



GUARDIAN®



BENEFITS & BEHAVIOR:

Spotlight on
Benefits and
the Economy

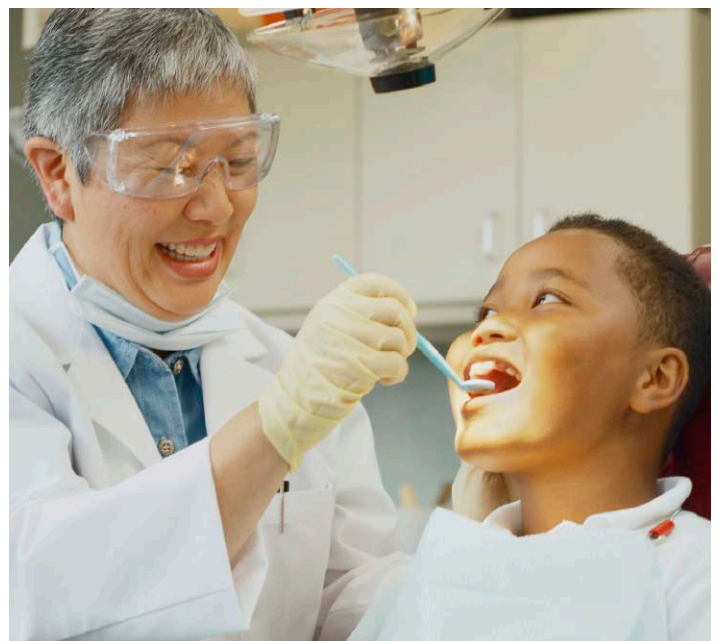
Introduction

In the midst of a recession that has been called the worst since the Great Depression, workers prize employee benefit plans more than ever. In times like these, access to good benefits means employees can take care of themselves and their families, regardless of what is going on in the economy. At a time when employers may be looking to reduce costs any way they can, it's important to understand the long-term effects of cutting back on benefits. A short-sighted decision now may have unanticipated effects down the road when companies are once again counting on loyal employees to help them maintain that "edge" in a competitive marketplace.

IMPACT OF THE DOWNTURN

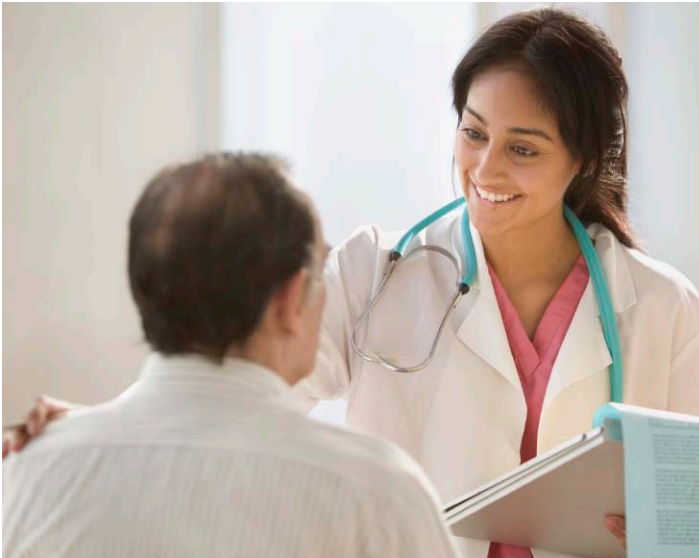
The economic downturn has had a broad impact on both employers and employees. Two-thirds of respondents to a Guardian survey reported, for example, that their employers have taken some action in response to the economic downturn. Tactics include training employees to do more than one job (47%), employee layoffs (33%), requiring longer hours or more work (26%), and instating furloughs and unpaid time off (16%).

Meanwhile, the economy is influencing behavior and lifestyle decisions on the part of employees with regard to benefits. One-quarter of employed consumers are afraid to take time off for illness, vacation, or leave of absence. On the West Coast, where unemployment is particularly high, this figure jumps to one-third.



Employees say they're afraid to take vacation time (18%) and are not taking or cutting short leaves for medical or other reasons (16%). Some are returning early from maternity leave or other leave of absence (11%), while others who are pregnant or ill are afraid to take time off (10%). Some even say they're postponing a divorce to preserve benefits (8%) or accelerating a marriage to obtain benefits coverage (6%). Consumers in the West are more likely to consider the impact on benefits when taking time off, while those in the Northeast are more likely to accelerate a marriage or delay a divorce.

Introduction (continued)



Workers also say they're willing to pay more or accept increased deductibles to preserve their current health coverage. Nearly two-thirds would choose a combination of a higher deductible and a higher premium to keep their medical coverage, while one in five would select a higher deductible only.

Willingness to accept higher deductibles drops off as deductibles increase. Nearly three-quarters of respondents indicated they would be willing to increase their deductible to maintain their current health coverage. However, most employees are willing to accept higher deductibles only if they do not exceed \$1,000 for individual coverage and \$2,000 for a family.

The true cost of health coverage remains a source of misunderstanding for many employees. Fully 71% either significantly underestimate or don't know the cost of individual health coverage in comparison to group coverage. What's more, nearly one-third of workers think it is more expensive to obtain healthcare coverage at work than it is to buy coverage on their own.

IMPORTANCE OF BENEFITS TO CONSUMERS

Because workers value their employee benefits so highly, firms that cut or eliminate benefits should be prepared for a sharp reaction from employees. Employers may wish to consider benefit strategies that are least likely to cause negative effects.

Loss of medical coverage provokes the highest level of action among employees. More than one-third of employees would purchase coverage on their own if they lost coverage at work, while another 20% would obtain coverage through a spouse or partner. What's more, despite the challenging economy, 27% of full-time employees say they would look for another job if their employer eliminated medical insurance.

Many employees say they would look to voluntary benefits as an alternative. Half of employees would consider paying all or most of the costs for benefits offered through their employer. Women and those in professional and managerial occupations are significantly more likely to consider the purchase of voluntary benefits.

Introduction (continued)

Benefits are so important to employees that more than half (57%) say they would be willing to take a salary cut or do without a raise or bonus in order to maintain current coverage levels. Blue-collar employees are most willing to give up a pay increase to preserve benefits. They also value disability, life insurance, and retirement benefits more than do professional/managerial, sales, and clerical employees. However, two-fifths of employees are unwilling to sacrifice an increase in compensation in order to preserve benefits.

Nevertheless, many employees would prefer layoffs to losing benefits. These employees, presumably, believe they would survive the cuts. When asked to choose between layoffs or eliminating their health benefits if their employer had to take extreme measures to stay in business, 46% of employees said they would opt for layoffs while 44% would elect to give up their health benefits. Full-time employees (52%) and employees making more than \$50,000 were more inclined to prefer layoffs to dropped benefits than were part-time workers (37%) and lower-income workers. Regionally, employees in the North Central part of the country are more likely to prefer layoffs than benefit cuts.

The impact of those layoffs often takes its toll in the form of more work for remaining employees. The majority (68%) of full- and part-time employees report that their employers have taken some type of action such as requiring longer hours, layoffs, furloughs, and additional job responsibilities in response to the economic downturn. Some 25% of workers are afraid to take time off—or they know someone who is—for fear of being singled out during the next layoff.



In spite of a tight job market, some workers say they would seek new employment if their benefits were eliminated and others state that cutbacks will have an impact on how they view their employer when the economy recovers. Employers are wise to take workforce loyalty into consideration when evaluating their options.

Introduction (continued)

IN THE EVENT OF UNEMPLOYMENT

Consumers express a variety of ideas on what they would do about their benefits should they become unemployed. Just over one-quarter of respondents (26%) say they would go without benefits if they lost their job. Another 27% would obtain benefits through their spouse or partner's plan, while 21% would pay for benefits personally. Only 18% of consumers would opt for COBRA coverage, with professional and managerial employees much more likely to choose this option than sales, clerical, and blue-collar workers.

Younger workers and those with the lowest income levels are most likely to go without benefits if they lose their jobs. Fully 48% of employees earning less than \$35,000 say they would go without insurance if they lost their job. Meanwhile, 31% of those in the 18–34 age range say the same.

Just over one-quarter of individuals surveyed (27%) expect a reduction in headcount within the next six months. Those in the Northeast are more likely to expect layoffs (42%) than those in the South.

Among respondents whose employers have reduced or eliminated benefits since December 2008, mixed views emerge as to the long-term impact of the cutbacks. Nearly half (49%) expect their employer to reinstate benefits to former levels when the economy rebounds, while 44% do not. Another 6% say they don't know what to expect.

CONCLUSION: CONSIDER BENEFIT CUTS CAREFULLY

As companies seek to cut costs to remain competitive during recessionary times, it's important to consider the future as well. Employers should bear in mind that fully half of workers expect them to restore benefits when the economy improves. And 64% of full-time employees say the actions their employers take now with regard to benefits will influence their attitude towards their employer when the economy turns around. If employers must make benefit cuts, they should do so wisely and consider voluntary benefits whenever possible. The decisions companies make during tough times can have an important impact on the employees they count on to help turn their business around. And, a company's top talent will be the most marketable as the economy improves.

Economies ebb and flow, but workers have long memories. They appreciate employers that do everything they can to preserve and maintain the benefits they need to protect themselves and their families.

Background and Methodology

METHODOLOGY

This report presents the findings of a telephone survey conducted among a national probability sample of 1,007 adults comprising 507 men and 500 women, 18 years of age and older, living in private households in the continental United States.

The questions were asked of the 486 respondents—281 men and 205 women—who are currently employed.

The interviews were conducted by the Opinion Research Corporation of Princeton, NJ, from June 25–28, 2009.

All differences referenced throughout this report are based on two-tailed statistical testing at the 95% confidence level. The error range is $\pm 4.6\%$ for Total Employed and $\pm 5.8\%$ for Employed Full-Time.

Two-thirds of respondents' employers have taken some action in response to the economic downturn.

- Almost half of employers have trained employees to do more than one job.
- One-third have had layoffs.
- One-quarter have increased the number of hours their employees work.

ACTIONS EMPLOYER HAS TAKEN AS RESULT OF ECONOMIC DOWNTURN

Employer Has Taken Action



Furloughs or Unpaid Time Off



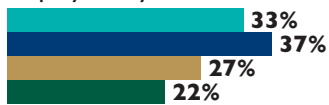
Trained Employees to Do More Than One Job



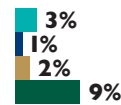
No Action Taken



Employee Layoffs



Don't Know/No Answer



Longer Hours or More Work Required



■ Total Employed
 ■ Full-Time
 ■ Part-Time
 ■ Self-Employed

Base: Total Employed, n=486; Employed Full-Time, n=322; Part-Time, n=85; Self-Employed, n=79.

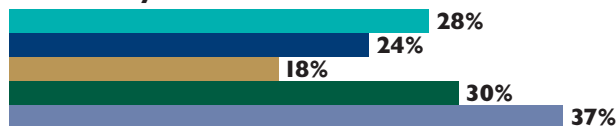
The economy is influencing behavior and lifestyle decisions, highlighting the importance of benefits to employees.

- One-quarter of employed consumers are afraid to take time off for illness, vacation or leave of absence. In the West, the number rises to one-third.
- For some, obtaining or maintaining benefits coverage is influencing decisions to marry or to postpone a divorce.
- Consumers who live in the West are most likely to consider the impact on benefits when making lifestyle decisions such as taking time off. Northeastern consumers are more likely to accelerate a marriage or delay a divorce.

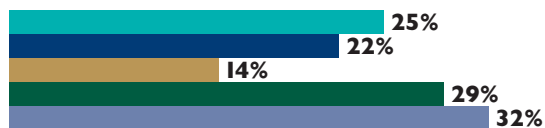
MAKING DECISIONS TO PRESERVE OR OBTAIN BENEFITS

Whether Consumer or Someone Consumer Knows Is Afraid to Take Time Off

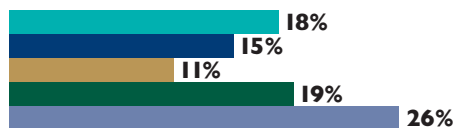
Yes to Any



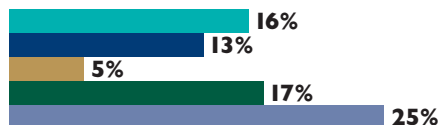
Total Afraid to Take Time/Full Time Off



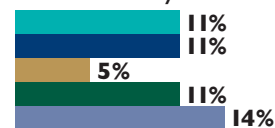
Afraid to Take Vacation Time Off



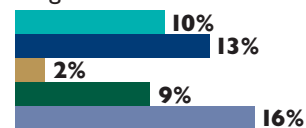
Afraid to Take Full Medical Leave/Leave of Absence



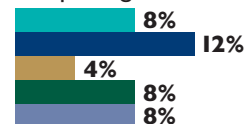
Returning Ahead of Schedule from Maternity/Other Leave of Absence



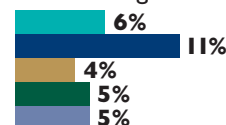
Pregnant or Ill and Afraid to Take Time Off



Postponing a Divorce to Preserve Benefits Coverage



Accelerating a Marriage to Obtain Benefits Coverage



■ Employed Full-Time
 ■ Northeast
 ■ North Central
 ■ South
 ■ West

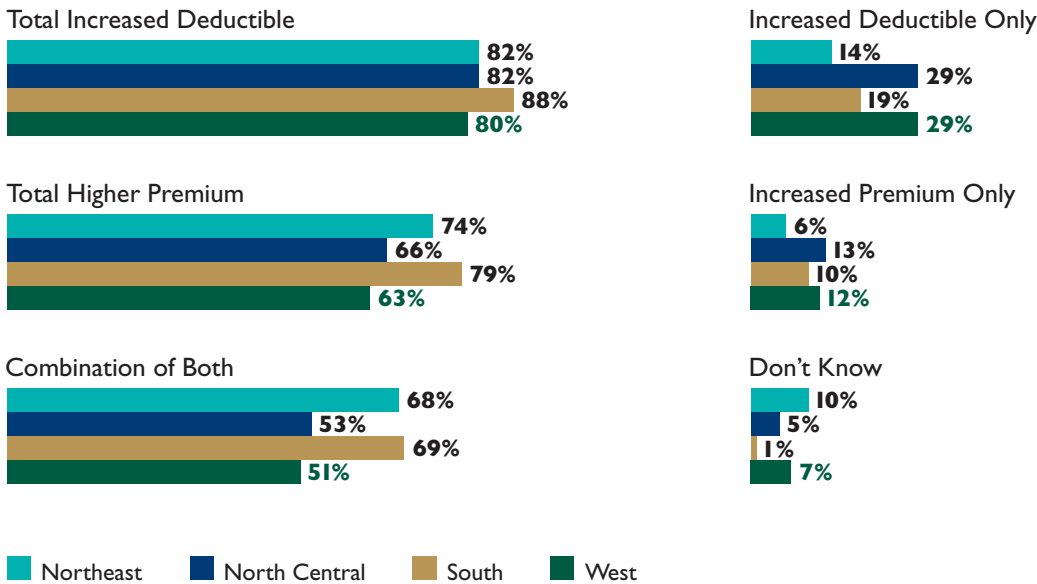
Base: Employed Full-Time, n=322; Live in Northeast, n=61; North Central, n=69; South, n=120; West, n=72.

Employed individuals are willing to pay more or accept increased deductibles to preserve their current health coverage.

- Nearly two-thirds of employees would choose a combination of a higher deductible and higher premium to keep their medical coverage.
- One in five would select a higher deductible only.

PREFERENCE BETWEEN INCREASING DEDUCTIBLE OR HIGHER PREMIUM

If Necessary to Keep Current Health Coverage

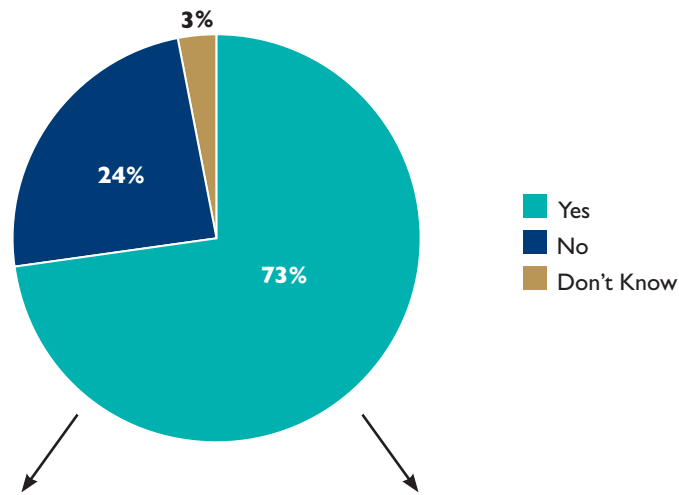


Base: Total Employed Full-Time, Have Health Insurance & Live in Northeast, n=56; North Central, n=66; South, n=106; West, n=62.

Willingness to accept higher deductibles drops off as deductibles increase.

- Almost three-quarters of those who responded indicated they would increase their deductible to maintain their current health coverage.
- Most employees are willing to accept higher deductibles if they don't exceed \$1,000 for individual coverage and \$2,000 for a family.

WHETHER/HOW MUCH CONSUMER IS WILLING TO INCREASE DEDUCTIBLE TO KEEP CURRENT HEALTHCARE BENEFITS



ACCEPTABLE AMOUNT OF INDIVIDUAL DEDUCTION			
An Individual Deduction of...	Total	Have Individual Coverage (Only)	Have Family Coverage
\$500	51%	44%	56%
\$1,000	28%	36%	24%
\$2,000	9%	13%	6%
\$2,500	3%	1%	4%
\$3,000	1%	—	1%
\$5,000	1%	—	1%
More than \$5,000	1%	1%	1%
Don't Know	6%	5%	6%

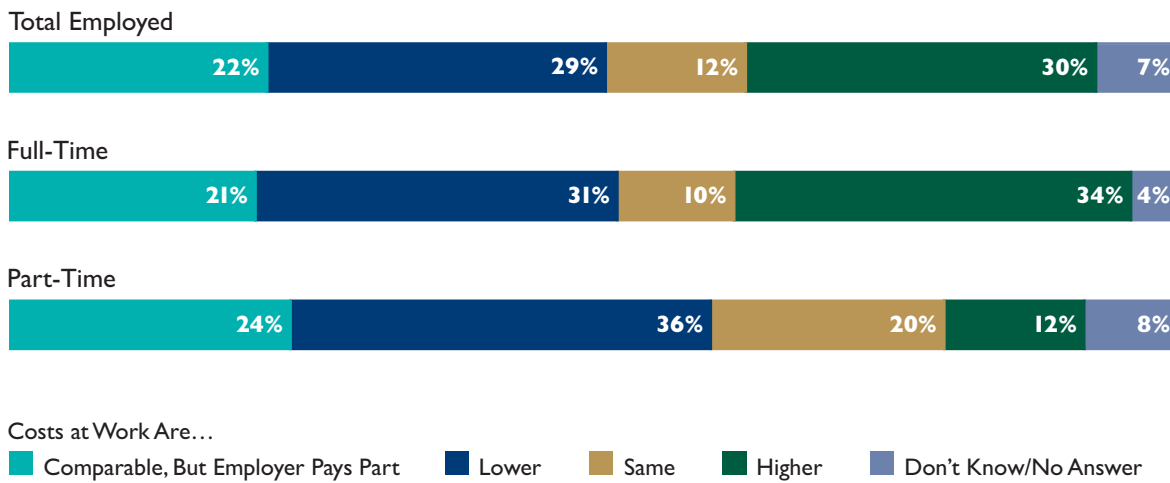
ACCEPTABLE AMOUNT OF FAMILY DEDUCTION	
A Family Deduction of...	Total
\$1,000	58%
\$2,000	19%
\$3,000	7%
\$5,000	6%
\$7,500	1%
\$10,000	1%
More than \$10,000	1%
Don't Know	6%

Base: Total Employed Full-Time & Have Health Insurance, n=288; Have Individual Coverage (Only), n=108; Have Family Coverage, n=180.

There is significant misunderstanding about the true cost of health insurance coverage.

- Nearly one-third think it is more expensive to obtain healthcare coverage at work than it is to buy it on their own.

HOW COST OF MEDICAL BENEFITS AT WORK COMPARES TO BUYING HEALTHCARE COVERAGE ON OWN

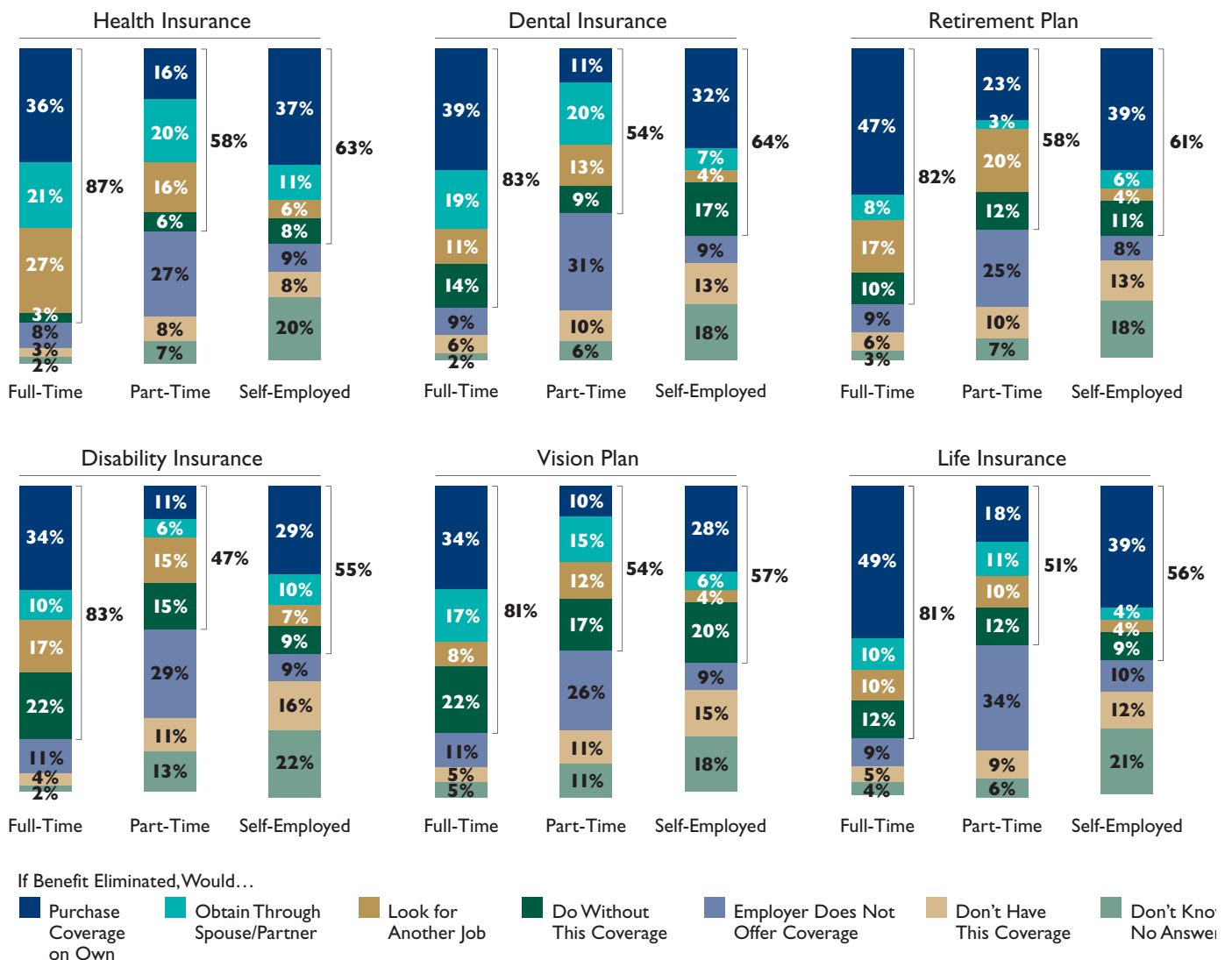


Base: Total Employed & Have Medical Coverage, n=409; Employed Full-Time, n=290; Part-Time, n=56.

Benefits are important to consumers. If an employer eliminates benefits, employees can be expected to take action.

- Loss of medical coverage provokes the highest level of action. Approximately one in three would purchase coverage on their own and on average 20% would obtain coverage from a spouse or partner.
- In spite of the economy, 27% of those employed full-time say they would look for a new job if their employer eliminated medical insurance.
- More employees say they will purchase life insurance or retirement benefits on their own than dental, disability or vision benefits.

WHAT EMPLOYEES WOULD DO IF EMPLOYER ELIMINATED SPECIFIC BENEFIT

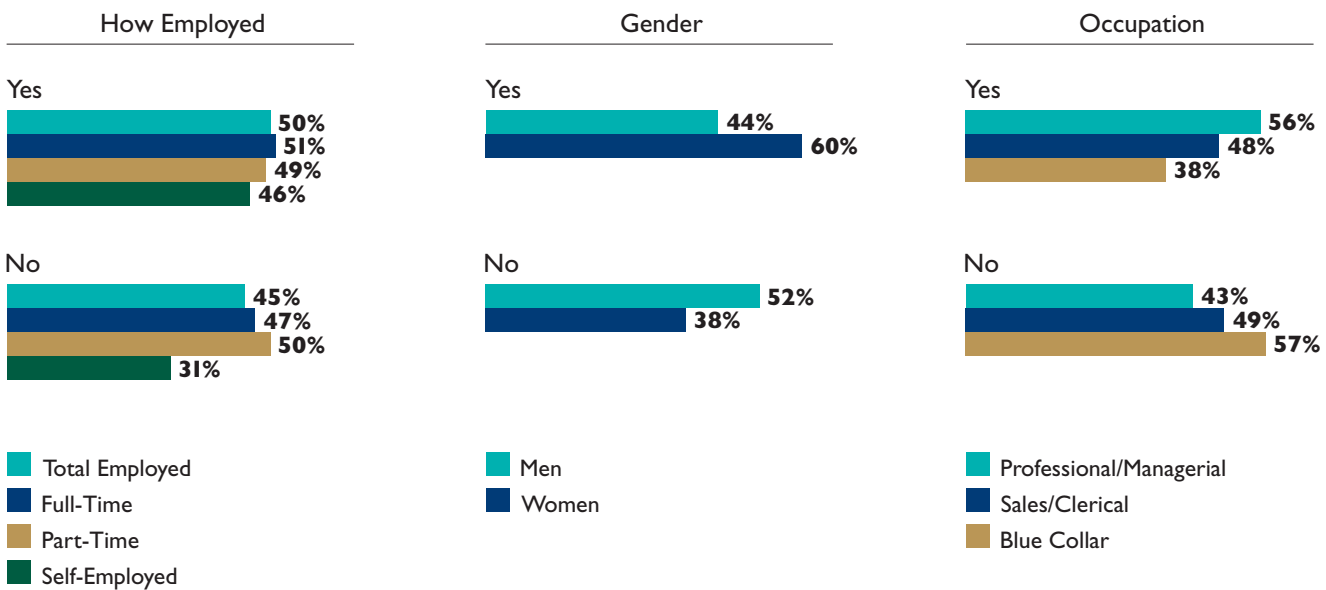


Base: Employed Full-Time, n=322; Part-Time, n=85; Self-Employed, n=79.

Employees would consider purchasing voluntary benefits for coverage their employers do not currently offer.

- Half of employees would consider paying all or most of the costs for benefits not offered by their employer.
- Women and those in professional/managerial occupations are significantly more open to considering voluntary benefits.

WHETHER WOULD CONSIDER OBTAINING BENEFITS EMPLOYER DOES NOT CURRENTLY OFFER IF EMPLOYER MADE THEM AVAILABLE BUT YOU HAD TO PAY ALL OR MOST OF COSTS

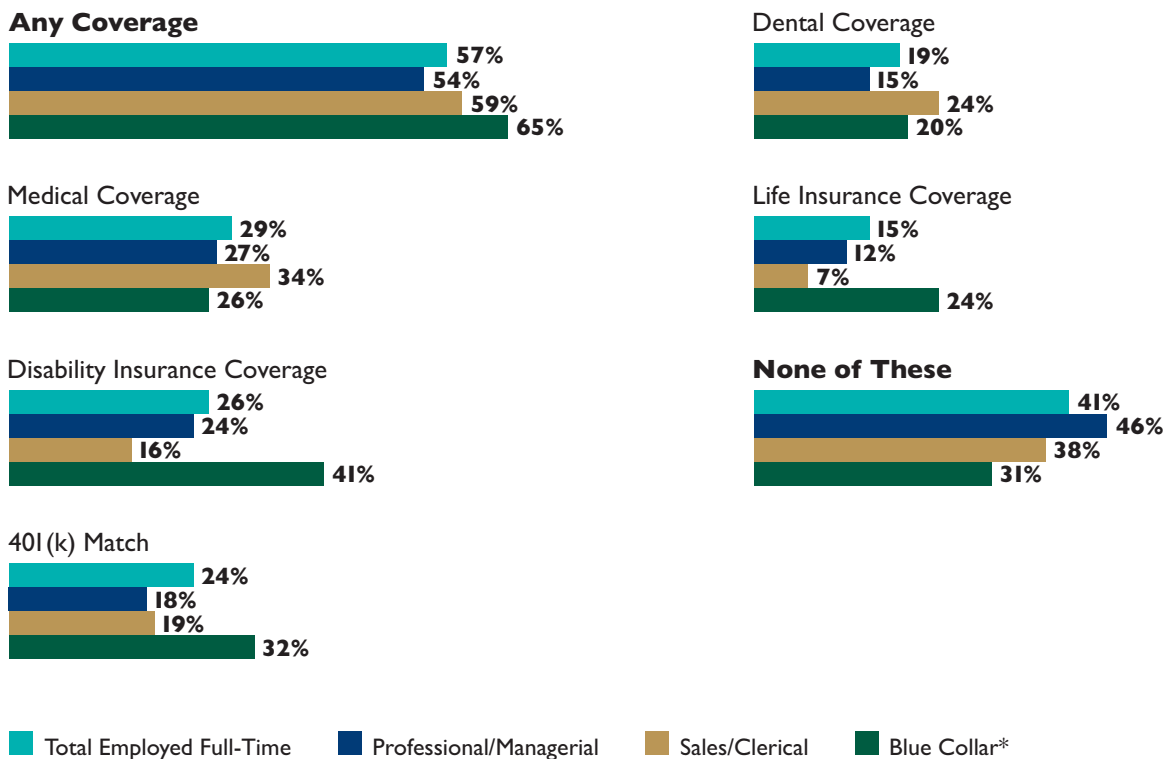


Base: Total Employed, n=486; Employed Full-Time, n=322; Part-Time, n=85; Self-Employed, n=79.
 Employed Full-Time & Male, n=198; Female, n=124.
 Employed Full-Time & Professional/Managerial, n=137; Sales/Clerical, n=85; Blue Collar, n=79.

More than half of employees are willing to take a salary cut or do without a raise or bonus to maintain current coverage levels.

- Blue-collar employees are most willing to give up a pay increase to preserve benefit levels.
- While medical and dental insurance are important, blue-collar employees value disability and life insurance coverage and retirement benefits more than professional/managerial or sales and clerical employees.
- However, two-fifths of all employees are unwilling to sacrifice an increase in compensation to preserve benefits.

BENEFITS FOR WHICH CONSUMERS ARE WILLING TO TAKE SALARY CUT OR FOREGO FUTURE INCREASE/BONUS TO MAINTAIN CURRENT LEVEL OF COVERAGE



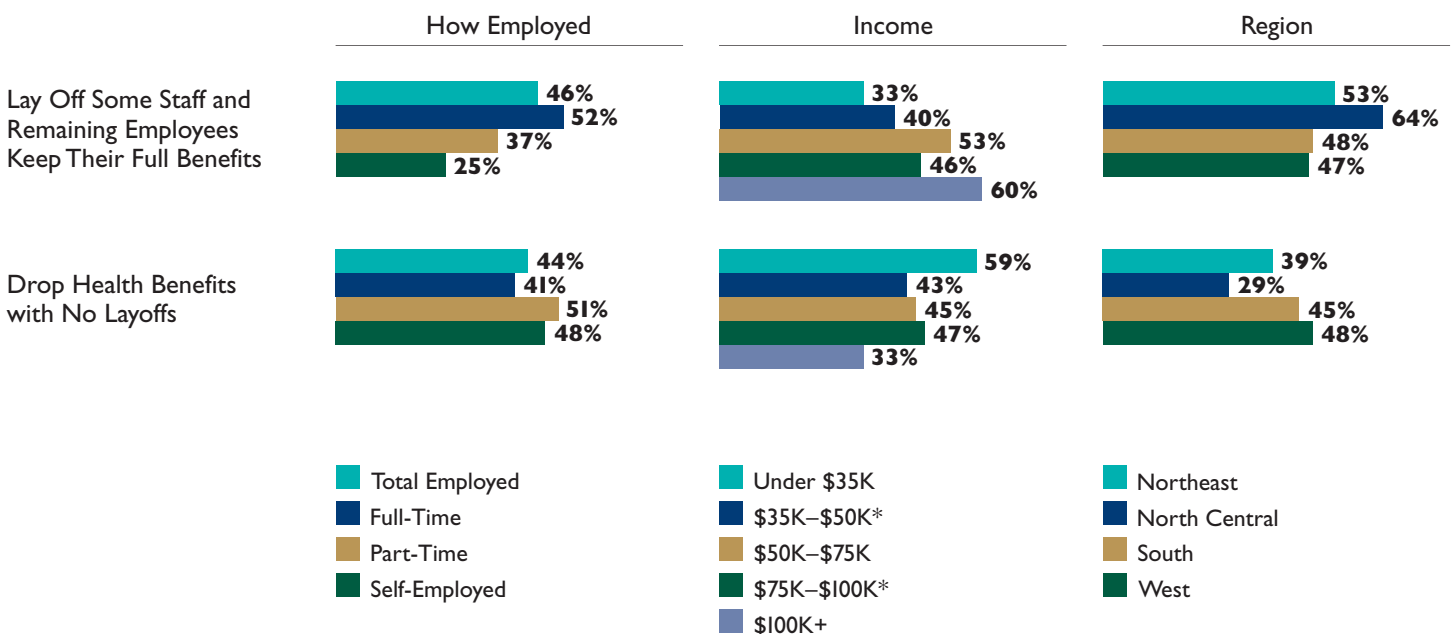
Base: Total Employed Full-Time & Willing to Look for Another Job or Do Without Coverage if Employer Eliminated Specific Benefit, n=239; Professional/Managerial, n=90; Sales/Clerical, n=50; Blue Collar, n=47*.

*Caution: Small base size.

When faced with extreme measures by their employer, many employees prefer layoffs to preserve their benefits.

- Part-time employees and those who earn less than \$35,000 are more willing to sacrifice their health benefits to preserve employment for co-workers.
- 60% of individuals who earn \$100,000 or more favor maintaining benefits and reducing staff through layoffs.
- Regionally, employees in the North Central part of the country are more likely to prefer layoffs to keep benefits intact for those who remain.

EMPLOYEE RESPONSE IF EMPLOYER HAS TO TAKE DRASTIC ACTION TO STAY IN BUSINESS



Base: Total Employed, n=486; Employed Full-Time; n=322; Part-Time, n=85; Self-Employed, n=79.

Employed Full-Time & Income Under \$35K, n=50; \$35K-\$50K, n=34*; \$50K-\$75K, n=71; \$75K-\$100K, n=49*; \$100K+, n=77.

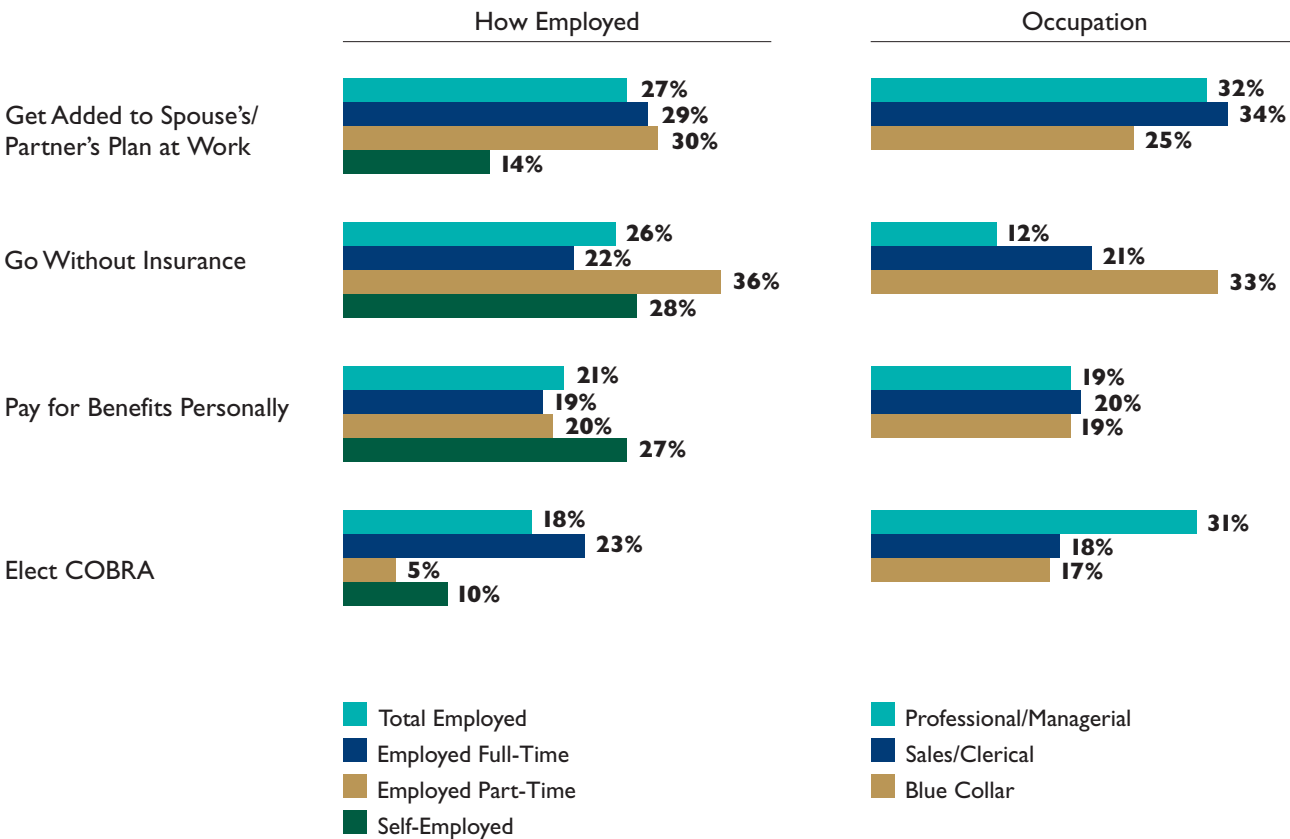
Employed Full-Time & Live in Northeast, n=61; North Central, n=69; South, n=120; West, n=72.

*Caution: Small base size.

Consumers differ on what they would do to obtain benefits should they become unemployed.

- If they were to lose their jobs, one-quarter say they would go without benefits.
- Another 27% would obtain benefits through their spouse or partner’s plan.
- Only 18% would elect COBRA.
- Professional and managerial employees are much more likely to elect COBRA than sales/clerical and blue-collar workers.

HOW CONSUMERS WOULD HANDLE THEIR BENEFITS IF THEY LOST THEIR JOBS

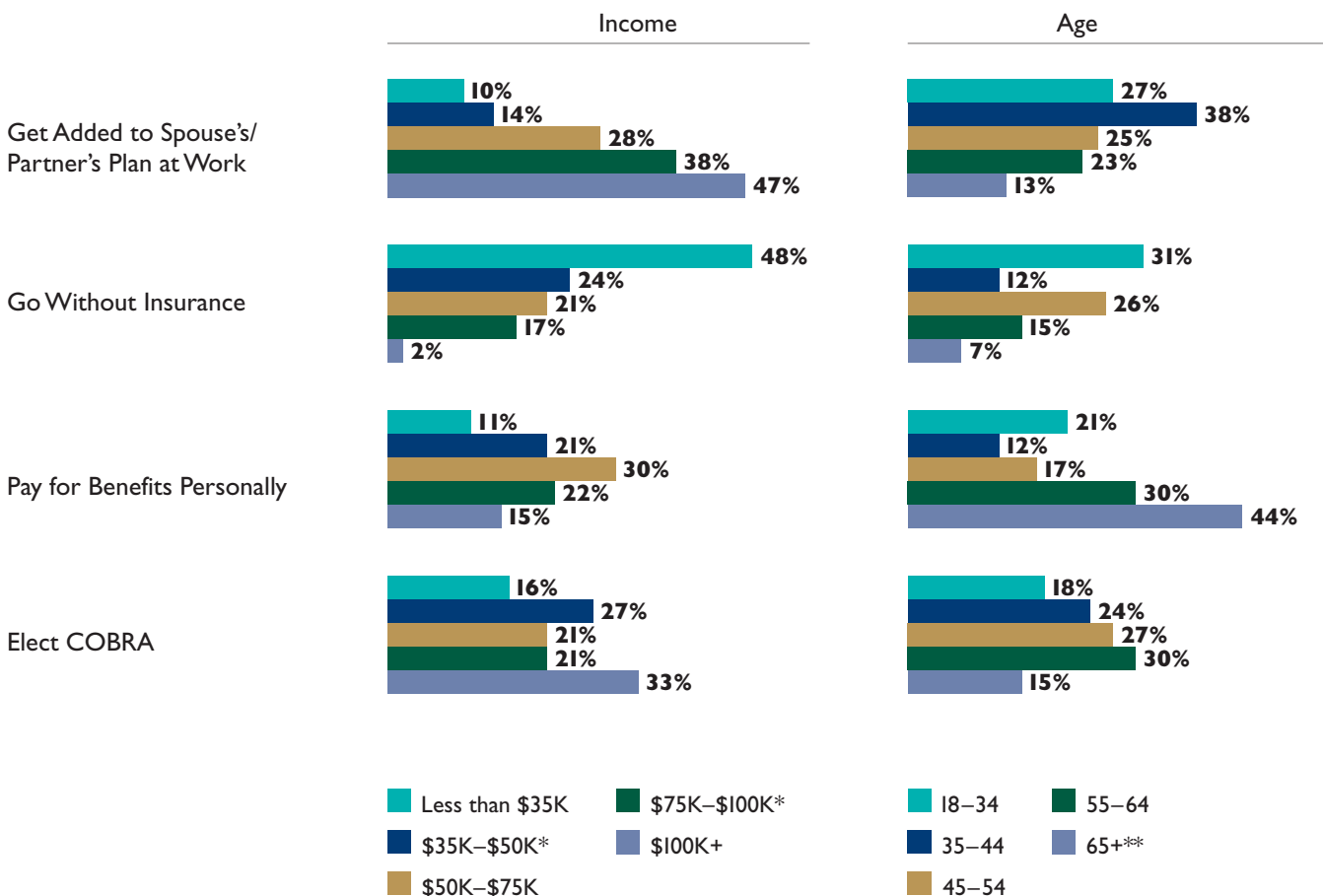


Base: Total Employed, n=486; Employed Full-Time, n=322; Part-Time, n=85; Self-Employed, n=79.
 Employed Full-Time & Professional/Managerial, n=137; Sales/Clerical, n=63; Blue Collar, n=85.

Age and income impact how consumers would deal with the loss of benefits in the event they become unemployed.

- Those who are younger and those with the lowest income levels are most likely to go without benefits if they lose their jobs.

HOW CONSUMERS WOULD HANDLE THEIR BENEFITS IF THEY LOST THEIR JOBS



Base: Employed Full-Time & Under \$35K, n=50; \$35K-\$50K, n=34*; \$50K-\$75K, n=71; \$75K-\$100K, n=49*; \$100K+, n=77.
 Employed Full-Time & 18-34, n=75; 35-44, n=64; 45-54, n=95; 55-64, n=68; 65+, n=19**.

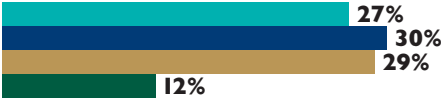
*Caution: Small base size. **Extreme Caution: Very small base size.

Employed consumers expect additional staff reductions over the next six months.

- One-quarter of the individuals surveyed are expecting a reduction in headcount within the next six months.
- 42% of consumers in the Northeast expect layoffs.
- Only one in five in the South expect layoffs — the lowest in the nation.

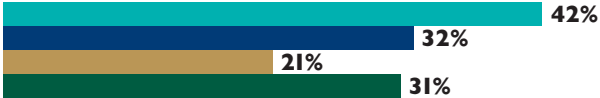
EXPECTING ANY, OR ADDITIONAL PERSONNEL CUTBACKS AT COMPANY IN NEXT 6 MONTHS

How Employed



- Total Employed
- Full-Time
- Part-Time
- Self-Employed

Region



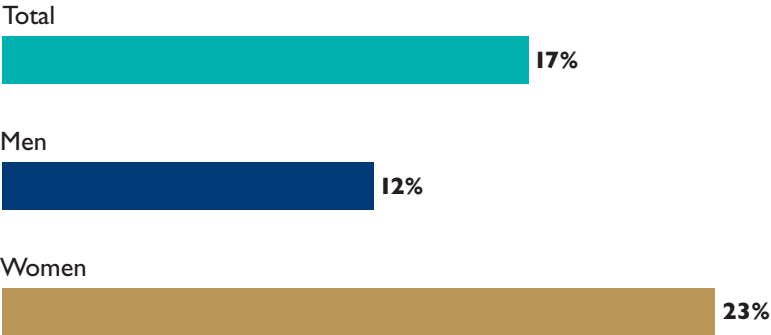
- Northeast
- North Central
- South
- West

Base: Total Employed, n=486; Employed Full-Time, n=322; Part-Time, n=85; Self-Employed, n=79.
 Employed Full-Time & Live in Northeast, n=61; North Central, n=69; South, n=120; West, n=72.

There are significant gender differences among those who expect further headcount reductions.

- Women are twice as likely as men to expect staff reductions.

EXPECTING ANY, OR ADDITIONAL BENEFIT CUTBACKS AT COMPANY IN NEXT 6 MONTHS



Base: Total Employed Full-Time, n=322; Male, n=198; Female, n=124.

Employees who have experienced benefit cutbacks have mixed views on the long-term impact of the cuts.

- Employed consumers are divided on whether their employers will reinstate benefits to prior levels once the economy rebounds.

WHETHER EXPECT EMPLOYER TO REINSTATE BENEFITS TO FORMER LEVELS WHEN ECONOMY REBOUNDS

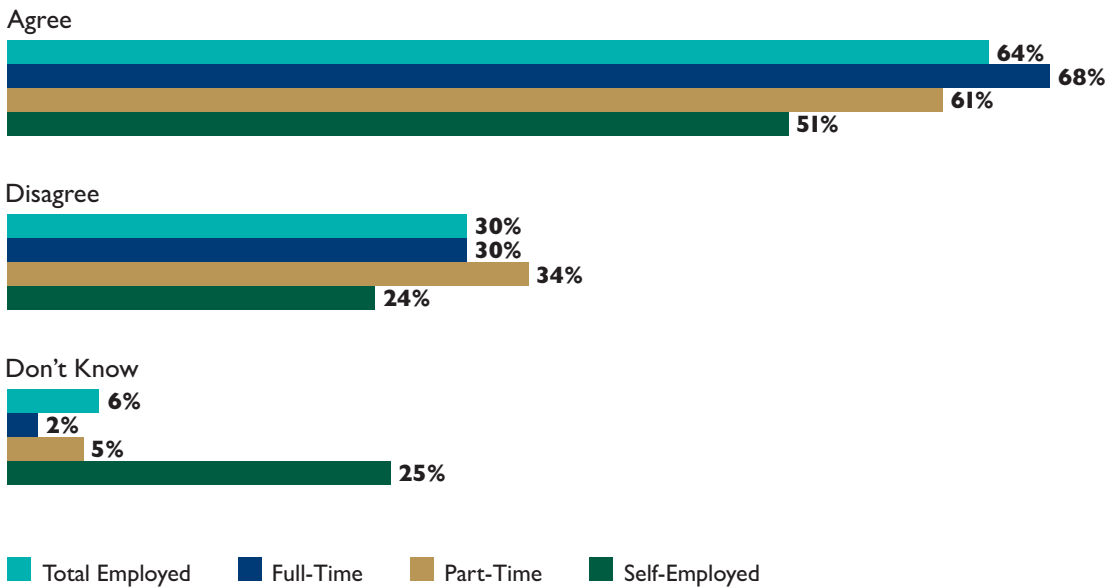
Among Those Whose Employers Have Cut/Eliminated Benefits Since December 2008



Employer decisions may have long-lasting effects.

- Two-thirds of full-time employees agree that the actions their employers take now will affect their attitude towards their employer in the future.

AGREEMENT THAT ACTIONS COMPANY TAKES NOW WILL INFLUENCE ATTITUDE TOWARDS EMPLOYER WHEN ECONOMY TURNS AROUND



Base: Total Employed, n=486; Employed Full-Time, n=322; Part-Time, n=85; Self-Employed, n=79.

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Pub. 4350
2009—8108