer automatic features, 74% of respondents said they help employees save more for retirement, 49% said having these features makes it easier to pass nondiscrimination testing, and 35% said adoption of automatic enrollment demonstrates that the employer is a socially responsible company.

When plan sponsors who do not have automatic enrollment were asked why they have not added this feature to their 401(k) plan, 30% said they are concerned that employees would not like automatic enrollment, 20% said they are concerned

about costs, 14% admitted they are content with the status quo, and 10% said they lack information. When respondents who do not have automatic escalation were asked to explain their reasons for not including this feature in their 401(k) plan, two-thirds (66%) said they think employees would not like it, and just over half (52%) said they believe employees would find it confusing. In addition, more than one-third of the employers surveyed who do not have automatic escalation (35%) said the company is concerned about matching costs.

Plan sponsors who automatically enroll only new hires were asked why they do not automatically enroll all non-participating employees who are eligible for the plan. The main reasons cited were a concern that employees would not like it (21%), a belief that enrollment should be the employee's decision (15%), contentment with the status quo (13%), administrative challenges (9%), and the state of the economy (8%).

In addition, the survey asked respondents whose 401(k) plans do not currently have automatic features whether they anticipate making changes to their plans over the next 12 months. Just 16% of these plan sponsors reported that they are very or somewhat likely to adopt automatic enrollment over the next year, and only 11% indicated they are very or somewhat likely to add automatic escalation in the next 12 months. When asked what types of information might be helpful in deciding whether or not to automate their 401(k) plan features, these respondents were most likely to select information about legal and liability issues, best practices, impact on non-discrimination testing, basic information about automatic enrollment, and information about implementation and maintenance.



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