The Need for Employer-Sponsored Disability Insurance:

How New Workforce Demographics Could Impact Your Clients

As the U.S. economy emerges from the Great Recession, American employees face a long financial recovery. The hardships resulting from unemployment depleted 15 years of net worth from the middle class.[1] This loss of personal wealth has manifested itself in a number of ways, and employers are being affected as the demographic makeup and behaviors of their employees are changing in an unprecedented way.

The recession, in conjunction with higher healthcare costs over the last 12 years,[2] has altered the future of the workplace. Lower employee net worth is forcing employees to delay retirement so they can recoup money lost during the Great Recession.

By the year 2020, five generations will occupy the workplace, ranging from "traditionalists" born before 1946 to "Generation 2020"—those born after 1997.[3] This influx of different ages and perspectives in the workforce will require a change in the relationship between employee and employer, including workplace communications, leadership structure and, above all, benefits offerings and related costs.

by Alex Dumont
Assistant Vice President of Product Marketing
The Standard
Portland, OR

These changes present an educational opportunity for brokers, as employer-sponsored disability insurance and related services will become even more relevant during the next decade. You can help employers establish a solid foundation for employees in two ways:

- Educating employers about the importance of employer-sponsored disability plans to curb costs associated with baby boomers' longer employment tenure.
- Investigating absence-management options to help manage the likely increase in leave utilization by Generation X and millennial employees.

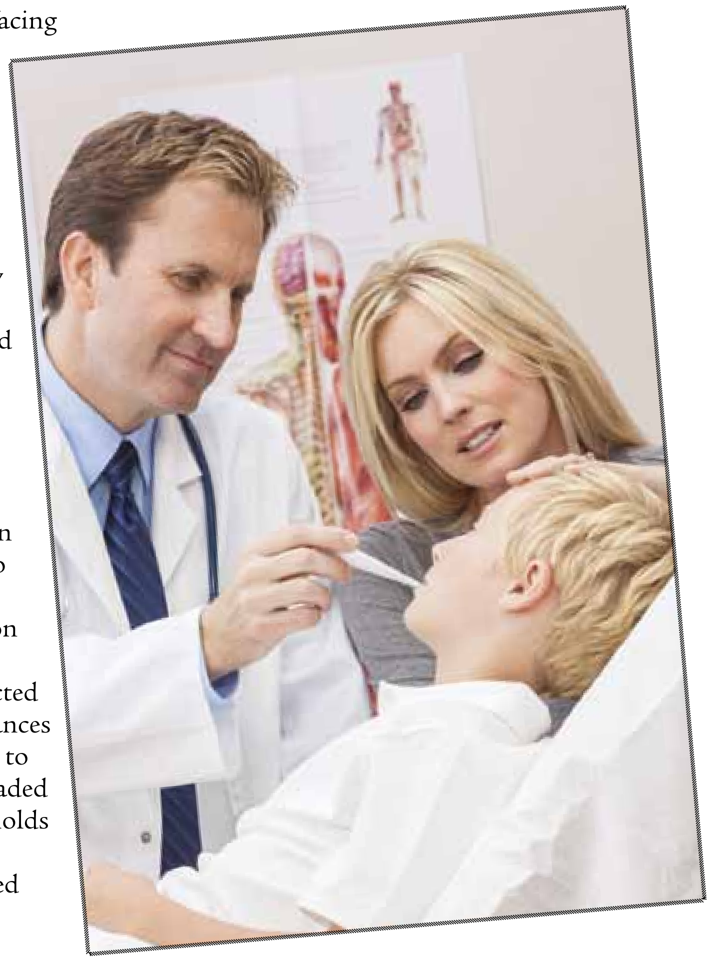
Why Baby Boomers Are Working Longer

Baby boomers were hit hard in the Great Recession. The 79 million people born between 1946 and 1964 account for 26% of the total U.S. population,[4] and the oldest members of this age group are just now reaching age 65—formerly the age at which most workers would consider retirement.

However, unlike the preceding generation, baby boomers reaching retirement age have significantly lower assets and higher expenses, requiring them to stay in the workforce longer. This financial situation is not allowing them to retire at what was previously considered a "normal" age of 55 to 65.

As many baby boomers delay retirement, employers are facing a workforce with a higher likelihood of serious illness or injury. This can strain employer healthcare costs. Research shows that the cost of healthcare claims increases every 10 years for men beginning at age 45 and for women beginning at age 35.[5]

As employees work longer, employers could feel the effects in two ways: through higher healthcare costs and the increased potential for an employee to become seriously ill or injured and require a disability leave. The increase in resulting healthcare costs and decrease in productivity could have a significant impact on an employer's bottom line.



Generation X and Millennial Employees Feel the Strain

Baby boomers postponing retirement are affecting the two subsequent generations: Generation X (individuals born between 1965 and 1980) and the millennial generation (also known as Generation Y, who were born between 1981 and 2000). Baby boomers' longer tenure will slow the progression for these age groups to move up the organizational ladder.

Generation X and millennial employees have been subjected to the pressures of an uncertain economy and saw their finances deteriorate significantly between 2001 and 2010. According to a recent Pew Research Center study, in 2009 households headed by adults younger than 35 had 68% less wealth than households headed by their same-aged counterparts in 1984.[6]

Along with decreased net worth, flat salaries and increased family costs—including child care, elder care and family healthcare—have forced this age group to do more with less. Generation X and millennials are now financially insecure at a time of their life when they are stretched thin by family commitments. As family responsibilities increase for these employees and they struggle to find resources to pay for services, they may often spend time at work on non-work responsibilities.

Employers are seeing more use of leave from these age groups to take care of family-related matters. While older workers may not use absence programs due to their values (e.g., workers priding themselves on not taking a sick day), younger generations are fully using these benefits, especially since they cannot always afford to pay for needed services.

In order for "sandwiched" age groups—Generation X and millennials—to work through the pressures associated with less income and more responsibility, employees will need to use FMLA benefits more to take care of older and younger family members.

Programs Can Help Boost an Employer's Bottom Line

Changing workplace demographics will put an increased emphasis on employer-sponsored disability insurance and related absence-management services as a safety net for both clients and their employees. You can make the case for employers to elect these benefits by highlighting the potential impact that these changes can have on a client's bottom line.

Employer-Sponsored Disability Plans

Employees without the protection of disability insurance can potentially impact healthcare costs, as they may work through health issues or illnesses instead of taking a disability leave. To counter this, recommend employer-sponsored disability plans with robust return-to-work and stay-at-work programs to help keep baby boomers—and all covered employees—productive and healthy.

A disability and absence management program, such as The Standard's Workplace Possibilities program, places an on-site consultant with an employer to identify individualized return-to-work and stay-at-work strategies that make sense for the employer and their workforce.

In addition, recommending health-management programs can be beneficial for employers to connect at-risk or disabled employees with resources. These include:

- Employee assistance programs (EAPs), which give employees access to a personal counseling service for themselves and their family members.
- Disease management, which targets specific medical conditions prevalent in a workforce and offers screening, case management and treatment solutions.
- Wellness and health promotion, which attempts to improve the health of all employees by targeting such broad health-related goals as smoking cessation, weight loss and nutrition.

These health-management programs perform better for employers when used in conjunction with innovative programs for managing absence and disability. This way, employers can help reduce the cost and impact of employee absence and disability and improve productivity.

Absence Management and Related Services

Employees using work time to complete non-work tasks can lower productivity and output. In order for "sandwiched" age groups—Generation X and millennials—to work through the pressures associated with less income and more responsibility, employees will need to use FMLA benefits more to take care of older and younger family members.

To that end, it is essential for an employer to have a comprehensive absence-management program for tracking use of FMLA leave. You can recommend programs to help HR managers track intermittent leaves. In addition to reducing the burden on HR staff, an absence-management program helps ensure that leave benefits are used correctly.

Health advocacy services, in addition to EAP solutions, can help Generation X and millennials manage the demands on their lives and be more productive in the workplace. These types of services connect employees with an assistant who can help manage health-related challenges such as coordinating care, locating doctors, explaining terminology and benefit plans and clarifying billing statements. These resources can take immense pressure off employees and provide them with well-needed options to explore.

For employees with additional family pressures, employers can provide more flexibility, including options on when and where employees can complete their work, as a benefit to make up for salary limitations.

By explaining the impact that generational changes could have for their clients, you can open the door to working with employers to help promote a stronger, healthier and more productive workforce. Educating a client on these insights—and recommending appropriate solutions—can help you build a lasting client relationship. HIU

1 Bricker J, Kennickell A, Moore K, Sabelhaus J. Changes in U.S. Family Finances from 2007-2010. Federal Reserve Bulletin. 2012;(98)A1-A80.
2 Premiums, Cost-Sharing and Coverage at Public, Private and Non-Profit Employers: A View from the 2012 Employer Health Benefit Survey. Available at: http://www.kff.org/insurance/snapshot/chcm112012oth.cfm. Accessed February 22, 2013.
3 Meister J and Willyerd K. The 2020 Workplace: How Innovative Companies Attract, Develop, and Keep Tomorrow's Employees Today. New York: HarperCollins; 2010.
4 Pew Research Center. Baby Boomers Approach Age 65 – Glumly. Available at http://www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/. Accessed February 22, 2013.
5 The Sloan Center on Aging & Work at Boston College. June 2007. Does Health Insurance Affect the Employment of Older Workers? Available at: http://www.bc.edu/content/dam/files/research_sites/agingandwork/pdf/publications/IB08_HealthInsurance.pdf. Accessed January 23, 2013.
6 Pew Research Center. The Rising Age Gap in Economic Well-Being. Available at: http://www.pewsocialtrends.org/2011/11/07/the-rising-age-gap-in-economic-well-being/. Accessed February 22, 2013.

Getting Involved at the Grassroots Level

Pam Mitroff, NAHU director of state affairs, participated in the St. Patrick's Day Parade in Naperville, Illinois, with Congressman Peter Roskam and his supporters.