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### **Employee Ownership and Employee Health and Wellness**

By Pankaj Upadhyay, PFEEF June 2015

John Raines and Donna Day-Lower write in *Modern Work and Human Meaning* that "Work is not first of all what we do to "make" a living. Work is human living - human being and human becoming." Purposeful, rewarding work is a key source of good life, with job satisfaction being strongly linked to overall happiness. The workplace is the arena where wealth creation and well-being converge. As Robert Lane puts it, "Work is the market's principal contributor to both happiness and human development."

In appraisals of subjective well-being, work is held to be second only to the quality of family life in importance. For instance, for a worker making a \$65,000 a year salary, a one point increase in job satisfaction score delivers as much extra happiness as an additional \$35,000. In other words, to further employee wellness, employers can either increase the wages by 50 percent or help employees feel better about their jobs.

Beyond a certain threshold, well-being springs less from further monetary accumulation than from good relationships, trusting cultures, and opportunities for personal development and autonomy. This necessitates focusing not only on how much wealth is generated but also on how it is produced and distributed. Democratization of capital offers greater possibilities for "good work" where "excellence and ethics meet" and to better address what Keynes described as the real, permanent problem confronting humans - "to live wisely, agreeably, and well."

Employee ownership when delivered effectively furthers employee engagement, organizational productivity, talent retention, and creativity and innovation. Also, Davies asserts that employee ownership is typically associated with enhanced engagement with management. This, in turn, has a strong correlation with well-being as is also borne out by the research undertaken for the report - *Engaging for success: enhancing performance through employee engagement* - submitted to the Government of the United Kingdom. The report mentions that 86 percent of employees classed as 'engaged' very often feel happy at work whereas 54 percent of disengaged employees feel a negative impact on their physical health.



## **Employee Ownership and Employee Health and Wellness, continued...**

The future of humanity is irrevocably tied to empowered individuals capable of discharging their obligations and responsibilities. Literacy was a key enabler in our collective civilizational advance. In a similar vein, the evolving context is placing big financial burdens on individuals.

McQuaid finds that employee-owned businesses create higher levels of well-being amongst their workforces than their conventionally-owned competitors when assessed on a host of parameters such as absence, stated intention to leave a workplace, and willingness to recommend an employer to others. There is also research that relates worker well-being to a range of factors such as autonomy, trust, respect, involvement and information. These are also the foundational elements of participative, employee-owned businesses. Professor Michie and colleagues have found that co-owned firms have higher-than-average levels of trust.

Moreover, working collaboratively towards well-understood, long-term goals - a hallmark of authentic employee-owned firms - contributes to workplace well-being in crucial ways. Employees in employee owned businesses with a participative management culture report high levels of satisfaction on a comprehensive array of important parameters - communication, decision-making, job satisfaction, control, and change management - thought to influence levels of well-being at work. Evidently, the way employee owned businesses organize and manage work impacts employees positively.

David Erdal writes in *Beyond the Corporation*, "By bringing into the corporation the insights and values that are already the foundation of democratic politics, we can transform our working lives, transfigure the corporation and let humanity work." Ownership clearly matters. Different systems of ownership engender different behaviors, draw focus on different horizons, and elicit different values". Employee ownership holds out the hope of greater economic performance and personal fulfillment. Properly structured and managed employee-owned businesses hold an incredible potential to transform lives of employees and create better societies.

## **Why Having a Great Retirement is Harder Than it Sounds**

By John Hoffmire & Pankaj Upadhyay

As more and more American workers reflect on their ability to secure a financially comfortable retirement, the mismatch between when they think they will retire and when they actually do provokes both concern and reflection. Retirement ages have undoubtedly increased over the past decade - a 2015 analysis by the Centre for Retirement Research at Boston College points to an increase of one year for men (from age 62.9 to 63.9) and approximately half a year for women (from age 61.2 to 61.9). However, not everyone is able to control retirement timing.



## Why Having a Great Retirement is Harder Than it Sounds continued...

A 2014 Employee Benefit Research Institute (EBRI) study found that 49 percent of retirees surveyed had retired earlier than they had planned. This finding is consistent with a recent report from Merrill Lynch/Age Wave in which more than half - three out of five - retirees say they retired earlier than they had expected.

Disconcertingly, lack of financial preparedness is one of the key drivers behind the desire to work longer and delay retirement. The Survey of Household Economics and Decision-making (SHED) captures this financial fragility - a lack of retirement savings and minimal financial cushion. Similarly, 31 percent of workers surveyed in the EBRI study say they have no retirement savings or pension.

Across industries, the projected shortfall for the average worker was found to be 2.2 times that of pay - specifically ranging from 1.1 times pay in the energy industry to 5.8 times pay in the retail industry. In 2014, average 401(k) balances at Fidelity were \$91,300, whereas a 65-year-old couple retiring that year could be expected to spend an average of \$220,000 during retirement on out-of-pocket health care costs alone.

Improved longevity also mandates the need to have more savings. Life expectancy projections by the Society of Actuaries show that compared to 2005, people retiring at age 65 in 2014 should plan for an additional three years of retirement on average.

Also, studies show that workers covered by 401(k) plans retire a year or two later on average. Clearly, the imperatives of personal responsibility on account of the shift from defined benefits to defined contribution pension plans contribute to the desire to push retirement further.

But financial distress is not the sole motive behind the desire to work longer. Psychological and social fulfillment - a desire for continued productivity, stimulation, satisfaction and social connections - are important drivers as well behind the aspiration to continue to work in later years. Indeed, the oldest age segments of the workforce are often more likely to be engaged than younger workers. Aon Hewitt data show that 65 percent of employees ages 55 and older in large companies are engaged, compared to less than 60 percent of employees under age 45. This is significant as a 5 percent increase in engagement levels has been shown to increase revenue within organizations by 3 percent.

It is also likely that a multi-generational workforce creates a fertile ground for knowledge transfer and mentoring, where the younger workers stand to gain from the "maturity, real-world knowledge and business skills of older workers."

However, all the virtues of older workers and their attendant benefits to employers and society notwithstanding, the need to meticulously plan in advance for retirement remains paramount.



## **Why Having a Great Retirement is Harder Than it Sounds continued...**

"People consistently overestimate their ability to work in retirement," says Vandermillen, vice president at Principal Financial Group. The somewhat naïve intent to continue to work longer to address the financial imperatives is "likely to be a failed strategy for many."

A host of factors such as health crises, layoffs and ageism on the part of prospective employers can force people out of work earlier than they had planned. "The difference is between what you know you want to do and what factors outside your control ultimately require you to do," says Dallas Salisbury, president of EBRI.

### **Senate Report Calls Attention to Women's Retirement Needs**

by Paula Aven Gladych July 20, 2015

Women over the age of 65 are twice as likely as men to live in poverty in retirement because of lower wages, more time spent out of the workforce and lack of access to retirement savings plans. A report released last week by Sen. Patty Murray, D-Wash., ranking member of the Senate Health, Education, Labor and Pensions Committee, calls attention to these barriers and proposes policy solutions that would help overcome them.

Employers have a critical role to play in helping women save for retirement, and research suggests women are open to receiving information from their employers and more likely to take advantage of investment tools, programs and education when they're offered.

And as competition for talent intensifies, offering women targeted retirement plan communications and guidance can become an important way for employers to differentiate themselves and attract women who are looking for these benefits.

"Improving opportunity for workers to earn a secure retirement is critically important to strengthening the middle class and ensuring the economy works for all Americans, not just the wealthiest few," Murray said in a letter. "Too many seniors today are spending their golden years scraping to make ends meet. Too many Americans nearing age 65 want to retire but are not financially able to stop working. And far too few younger Americans have the ability or the tools to save for their future. In short, our country is facing a retirement crisis."

This crisis affects women the most, she said.

Data from the Employee Benefit Research Institute found that the median IRA balance for men was nearly \$13,000 higher than for women in 2013. Women's incomes also lagged behind men, with the median income at just 55% of what men made in 2013.



## **Senate Report Calls Attention to Women's Retirement Needs, continued...**

According to the Murray report, 11.6% of all women over the age of 65 live in poverty, compared to 6.8% for men. For those women who live alone, the poverty rate is 19% compared to 11.3% for men. The poverty rate among African American and Latino senior women is even higher with one-fifth of African American women and 23% of Latino women 65 and older living in poverty.

"Several policies aimed at giving women a level playing field at work would go a long way toward boosting their retirement security," she said in her report.

Raising the minimum wage would help women and families make ends meet and also help close the wage gap between men and women, the report said. It also would help women better save for retirement and receive a bigger check from Social Security in the future.

She also encouraged employers to make quality child care affordable, give workers access to paid sick days and other basic worker protections and require fair scheduling practices to help boost workers' economic stability and boost their ability to save for retirement.

Murray also believes that Social Security should be expanded and enhanced.

"Congress should pass the Retirement and Income Security Enhancements Act, which would make targeted updates to Social Security to help senior men and women access more stable financial footing in retirement," the report said.

The Act, which was proposed in June 2014, would ensure widows and widowers from two-income families receive the same survivor benefits as those from single-earner families. "For the surviving spouse, the alternative benefit would equal 75% of the sum of the survivor's own worker benefit and the primary insurance amount of the deceased spouse," the report said. "The legislation would also enhance benefits for divorced spouses by allowing those with less than 10 years of marriage to be eligible for benefits under the former spouse's earnings."

Other items that would improve women's retirement security include expanding retirement plan eligibility for part-time workers, improving consumer protections, like requiring spousal consent to withdraw money from a retirement account, and increasing financial literacy.

Murray said that the country needs to explore policies that help women, particularly caregivers, earn a secure retirement benefit.

"Leaving the workforce or reducing working hours to care for a family should not preclude women and caregivers from having a more secure retirement in the future," she said