UBA
HR Elements

Ideas and information for human resource professionals

What Happened to Pensions?

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A pension program today is like a valuable gem, rare and hard to find. Looking back 40 years, over 80% of employees at large companies were eligible for a pension upon retirement. It was the “norm.” An employee could plan to work 30 years and be guaranteed a set monthly retirement payment from their former employer. The payment formula was based on attributes like salary and years of experience. Today, pensions are rare in the private sector, and more commonly found in the public or government sector. Whatever happened to pension plans? Employers looking to reduce their investment risk and leverage a timely change in the IRS tax code shifted much of the burden of planning for retirement to the employee.

Though attractive for employees, the structure of a traditional pension presents a number of risks for companies. First, a pension squarely puts all responsibility for funding the cost of individual retirement on a company’s shoulders. Additionally, employers take on the full risk for managing the investment of these financial obligations that will not come due for years. To do this successfully, companies make estimates on a number of moving targets, including employee salaries and estimated life span of retirees. And to be clear, the best laid plans do not always work. Some companies failed to meet these obligations when the time came and claimed bankruptcy. As a result, these financial burdens were passed on to the government and taxes were increased to cover the shortage.

Then along came a change in the tax code that offered employees tax-advantaged retirement savings. The year was 1978 and Congress passed the Revenue Act of 1978, which added Section 401(k) to the Internal Revenue Code, allowing employees to defer money from their income for retirement. Many companies embraced this change and switched retirement structures, offering a matching percentage to employees who contributed to this new 401(k) account. This shifted the responsibility away from companies, further freeing up their balance sheet from a hefty liability. Instead, the onus to choose investments wisely was now placed on workers who had more skin in the game.

The popularity of pensions has decreased rapidly in the last four decades. Big companies like GE, Verizon, and Lockheed Martin stopped funding their formerly wealthy pension plans in recent years. According to the Bureau of Labor Statistics, only 17% of private-sector workers had a pension benefit in 2018. And the remaining companies with pension plans are few and far between. Companies who are looking to decrease their investment risk and share the costs of retirement with employees have moved away from pension plans, a once popular benefit offering.

Employer Trend: Four-Day Workweek

The topic of workplace flexibility is top of mind as employees recover from an intense adjustment to a coronavirus (COVID-19) work environment. One creative way employers have supported a better work-life balance is by shortening the hours or days in a workweek, so employees have more personal time. The four-day workweek is gaining traction and companies like Unilever and Kickstarter are testing a condensed work schedule to see how it affects business. Early research shows that workers are happier with a four-day workweek. No surprise there. But data also show these unexpected benefits emerge from early adopters.

Increased teamwork: Ben Eltz, CEO of Diamondback, noticed a shift in employee attitude when employees were given the opportunity to try out a reduced workweek. They started helping each other. Employees started watching out for the group and offering to help others so they all could take advantage of the shortened week. Employees wanted the program to be a success, so they adopted a “we” mentality.

Less wasted time: Perpetual Guardian, an early adopter of a four-day schedule, noticed that a shorter workweek also affected how much of the week workers spent on non-work activities. For example, employees’ time on non-work websites was reduced by 35%. A hypothesis is that the extra day off served as a great placeholder for appointments and calls so personal activities did not dig into “on the job” time.

Increased productivity: Surprisingly, companies who have made this progressive change saw they were able to get the same, if not more, accomplished in less time. Nicole Miller, an HR executive at Buffer, observed that a shorter schedule meant less “busy work” or meetings took place so people could focus on getting their work done. The anecdotal results are a great example of Parkinson’s Law – a concept that work will expand to fit the time available. In other words, if you know you have more time to complete a presentation, then you will likely spend more time working on it and may make it more complicated.

The 4 Day Week Global Foundation is leading a campaign encouraging employers to pilot a shortened workweek. Test driving this new structure is a great way to see how it affects the business, clients, and employees. As HR teams and leadership evaluate whether their organization could support a change of this caliber, it is critical to ask for employee feedback and involvement. How can they work together, or work differently to make sure goals are being met and clients are satisfied? Employees play the largest role in ensuring success of this program.

The Great Resignation

The employment market has taken the American worker on a roller coaster ride over the last year and a half. Unemployment rates hit record highs in 2020 with the spread of the coronavirus (COVID-19) pandemic. Nearly a year later, the Job Openings and Labor Turnover Survey reports new jobs have increased to “a record 9.3 million, as the economy rapidly recovered from its pandemic depths.” To add another piece to the employment puzzle, nearly 4 million workers quit their jobs in the same month, coining the term “the great resignation.” What caused this dramatic exit? Many employees were spurred to reflect on their priorities during the pandemic and identified more free time as a key factor in their employment future.

As the pandemic spread last year, workers were forced to make arrangements of all types. Those on a temporary hiatus from the office scrambled to adjust to a work-from-home setup. Others who were laid off were pushed to conduct job searches in a market where jobs were few and far between. Additionally, families were pressed to juggle childcare and remote school arrangements with little to no warning. The changes were big and hard, but between all the hustle and bustle workers adjusted to this “new normal.” During that transition, many evaluated their prior work-life balance – more specifically, what was working and what was not. COVID-culture put priorities into perspective for many.

Americans experienced burnout at record levels during this stressful time and many came out of this period with a newfound respect for putting their mental health first. As “return to office” notifications landed in inboxes, many decided they were not willing to return to the office full time. A study conducted by Prudential, a global insurance and financial services firm, concluded that approximately 33% of Americans are disinclined to work for employers that aren’t offering remote work for a portion of their week. This introspection helped many workers see that their priorities needed to be rebalanced. Many wanted to spend less time commuting and working in the office, and more time on personal interests and with loved ones. This “aha” moment, coupled with a resurgence of new jobs in the market, led many to feel a newfound sense of confidence in finding a new opportunity. And that resulted in a dramatic shift in the number of employees choosing to leave their jobs, feeling they would find roles with more flexible work hours and supportive work environments.

There is no doubt we will continue to see fluctuations as our economy responds to this newly resurgent employee market. Employers can be proactive in retaining employees who may be evaluating their current work-life balance. Managers and Human Resource staff can engage with employees early and often. Don’t wait for your employees to raise a concern about workplace flexibility – lead the charge by looking into what your company can do to support this interest.

Music: Should You Whistle While You Work?

It can be difficult to get a group of people to agree on a genre of music to play at work. Classical or pop music? Country or hip hop? And what is the consensus on the volume? What is distracting for some may be motivating for another. Scientists have investigated the link between music and productivity since World War II. Music was projected in UK ammunition factories to encourage upbeat moods in workers and resulted in increased output. Research posits that music can be particularly harmonious in the office when the melody matches the task at hand.

Upbeat music can be a positive addition to your work environment if you are completing a monotonous task (think: assembly line or sending out invitations). In this environment, the addition of mental stimulation helps people function more efficiently. Music creates a domino effect – your body releases happy neurotransmitters that put you in a good mood, which leads to better focus and higher productivity. Your body's natural response to this additional stimulus has been dubbed the "activation theory" in the scientific community. Research shows that musical arousal helps many perform faster with potentially fewer errors. Interestingly, this is accurate even in complex situations requiring quite a bit of detail (think: brain surgery.) Think of the last time you completed household tasks on a Saturday morning. Did you select fast-paced music to accompany you as you swept and folded? If you did, you may have noticed that the beat influenced your mood and the speed with which you completed your chores.

Music can also be a welcome addition if you are working in a very loud environment. Your brain may be overwhelmed by sounds coming from various locations and sources (think: a warehouse or call center). As your head tries to organize the noise tidal wave, your body is stressed, and cortisol floods your system, negatively affecting your ability to focus. In this environment, turning on calming music can relax your frayed nerves and shut out the distracting background noise. Music plays the role of "sound therapist" in this setting and increases your ability to focus.

Music can be your trusty sidekick at work if turned on at the right time and place. Need more energy? Select reggaeton with that strong, steel drum. Need to concentrate? Turn on a Mozart playlist. Today, many offices encourage "headphone" etiquette to avoid the whole background music debacle. Regardless of whether you are using ear buds or a loudspeaker, remember the music tempo must match the activity in order for it to be compatible with your productivity goals.

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Employer Webinar

The No Surprises Act Interim Final Rules

Tuesday, August 10, 2021 • 2:00 p.m. Eastern

On July 1, 2021, the U.S. Departments of Health and Human Services, Labor, and Treasury, along with the Office of Personnel Management (collectively, the "Departments"), issued an interim final rule (IFR) to explain provisions of the No Surprises Act (the Act) that passed as part of sweeping COVID-19 relief legislation signed in December 2020. The Act and IFR aim to protect consumers from excessive out-of-pocket costs resulting from surprise and balance medical billing.

The webinar will provide a high-level review of the following:

- The requirement for group health plans to treat emergency services as in-network, without requiring pre-authorization, regardless of where they are provided.
- Patient cost-sharing requirements, such as co-insurance or a deductible, that cannot be higher for emergency and non-emergency services than if such services were provided by an in-network doctor, and the requirements related to the treatment of coinsurance or deductible as in-network.
- Issues associated with the treatment of ancillary care (like an anesthesiologist or assistant surgeon) as in-network.
- Notices that must be provided by health care providers and facilities explaining that patient consent is required to receive care on an out-of-network basis before that provider can bill at the higher out-of-network rate.

Registration

Register here for the webinar. The presentation will be posted on the UBA Website the afternoon before the webinar.

Presenter

Lorie Maring is a partner in the Atlanta office of Fisher Phillips and a member of the Employee Benefits Practice Group. She has extensive experience in all areas of employee benefits, including health and welfare programs, qualified and non-qualified retirement plans and executive compensation. She routinely advises employers, including non-profit and government employers, trade associations and employee benefit insurance and risk management consultants on the complex compliance and day-to-day issues arising under ERISA and other state and federal laws governing employee benefit plans and programs.

Certification

This webinar has been submitted to the Human Resource Certification Institute and the Society for Human Resource Management to qualify for 1 recertification credit hour.