



# Small Business, Big Benefits



Business demands  
and shifting consumer  
needs prompt small  
firms to address  
workforce well-being  
and adopt technology to  
upgrade the employee  
benefits experience.

# Introduction

Small businesses are, in many ways, the backbone of the U.S. economy. Firms with fewer than 50 employees account for nearly 40% of private sector output and nearly 30% of the U.S. workforce — and these firms fulfill a wide array of consumer needs throughout society. They comprise 95% of employer firms in the U.S., and account for more than half of new jobs created between 1992 and 2016.

Economists agree that small businesses play a critical role as an economic growth engine and innovation incubator, and that is likely to continue over the next five years. A majority are optimistic about the future and growth prospects for their business. They are making investments in technology to increase efficiency, improve customer experience and remain competitive. Roughly two-thirds of small business owners expect at least moderate revenue growth in the coming five years and half anticipate an increase in payroll.

But small business is often viewed as a monolithic sector of our economy — a misguided notion that fails to recognize the many dimensions of America’s more than 5 million small employers. Characteristics like industry, years in business, growth goals and owner demographics are often more predictive than payroll size when trying to understand the business needs, priorities and culture of small employers.

## Small businesses have generated more than 50% of new jobs since the early 1990s

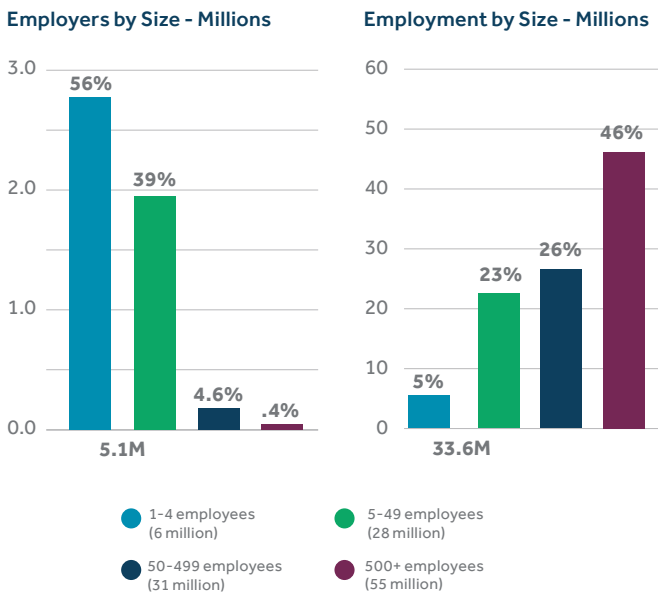
Notably, small businesses are vital to the financial well-being of more than 60 million working Americans and their families. More than 7 in 10 workers in small firms rely on their employer as their household’s primary source of health, life and disability insurance, and retirement savings.

A convergence of market forces is prompting small firms to rethink the role of benefits in their companies. Attracting and retaining talent (particularly Millennials), controlling costs and maintaining compliance are among their top benefits priorities. In response, many are addressing workforce health, leveraging technology and outsourcing administration to improve the employee experience and increase efficiency.

As the 2020 decade approaches, the benefits landscape will likely become even more complex. Owners will need greater support to navigate the changes and develop optimal benefits strategies for the future of their business.

### Small Business — No Small Matter

By employer size (number of employees)



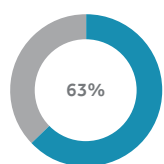
Small Business Administration, Small Business Trends, 2013

# Small businesses are cautiously optimistic about the economy and their firm's growth prospects

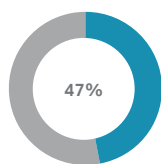
The Great Recession of 2008 is in the rearview mirror and with the economy and consumer confidence soaring, small businesses are optimistic about the future. More than 60% anticipate revenue growth in the next five years, and nearly half expect to create new jobs and launch new products and services.

## Anticipated Growth in Next Five Years

Self-reported by small businesses



Anticipated Revenue Growth



Anticipated Employee Growth

Tech firms, start-ups (i.e., less than three years in business), and those led by Millennials are among the most optimistic about future growth prospects. Aside from the tech sector, the health care, construction and hospitality industries also are more likely than other small firms to expect significant revenue growth in the next five years.

## Optimism Reigns

% Anticipating *significant* revenue growth in next 5 years

Tech Firms	<b>37%</b>	Non-Tech Firms	<b>12%</b>
< 3 years in business	<b>27%</b>	20+ years in business	<b>9%</b>
Millennial owner/principal	<b>22%</b>	Baby Boomer owner/principal	<b>7%</b>

## Economic momentum is boosting small business confidence, especially start-ups'

### To Grow or Not to Grow?

Growth goals in next 5 years: Start-ups vs. Others

	Start-Ups (<3 years in business)	Established (3+ years in business)
Steady, Organic Growth	<b>38%</b>	<b>61%</b>
Expanding Workforce	<b>44%</b>	<b>33%</b>
Raise Capital	<b>39%</b>	<b>25%</b>
Maintain Current Size	<b>15%</b>	<b>24%</b>
Acquire for Faster Growth	<b>30%</b>	<b>16%</b>

Despite the healthy economy, many established small businesses are cautious about growth and investing capital. They are familiar with the odds: 1 in 5 small firms go out of business after one year, half fail to make it past five years and nearly 70% fail before their 10th anniversary.

For many small businesses, growth is a choice — and not all firms choose to grow. Some owners prefer to keep their firms small and manageable, for a variety of reasons. But for those who wish to grow, they are usually considering some type of product or service innovation.

Innovation is the genesis of many start-up firms, and they are embracing the current economic momentum. Start-ups are more likely than established firms to anticipate job creation, new capital and acquisitions to accelerate growth in the next five years.

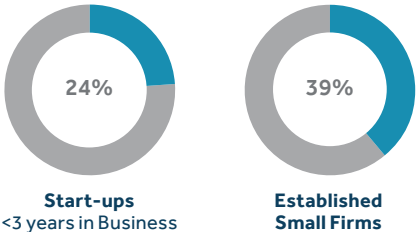
# Staffing is a top business challenge for most small employers

Growth is a perennial concern for employers of all sizes; 4 in 10 rank growth as their top business challenge. Among small firms, 45% rank revenue growth as their top business challenge.

Competing with large employers for talent can be daunting even in favorable market conditions, but especially with unemployment at the lowest levels since 2008. Competition for talent is greater than ever for many small businesses, and more than one-third rank staffing as their top business challenge. Another 3 in 10 cite employee morale and retention as top business challenges.

## Staffing is Less of a Concern for Start-Ups

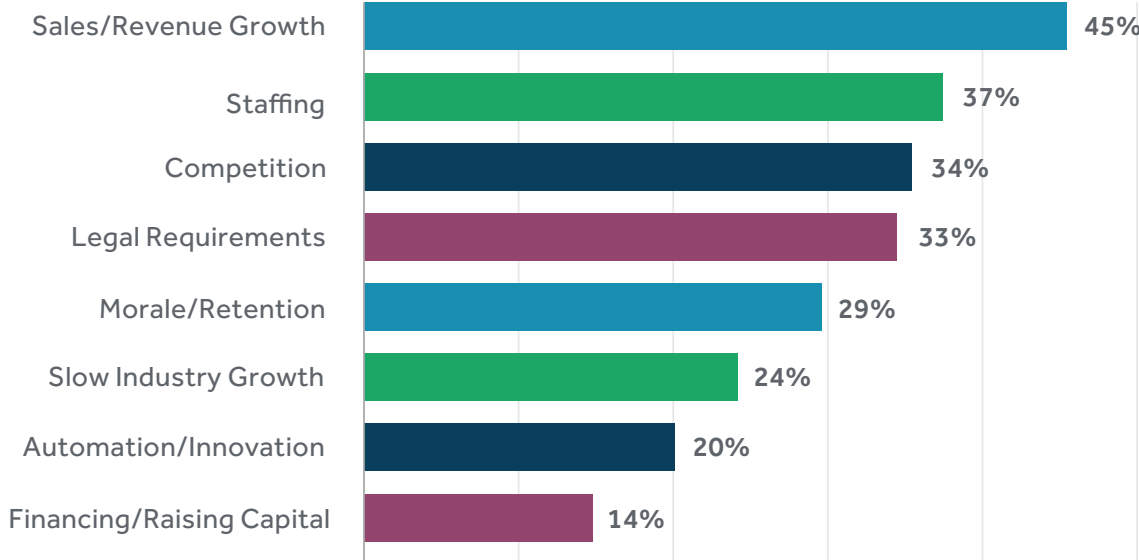
% Strongly agree staffing is a business challenge



Start-ups tend to be more optimistic than established small businesses regarding staffing, as well as market conditions and industry growth; however, raising necessary financing and capital to fuel growth is a greater concern for young firms.

## Are We Having Fun Yet?

Top challenges of small business owners/leaders



# Just 25% of small firms are preparing for the impact of automation on talent acquisition.



Analysts who follow the technology sector predict that small business adoption of cloud-based systems/software, process digitalization and artificial intelligence will explode in the next five years. Yet, one-third of very small firms (with 5-24 employees) do not expect significant change in the next five years due to the nature of work or required job skills at their company.

The automation revolution may be a potential blind spot for many small business owners, in terms of talent acquisition, learning and retention. Only 1 in 4 small businesses are preparing for changes to the way their firms recruit and train talent as a result of increased workplace automation.

# Maintaining a competitive benefits package is difficult for small businesses, given budget and resource constraints

Employee benefits are an important recruiting tool for most companies, and that is true for small businesses, as well. Seven in ten offer benefits to attract and retain the talent they need, ranking it among their top benefits objectives. But most small firms cannot match big company benefits, in terms of breadth of products and services, and the level of employer funding.

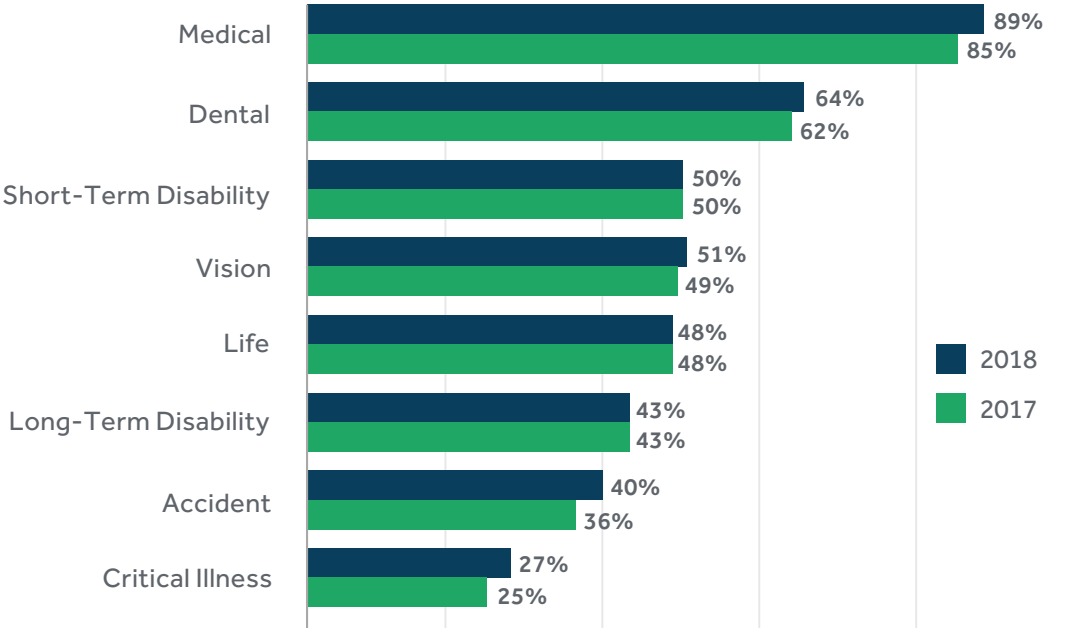
Almost 9 in 10 small businesses offer a medical plan as part of their employee benefits package; however, the likelihood that they offer dental, vision, life and disability insurance drops considerably. The gap between large and small employers in terms of benefits offered — and the level of employer contribution — makes it difficult for small businesses to compete for talent.

## Over 50% of small businesses aim to offer a better benefits package than competitors

The competition for talent is fierce and many small firms do what they can to maintain some parity, but budgets and resources can only be stretched so far. Nonetheless, more than half of small firms say their goal is to offer better benefits than their competitors. Tech firms are the most likely to use benefits as a serious recruiting tool; 71% strive to offer significantly better benefits than their peers.

### Small Business Benefits - A Little Bigger in 2018

% Offering each benefit: 2018 vs 2017

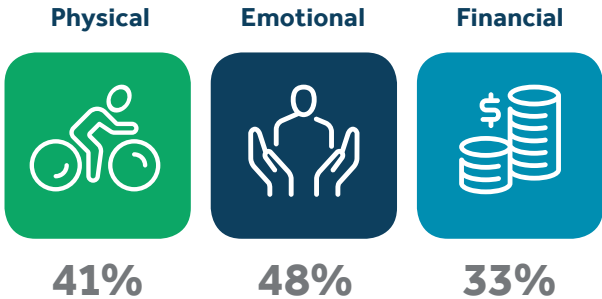


# Like most Americans, small business workers want less stress and better work-life balance

Benefits offered by small firms contribute greatly to the financial, physical and emotional well-being of America. Guardian’s latest Workforce Well-being Index reveals that employees of small firms have an Index score of 6.5 on a 10-point scale, virtually the same as the 6.6 average for all working Americans. However, the financial wellness component of the Index is low among small business workers, and is lower when compared to employees of large companies.

### Workforce Well-Being...Not So Well

% Rated excellent/very good health by small business workers



Money is the primary stressor for small business workers. Six in ten cite personal finances as the top source of stress in their life. That is nearly twice as many as those citing job-related concerns and three times as many as those mentioning personal health issues, housing costs or the economy.

## The well-being of 60 million Americans is linked to small businesses

### What, Me Worry? Top Sources of Stress

% of small business workers

	2017	2018
<b>Money/Finances</b>	<b>63%</b>	<b>59%</b>
Job-related (workload, stability)	29%	32%
Personal Health Issues	19%	23%
Housing (mortgage/rent)	24%	24%
The Economy	18%	20%

Workers place a high value on their time: time to care for themselves and their loved ones. Greater flexibility in how, when, and where individuals work is becoming a very desirable benefit, and is a factor in attracting and retaining talent, especially in competitive labor markets.

Half of all small business workers feel that their employer cares about their overall well-being, which is an improvement over 2015. That’s important because those who believe their employer cares about their overall well-being are more loyal; they are 1.7 times more likely to prefer to stay with their company for at least 10 years compared to those who don’t feel their employer cares.

### Workers Seek Employer Support on Wellness

% of small business workers who strongly agree

	2018	% Change vs. 2015
My employer cares about my overall well-being	50%	+9%
My benefits positively impact my personal health/wellness	42%	+35%
I wish my employer did more to address work-life balance	37%	+9%



# People want to work for companies that care.



**55%**

of workers who feel their employer cares about their overall well-being want to stay for 10 years or more



...compared to

**33%**

who don't believe their company cares about their overall well-being

# Higher out-of-pocket medical costs impact workforce well-being

What are the sources of financial stress for small business workers? It depends. Among Millennials, college debt can be a significant stressor. For Boomers, it's having adequate savings and medical coverage in retirement. But for the growing proportion of workers in high-deductible health plans (HDHPs), out-of-pocket medical costs are near the top of their list.

Six in ten small businesses offer a HDHP, up 15% from 2015. While the prevalence of Health Savings Accounts (HSAs) has increased, nearly 4 in 10 small firms with a HDHP still do not offer an HSA. Among those that do offer an HSA, more than one-third do not make contributions.

## Growth of High Deductible Health Plans

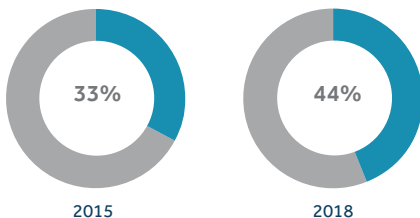
% of small businesses offering HDHP/HDHPs



Greater out-of-pocket medical costs are also affecting how workers utilize healthcare services. Of those in HDHPs, 44% say they have altered their use of medical care, such as skipping doctor visits, x-rays, blood tests and delaying recommended surgical procedures.

## HDHPs Influence Health Care Behavior\*

% Who altered behavior in the past year, small business workers






\*Skipped doctor visits, x-rays, blood tests, recommended surgical procedures in the past year.

## 4 in 10 workers in a HDHP skipped medical care due to higher costs, up 33% since 2015

The impact of HDHPs varies by life stage as well as age. Married Baby Boomers with no children report higher well-being scores compared to single Generation X parents. To help workers pay for expenses not covered by their HDHP, more employers are offering supplemental health coverage, up 20% since 2015.

## Filling the Gaps: Supplemental Health

% of small businesses offering each type of coverage

	2018	% Change vs. 2015
 Accident Insurance	38%	+15%
 Critical Illness Insurance	25%	+14%
 Hospital Indemnity Insurance	21%	+24%

Small firms also are stepping up their benefits education efforts. Most are providing workers with help in navigating their HDHPs/HSAs, and roughly half place high importance on improving benefits and financial decision-making with more effective communication, decision support tools and access to professional guidance.

## Prioritizing Workforce Financial Education

% Rated highly important by small business owners

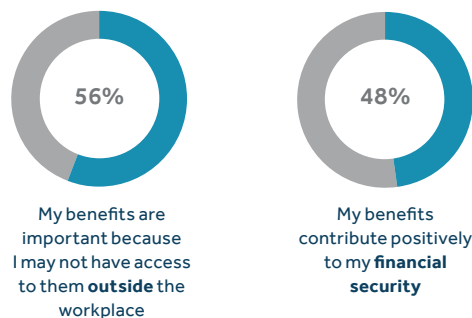
Provide HDHP/HSA education	92%
Help workers make better benefits decisions	42%
Increase financial education/advice	37%

# Workers in small firms rely heavily on their benefits for financial protection ... but are they enough?

A majority of small business workers believe they would not have access to, or be able to afford, the financial products offered through their employer if they had to purchase them outside the workplace. Many also feel their benefits are important to their household's financial security.

## Benefits Value: Half Full or Half Empty?

% of small business workers who strongly agree



Employees of small businesses would prefer access to an even wider array of affordable insurance and retirement benefits, but most agree that the benefits they do receive are important to their financial security. In fact, 39% feel they would face financial hardship without their current benefits (up 11% from 2015). That is even more true for the 38% of workers who reported living paycheck-to-paycheck.

## Benefits reduce the risk of financial hardship

% of workers who strongly agree



## 4 in 10 small business workers depend on workplace benefits for financial security

More small business workers have their retirement savings, as well as medical, dental and disability insurance through the workplace than outside the workplace. An equal proportion own group life insurance or purchased individual coverage outside of work.

## Benefits at Work: A Financial Safety Net

Sources of insurance & retirement savings products

	My employer		Outside of Work	
	5-24 employees	25-49 employees	5-24 employees	25-49 employees
Medical	47%	67%	28%	18%
Dental	34%	55%	16%	9%
Retirement	35%	50%	25%	23%
Disability	33%	46%	8%	6%
Life	24%	37%	33%	36%

Just 25% of small business workers have someone they consider to be their personal financial adviser. Lack of professional guidance negatively impacts financial wellness and contributes to lower ownership of important financial products among those without access to them at work.

# Small firms are addressing workforce health with wellness initiatives and flexible work arrangements

Improving workforce health is a priority for many small businesses; more than half say creating a culture of well-being is important. Established start-ups, or 5-9 years in business (71%), high-tech (69%) and health care (64%) companies place even greater emphasis on workforce well-being.

## Creating a culture of well-being is a growing priority for small business owners

In the past five years, more small businesses have established flexible work schedules, remote work policies and wellness programs to improve workforce health and help employees balance their work demands and personal responsibilities. Nearly 1 in 4 small firms offer wellness programs (mainly health risk assessments, weight loss programs, gym membership discounts); 1 in 3 allow for flexible schedules and telecommuting.

### Happy + Healthy = Productive Workers

% of small businesses



**23%** offer wellness & preventative programs



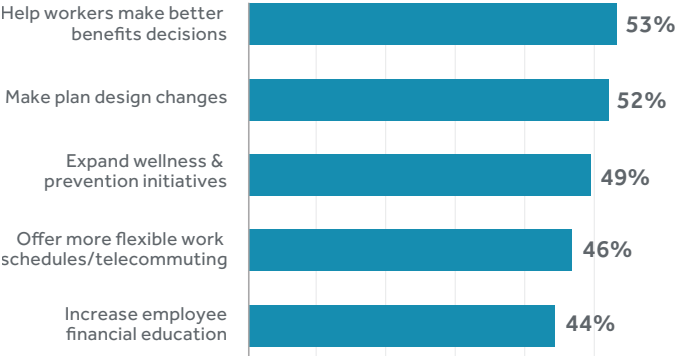
**40%** offer flexible work schedules

**27%** allow telecommuting/ work from home

Two benefits strategies expected to be among the most important in the next five years are: expanding wellness initiatives (cited by 49% of small businesses), and offering more flexible hours/telecommuting (46%).

### Top 5 Benefit Strategies in Next 5 Years

Projections of small business owners/leaders



Many employers have implemented flexible and remote work arrangements to help attract and retain Millennials; however, those policy changes have been embraced by Generation X and Boomers, and especially by single parents and caregivers.

### Working From Home Spans the Generations

% of small business employees working all/some time remotely



Millennials  
**32%**



Generation X  
**28%**



Baby Boomers  
**24%**

# The increased complexity of benefits administration is attracting smaller employers toward outsourcing

Managing benefits programs can be taxing for employers of any size. Generally, the larger the company, the more complicated it becomes. Yet, more than 50% of small businesses, most of whom have few or no dedicated human resources (HR) or benefits staff, feel administering benefits is overwhelming.

### Benefits Complexity: Not Getting Any Easier

% Rated highly important by small business



A proliferation of new benefits regulations (at the federal, state and local level) is contributing to the growing complexity. In the past three years, “maintaining benefits plan compliance,” emerged as one of the five most important benefits objectives for small businesses.

### Benefits Compliance: Greater Sense of Urgency

% Rated highly important by small business

	2018	% Change vs. 2015
Providing employees with affordable benefits	79%	+1%
Controlling benefits-related costs	79%	-4%
Increasing employee productivity	76%	+4%
<b>Maintaining benefits plan compliance</b>	<b>74%</b>	<b>+14%</b>
Improving employee experience/satisfaction	71%	-3%
Improving employee health and wellness	71%	+1%

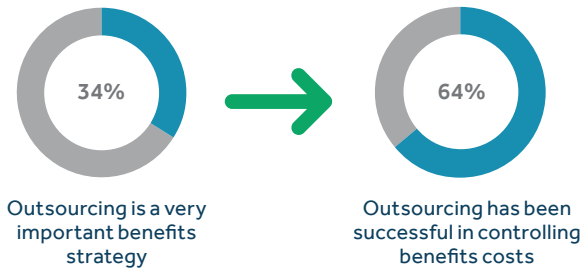
## Maintaining benefits plan compliance is a concern for 3 in 4 small businesses

Outsourcing benefits administration has become an important benefits strategy for 1 in 3 small firms; roughly 30% have increased their level of administration outsourcing in the past three years.

Controlling costs and offering affordable benefits are perennial top objectives for most employers, including small businesses. Making progress on these cost-related goals, however, has been difficult for most companies. Administration outsourcing is among the cost containment strategies ranked highest by small businesses for successfully controlling benefits costs.

### Outsourcing is Helping Control Costs

% Strongly agree among small business



# The benefits outsourcing trend shows no signs of slowing down.



**1 in 4** small firms rank **outsourcing** among the top benefits strategies in the next 5 years

# Small businesses are expanding their use of HR technology and seeking greater systems integration

HR and benefits technology, once available only to larger corporations, has become more mainstream and accessible to small businesses. The unprecedented affordability and lower resource requirements of cloud-based systems/software allow even the smallest firms to replace manual, paper-intensive processes with digital solutions. In 2018, roughly 3 in 4 small firms have digitalized some aspect of human capital management.

The most common HR function digitalized, by far, is payroll (72% of small businesses), followed by enrollment, benefits administration, and learning and development.

Cloud-based software represents close to half of all digital solutions utilized by small firms, and its adoption has risen sharply in the past three years.

## 45% of small businesses increased their spending on HR technology since 2015

### HR Technology: Moving to the Cloud

% of small businesses using system/software

	Download	Cloud	Use software
Payroll	41%	31%	72%
Benefits Enrollment	21%	23%	44%
Benefits Administration	19%	19%	38%
Learning & Development	16%	17%	33%
Performance Management	17%	12%	29%
Recruiting	12%	13%	29%
On-boarding	12%	12%	29%

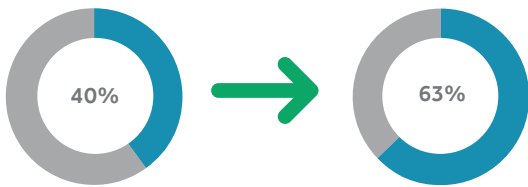


**1 in 3** small firms using HR technology license a platform to handle most functions

Since 2012, advancements in human resources technology have accelerated rapidly and more small firms are testing the waters. In just the past three years, at least 40% of employers have increased spending on HR technology and integrated some HR and benefits-related systems. Moreover, nearly two-thirds of those pursuing holistic systems integration report that those efforts have been successful.

### Integration Efforts Are Paying Off

% Rated highly important/strongly agree by small business



Integrating more HR and benefits systems is very important

Integrating HR and benefits systems has been a successful strategy

Looking ahead to the next three years, 39% of small firms anticipate further changes to the way they handle payroll, HR and benefits administration. Specifically, they expect to increase systems integration and outsourcing, migrate more functions to the cloud and perhaps implement a new platform/software.

### More BenTech in the Next Three Years

% of small businesses anticipating change

Integrate more benefits and HR-related systems	31%
Outsource more administration	29%
Migrate more functions to cloud-based software	27%
Implement a new platform/software	26%



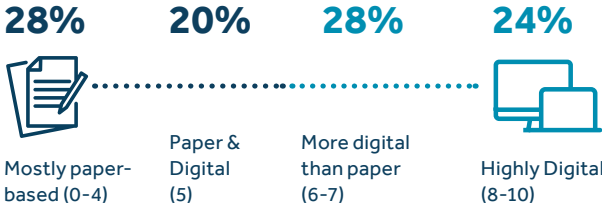


# Digitalization is enabling small firms to improve efficiency, compliance and employee experience

In the back offices of small businesses across America, administrative assistants, benefits staff and owners are working with paper-based benefits processes. Their hands-on approach to managing benefits often is an important part of their company culture, and the decision to automate these activities can be difficult. Yet, small businesses are realizing the potential for technology to help address concerns about recruiting, resources and benefits plan compliance. Consequently, 52% have chosen to digitalize a majority of their benefits-related processes.

### To Digitalize or Not to Digitalize

% of small businesses on 0-10 scale



Converting from paper processes to digital has a positive impact on the employee experience. Among companies that digitalized most of their payroll, benefits and HR administration, satisfaction with those processes is considerably higher compared to those who are mostly paper-based.

### Technology Improves HR Service Experience

% Highly satisfied among small businesses

	Highly Digital	More Paper-based
Payroll Processing	88%	66%
Benefits Administration	84%	50%
HR Administration	82%	52%

## Over 50% of small businesses have digitalized a majority of their benefits processes

Digitalization makes managing benefits easier, especially tasks that are rife with redundancy and potential for human error. Firms that are highly digital have an easier time handling most benefits-related activities.

### Technology Eases Benefits Administration

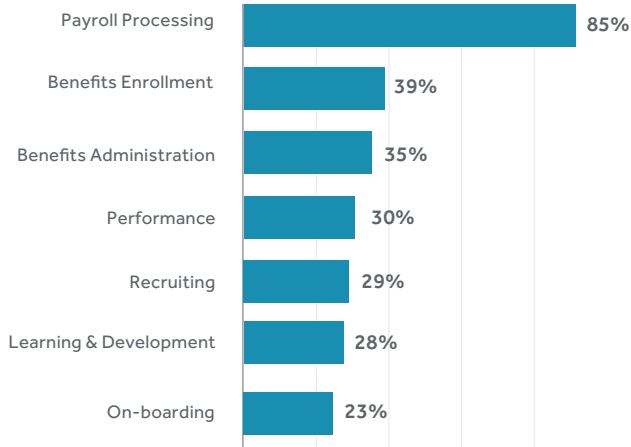
% Highly satisfied among small businesses

	Highly Digital	More Paper-based
Recordkeeping	71%	54%
Benefits Enrollment	66%	52%
Eligibility Processing	54%	40%
Installing New Benefit Plans	48%	34%

HR technology not only enhances the employee experience, but it improves efficiency as well. Average efficiency ratings are positively correlated to the level of employer digitalization.

### Efficiency Gains From Technology

% Rated highly efficient by firms using tech for each function



# Beyond size: Differences in benefits strategy reflect small business owner needs, goals and values

Size, whether by number of employees or revenue, is just one factor in understanding a small business. Arguably, however, the attitudes and demographics (i.e., age and gender) of small business owners are perhaps even more important because they represent the firm's values and goals.

For example, women small business owners place greater importance than men on benefits strategies to support workforce health and productivity. Millennial owners are focused more than older generations on employees' financial and emotional well-being, corporate social responsibility and improving the overall benefits experience to help attract and retain talent.



**66%**

of Millennial small business owners agree their company creates/nurtures a culture of well-being vs. **51%** of Baby Boomer owners.

In addition to business owner demographics, the benefits strategies also vary by industry, years in business and revenue goals.

For start-up companies, or those in business less than five years, employee benefits are important to their recruiting strategy. They believe investing in benefits helps to improve workforce health, work-life balance and job satisfaction.

## Start-Up Strategies Emphasize Well-Being

% Rated highly important

	Start-Ups <5 years in business	Non-Start-Ups 5+ years in business
Expand health/wellness initiatives	68%	58%
Offer more flexible hours/ telecommuting	60%	49%
Offer mental health/substance abuse support	59%	44%
Provide benefits/financial education	57%	46%

## 7 in 10 start-ups say it's important to offer significantly better benefits than competitors

Similar to start-ups, high-tech firms (e.g., software publishing, computer systems) and those with aggressive revenue growth goals take a more progressive approach to benefits strategy. They tend to offer a wider range of benefits and services to strengthen employee engagement and retention.

## Benefits to Attract Talent

% Rated highly important unless noted otherwise

	Small Business Average	Start-Ups	High-Tech	High Growth
Create/nurture a culture of well-being	56%	67%	64%	64%
Offer more generous benefits vs. competitors	61%	70%	81%	64%
Add voluntary benefits	39%	58%	61%	64%



# Start-ups are using work-life balance benefits and technology to deliver a better employee experience.

Start-ups, high-tech and aggressive growth companies are also more bullish than small businesses on average regarding benefits technology, particularly growth firms. They are embracing cloud-based software and digitalizing various aspects of their HR and benefits functions.

## Tech to Improve Efficiency and Satisfaction

% Rated highly important unless noted otherwise

	Small Business Average	Start-Ups	High-Tech	High Growth
Expand benefits tech	42%	59%	58%	71%
Integrate HR systems	40%	50%	55%	61%
Percent highly digital	24%	33%	34%	43%
Increase outsourcing	34%	49%	45%	58%

# Most small business owners need the help of a trusted adviser to evolve their employee benefits strategies

The employee benefits landscape is shifting at an unprecedented pace. Tax reform, privacy laws, the Affordable Care Act (ACA), and new state leave laws keep many business owners awake at night. Determining the right solutions for benefits funding, enrollment and technology requires expert guidance. Arguably, small firms need help with benefits strategy more than ever.

Nine in ten small businesses utilize a benefits broker or adviser. Nearly 6 in 10 actively use a traditional broker, while another 33% report that a third-party administrator or technology platform serves as their broker of record.

### Use of Traditional Benefits Brokers

% of small business



Traditional brokers are relied on most often to obtain pricing, as well as identify ways to help reduce benefits costs and suggest new, innovative solutions. Ensuring that clients offer a comprehensive benefits package to protect their employees' financial security is a critical role, as well. Naturally, small firms working with a broker tend to offer a wider range of core insurance and retirement benefits.

## Only 15% of small firms had a conversation about technology with a broker this year

### More Robust Benefits

% of small businesses offering benefits

	With Broker	Without Broker
Medical	96%	71%
Dental	72%	50%
401 (k)	71%	58%
Life	59%	34%
Disability	57%	41%

While brokers are viewed as one of their primary “go-to” resources for support, many small firms indicate they need more support.

### Who is Considered a “Go-To” Resource

% of small businesses using a resource for each topic

	Compliance	Enrollment	Technology
Attorney	41%	--	--
<b>Benefits Broker</b>	<b>39%</b>	<b>48%</b>	<b>24%</b>
Insurance Carrier	35%	35%	18%
TPA/Tech Platform	19%	3%	56%
In-House Benefits Team	18%	34%	7%

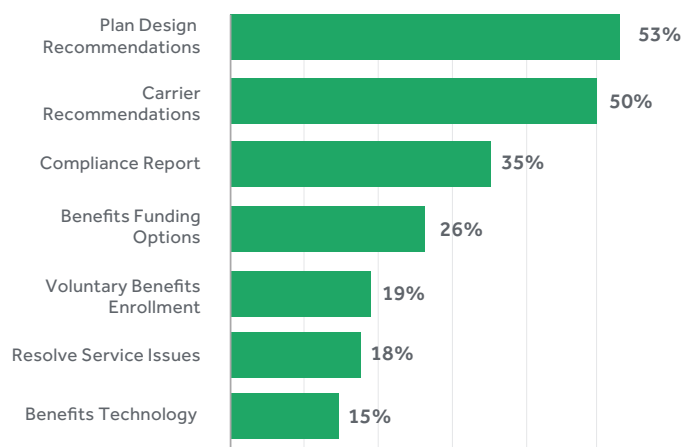


## Most small businesses have not spoken with a benefits broker in the past year about benefits technology, voluntary benefits or compliance support.

A majority of small businesses indicate they have not had a conversation with their broker in the past 12 months about some of their most pressing benefits challenges; however, one-third express interest in having a conversation.

### Topics of Broker-Client Conversations

% of small business; topics discussed in past 12 months



# Big trends for small business: 3 to watch in 2019

Spurring a new dialogue about small business benefits strategy.

Here are 3 macro trends that will impact most small businesses in the next few years, and should be considered when developing employee benefits strategies.

## Focus on Workforce Well-Being



**Financial Wellness:** Money is the top source of stress for small business workers, and college debt is the major culprit. Nearly 4 in 10 small business workers are living paycheck-to-paycheck and struggling to pay off college debt or save for their children's college education. High-deductible health plans increase out-of-pocket costs for workers, but small firms are offering access to supplemental health coverage (e.g., accident, critical illness) which help fill the gaps — an increase of 30% since 2015. Financial education and decision support tools for benefits enrollment are in greater demand given the rise in voluntary benefits.

**Work-Life Balance:** To help attract and retain talent, more small businesses are offering flexible work schedules, telecommuting and convenience services, such as day care and other concierge services.

**Physical Health:** Seven in ten workers say it's important that employers offer benefits to support workforce health. Small businesses are responding with refreshed wellness initiatives, including biometric screenings and health risk assessments.

## Expand Use of Benefits Technology



**Benefits Digitalization:** Nearly half of all small businesses are more digital than paper-based and that will accelerate rapidly in the next five years as more business owners realize the relatively low cost and high potential. Migrating benefits administration to cloud-based software/systems will yield efficiency gains and enhanced employee experience.

**Integration/Outsourcing:** Small firms are handing over the reigns to technology platforms/third-party administrators who can help them achieve greater efficiency and better service with holistic HR and benefits solutions.

**Artificial Intelligence/Robotics/Automation:** No longer just IT buzzwords; small firms are beginning to apply these technologies to their own business models and can more easily see the application for improving benefits communication, enrollment and engagement.

# Improve Compliance Discipline



**Affordable Care Act – Tax Reporting Obligations:** Employer mandate requires self-insured employers to report individuals covered by their plan or face penalties. The excise tax on “Cadillac” plans goes into effect in 2020.

**State Paid Leave Laws:** Seven states have enacted or passed paid family leave laws, and many more are pending. Paid sick leave is next.

**Family Medical Leave Act (FMLA) and Americans with Disabilities Act and Amendments (ADAAA):** FMLA marked its 25th anniversary in 2018, yet many employers remain non-compliant on aspects of the law and with ADAAA. For example, small business owners often are unaware that FMLA applies to full and part-time workers, or that ADAAA applies to groups with 15 or more employees.

**Association Health Plans:** Expanded definition allows employers to join together as a single group to purchase health insurance in the large group market. By joining together, employers may reduce administrative costs through economies of scale, strengthen their bargaining position to obtain more favorable deals, enhance their ability to self-insure and offer a wider array of insurance options.



# Appendix

## Methodology and Sample Characteristics

The 5<sup>th</sup> Annual Workplace Benefits Study was fielded in the Spring of 2017 and consisted of two online surveys: one among benefits decision-makers (employers), and another among working Americans (employees), allowing us to explore benefits issues from both perspectives. The study was conducted for Guardian by Zeldis Research, an independent market research firm located in Ewing, NJ.

Select findings from Guardian's 6<sup>th</sup> Annual Workplace Benefits Study, fielded in Spring 2018, are also referenced in this report.

## Employer Survey Overview

Employer results are based on a national online survey of 2,000 employee benefits decision-makers. Respondents include business executives, business owners, human resources professionals and financial management professionals. The survey covers all industries and is nationally representative of U.S. businesses with at least five full-time employees. Additional surveys were conducted among a sample of 300 "start-ups," or firms in business less than five years, and are referenced separately from the national average.

Data shown in this report have been weighted to reflect the actual proportion of U.S. businesses by company size based on data from the U.S. Census Bureau. The margin of error at the 95% confidence level is +/- 2.3%.

## Employee Survey Overview

Employee results are based on a survey conducted among 1,700 employees age 22 or older who work full-time for a company with at least five employees. The survey sample is nationally representative of U.S. workers at companies with at least five full-time employees. Additional surveys were conducted among a sample of 300 part-time and contract workers; those results are not reflected in the national average.

Data shown in this report have been collected and weighted in order to reflect the actual proportion of U.S. workers by gender, region, race, ethnicity, education level, household income, age and employer size, based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.3% at the 95% confidence level.



Unless otherwise noted, all information contained in this report is from the 5<sup>th</sup> Annual Workplace Benefits Study (2018). The Guardian Life Insurance Company of America (Guardian), New York, NY. Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation. GUARDIAN® is a registered trademark of The Guardian Life Insurance Company of America®



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