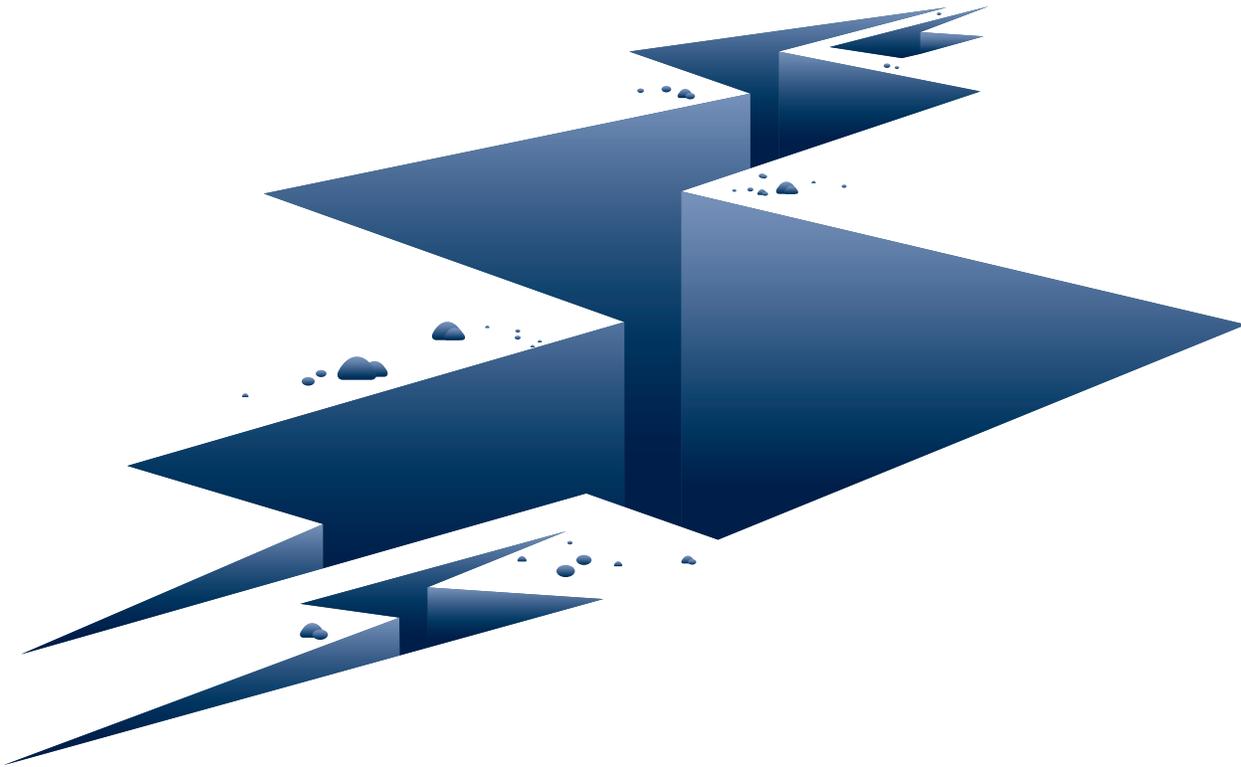


The Disability Divide: *Employer Study*

The gap between employees' beliefs—and those of HR professionals—about the odds, timing and causes of disability and the importance of protecting against it.



THE STATE OF DISABILITY IN AMERICA

The economic instability of the last half-decade has left American workers increasingly sensitive to the importance of a reliable income. Many don't realize that a disability could interrupt their income and jeopardize their financial stability. Fewer still have adequate protection from that potential loss through adequate savings, private disability insurance or other viable sources of funds. Consider these statistics:

More than one in four of today's 20-year-olds will become disabled

before they retire.¹

Ninety-five percent of disabling illnesses and accidents are not work-related

and therefore are not covered by workers' compensation insurance.²

There were 8.8 million disabled wage earners receiving Social Security Disability (SSDI) benefits

at the end of 2012.³

More than 2.8 million new SSDI applications were filed in 2012,

29 percent more than in 2007 and 68 percent more than in 2002.³

One hundred million Americans are not protected

by private disability insurance.¹

The Social Security Disability Trust Fund

is projected to run out of funds by 2016.⁴

Private disability claims have been rising, but fewer wage earners are protected

by private disability insurance.²

¹Social Security Administration, Fact Sheet, Feb. 7, 2013. ²Council for Disability Awareness, Long Term Disability Claims Review, 2012.

³Social Security Administration, Disabled Worker Beneficiary Statistics, Dec. 2012. ⁴The 2012 Annual Report of the Board of Trustees of the Social Security Trust Funds, April 25, 2012.

UNDERSTANDING THE MINDSET

How well do human resources (HR) professionals understand the “disability mindset” of the employees they support? Do the HR professionals, themselves, have a good handle on key aspects of the disability risk? Is there a divide between what employees believe and what HR professionals assume employees believe about disability? What findings could help HR professionals better educate employees about the value of income protection? The Council for Disability Awareness (CDA) set out to answer these and other questions with its 2013 Employer Disability Awareness Study.

During this research project, a national panel of HR professionals was surveyed. The resulting insights could help CDA:

- **Understand** HR professionals’ perceptions about the risks and consequences of disability.
- **Compare** these perceptions with employees’ responses to similar questions and identify major gaps and commonalities.
- **Help** HR professionals close perception gaps and increase employees’ awareness of this important financial security issue.

The insights gleaned from this research can help HR professionals better understand disability. That knowledge can be harnessed to help employees become more aware of the risks to their incomes posed by disabilities, and to help employees take the necessary steps to defend against potential future income loss. Ultimately, HR professionals can help educate employees about the importance of their income-protection benefits, which will lead to employee understanding, better job satisfaction and improved worker productivity and longevity.

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Overview of survey methodology

For this study, CDA conducted an online survey of 553 HR professionals who handle nonmedical employee benefits at their organizations.*

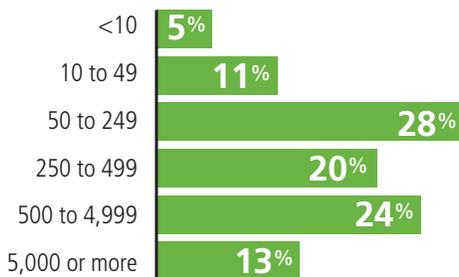
The HR professionals who responded to this survey in August 2012 all helped to make benefits decisions for their organizations or provided benefits information to their employees in some way.

They also held different positions within their respective organizations, as highlighted in the charts below. Fifty-seven percent were male.

While there is some diversity among the participants' roles and responsibilities, for simplicity we will refer to them as "HR professionals" throughout the report.

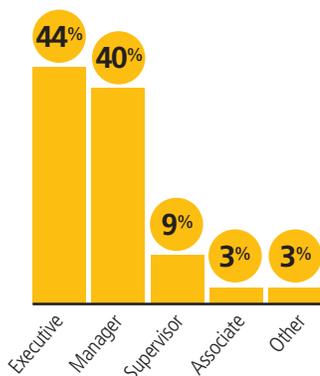
DISTRIBUTION OF HR PROFESSIONALS BY COMPANY SIZE

Number of employees



Totals do not equal 100 percent due to rounding.

HR PROFESSIONALS BY POSITION

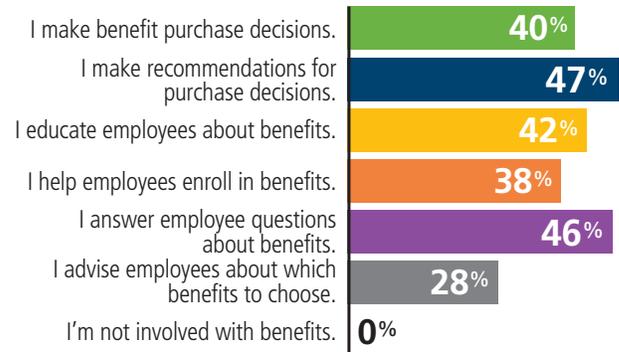


Totals do not equal 100 percent due to rounding.

This study uses findings from other CDA studies, including:

- **CDA 2010 Consumer Disability Awareness Study***, an online survey of 1,006 American wage earners, referred to here as "employees."
- **CDA 2011 Advisor Disability Awareness Study***, an online survey of 1,267 financial and benefits advisors.

JOB DUTIES OF HR PROFESSIONALS



Totals do not equal 100 percent because respondents made multiple selections.

BENEFITS EXPERTISE OF HR PROFESSIONALS



Sixty-nine percent were well versed or experts in nonmedical benefits.

Totals do not equal 100 percent due to rounding.

*Respondents were offered a small incentive to participate in CDA surveys.

Highlights of survey findings

The *Disability Divide: Employer Study*, in addition to assessing HR professionals' understanding of disability risk, also looks at how HR professionals predicted their employees would respond to questions about income-threatening disabilities, and compares the answers with employees' answers to the same questions. The answers illustrate distinct divides surrounding key disability issues, among them:

- **Importance and Knowledge.** Despite the fact that both groups recognize the importance of income and the randomness with which a disability can strike, HR experts don't believe employees are taking adequate steps to prepare against one. This provides an opportunity for HR professionals to better educate their employees about disabilities.
- **Severity.** Employees mistakenly believe that most disabilities are lengthy and career ending, while many HR professionals perceive that workers can return to their jobs within a few months.
- **Causes.** HR professionals grasp the causes of disabilities better than employees, an insight that underscores the opportunity for sharing better information.
- **Survival.** Employees optimistically think they could stay afloat financially for longer than three months without an income, but HR professionals don't think most would last that long.
- **Guidance.** Everyone agrees that employees seek out HR benefits specialists as trusted advisors when it comes to information about the risk of disability and disability insurance, but HR professionals don't necessarily see it as their responsibility to guide workers' decision making in this area. This gap represents an opportunity for HR professionals to take a bigger role in dispensing advice and knowledge to encourage employees to prepare adequately.

There was also common ground between employees and HR professionals, though it painted a disturbing portrait of workers' understanding and readiness for an income-disrupting disability:

- **Odds:** Both HR professionals and employees tend to underestimate the odds of disability, again underscoring the need for more education about this critical issue.
- **Income:** Employees and HR professionals say workers would first rely on vacation and sick time to pay bills during a disability, a stopgap that could quickly leave them without financial resources and with poor prospects for financial survival over the long run.

Everyone views income as workers' most important financial resource

HR professionals don't see employees protecting that resource

Working for a living is nearly every employee's financial lifeline. Ninety percent of employees and 84 percent of HR professionals agreed that the ability to earn an income is a worker's most valuable financial resource.

In fact, both HR professionals and employees ranked income above savings, homes and medical insurance, all of which depend on the ability to earn an income to achieve and maintain.

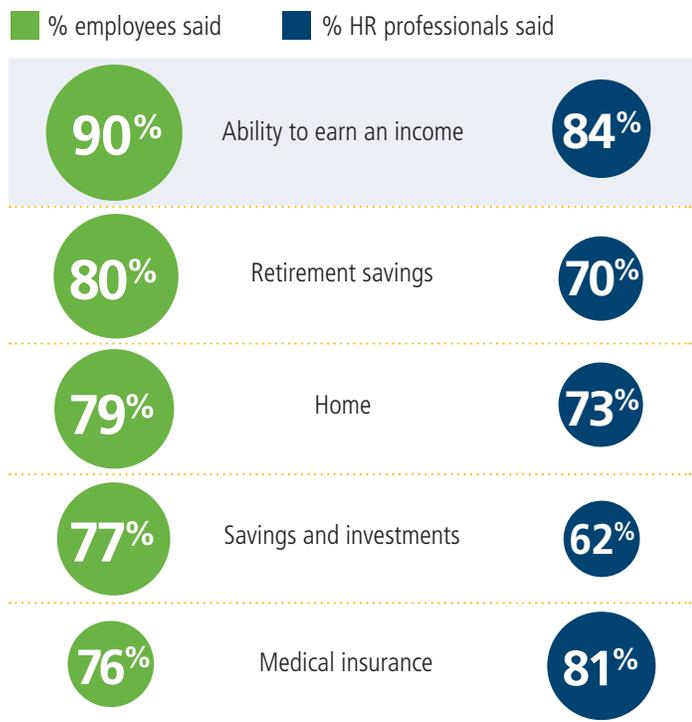
Given the importance of an income, one would think that employees have put substantial thought and effort into protecting it. But the data shows otherwise.

In fact, protecting that lifeline is clearly an afterthought. More than half (53 percent) of HR professionals believe employees "had never really thought about preparing for disability." And more than a third (37 percent) of employees said they "had never really thought about protecting their income" from a disability.

How low does preparedness fall on the totem pole? Only 26 percent of HR professionals believe their employees feel it is very important to prepare for a disability, and that same percentage (26 percent) think their employees are in fact prepared to withstand a disability.

Federal government data echoes that under-preparedness. Seven out of 10 private sector workers lack long term disability insurance, according to the Social Security Administration.

WHAT'S VALUABLE TO EMPLOYEES' SECURITY



Despite the importance of income, only 26 percent of HR professionals believe employees feel it's very important to prepare for a disability.

26%

Totals do not equal 100 percent because respondents ranked their top three sources.

Employees say a disability can strike anyone at any time

HR professionals believe employees see disabilities as unlikely

In one sense, employees may see income-disrupting disabilities as just random events. Eighty-three percent believe disabilities can happen to anyone at any time.

Few said lifestyle changes could lessen the risk of a disability and even fewer said disabilities strike someone acting carelessly. Both notions suggest a belief in the randomness of disability. And even though employees recognize disabilities do happen, they think it will happen to the "other guy." In any event, workers aren't making contingency plans to protect themselves: Thirty-seven percent said they've never really thought about the need to protect their income.

HR professionals significantly underestimate the extent to which employees think a disability can strike anyone at any time.

- Nearly a quarter of HR professionals thought that employees would agree that "disabilities happen infrequently," five times more than the 5 percent of employees who actually responded that way.
- HR professionals came close (11 percent versus 6 percent) to predicting that employees wouldn't think that they could do much to prevent disability, like living healthier lives or being more careful.

INSIGHT: This "disability divide" suggests more employees may be receptive to income protection than HR professionals believe.

HOW WORKERS SEE THE RISK OF DISABILITY

■ % employees who agreed with the statement ■ % HR professionals who thought employees would agree with the statement



Most employees say disabilities strike at random, yet 37 percent say they've "never really thought about" the need to protect their income.

37%

Top four choices listed.

OPPORTUNITY: Employees can learn more about disability risks by visiting DefendYourIncome.org.

Employees and HR professionals agree: Both underestimate the odds of employees becoming disabled

Both employees and HR professionals greatly underestimate the odds that a worker will suffer a long term disability at some point.

Forty-four percent of employees said that the odds of a worker experiencing an accident or illness that lasts at least three months are just one in 100. Similarly, 37 percent of HR professionals said that their employees had a one in 100 chance of being disabled for at least three months.

In fact, the odds of a working 20-year-old experiencing a disability in his or her career are about one in four and some risk factors drive those odds even higher, as the chart below illustrates.

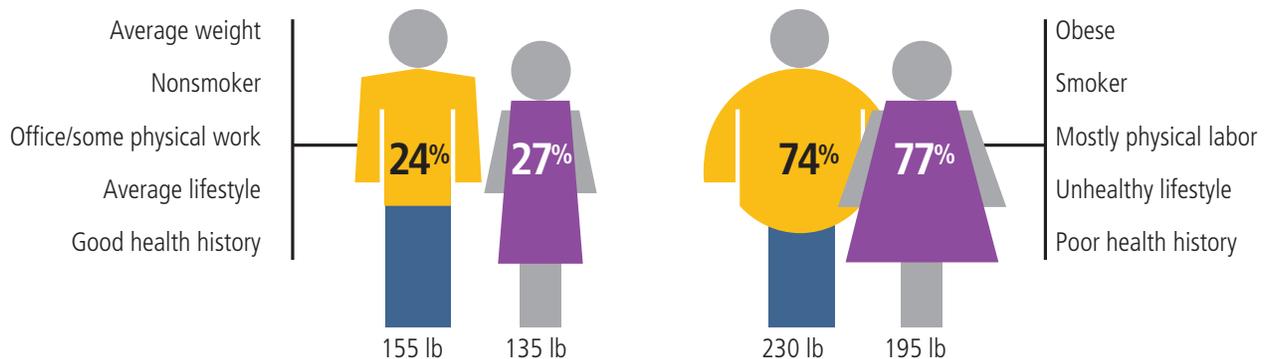
HOW WORKERS SEE THE ODDS OF BECOMING DISABLED FOR AT LEAST 3 MONTHS

ODDS OF BECOMING DISABLED	EMPLOYEE PERCEPTIONS	HR PREDICTIONS
1 in 100	44%	37%
1 in 50	20%	27%
1 in 25	14%	20%
1 in 10	10%	10%
1 in 5	5%	4%
1 in 3	7%	2%

INSIGHT: A possible reason for the disparity between responses of employees and the actual odds of experiencing a disability may be the result of how they view the potential causes of disability.

HOW DIFFERENT FACTORS INCREASE THE ODDS OF DISABILITY

Age and gender affect the likelihood of a disability, but so do weight, health, smoking and other factors. The example below illustrates how different risk factors may substantially affect a 35-year-old man (5'9") and woman (5'3"). Percentages indicate the odds that the person will experience a disability of three months or longer during his or her working career.



Source: WhatsMyPDQ.org

OPPORTUNITY: Visit WhatsMyPDQ.org to find out your own disability risk.

Most employees think of disabilities as lengthy and career ending

HR professionals believe most disabled employees return quickly to work

Employees' view of disability as catastrophic leads them to believe that disabilities are usually long lasting or even permanent.

For example, 68 percent of employees said that disability would keep someone out of work for a year or longer, and 31 percent believed a disabled employee would never return to work.

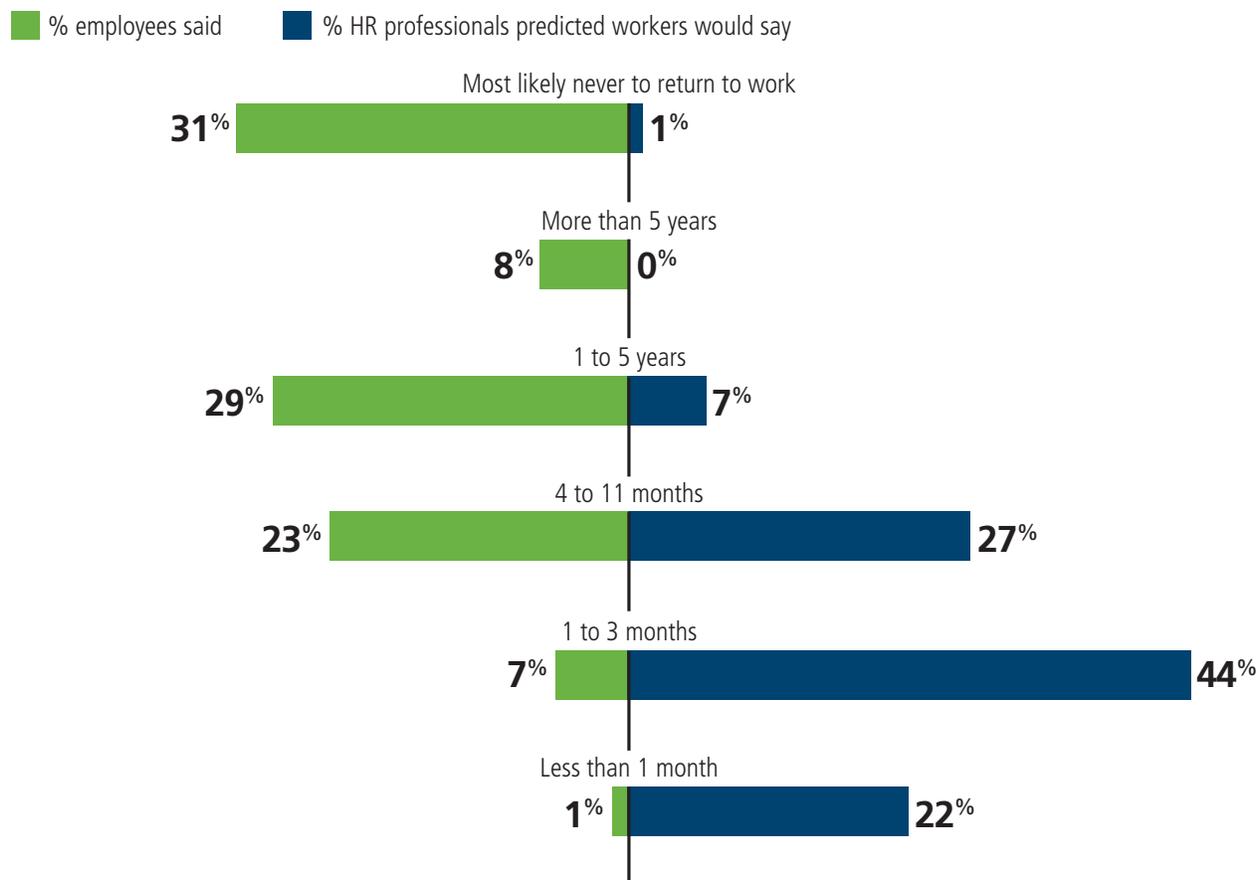
HR professionals realize shorter disabilities are common. Two out of three HR professionals said a typical disability lasts three months or less.

A large majority (84 percent) felt that a disabled worker would often be back on the job within six months.

INSIGHT:

HR professionals are involved with both short and long term disability claims at their companies, and often have a more balanced understanding of causes, severity and odds of disabilities than employees do. Because employees often think of disabilities as catastrophic accidents, they may conclude that disabilities are less common than is actually the case.

PERCEIVED LENGTH OF TIME A DISABLED WORKER WOULD BE OUT



Totals do not equal 100 percent due to rounding.

Employees mistakenly believe accidents cause most disabilities

HR professionals correctly believe illnesses cause most disabilities

Employees make incorrect assumptions about disabilities, particularly when it comes to the causes behind them. For example, employees said that a serious accident would be the most likely reason for an income-disrupting disability.

This fact illustrates employees' mistaken perceptions that disabilities tend to be catastrophic in nature—caused by one-time, traumatic events like paralysis or stroke. Most don't recognize that common, chronic conditions—those that often develop and worsen over time, such as back pain, heart disease or mental illness—cause the majority of long term disabilities.

HR professionals, clearly more familiar with disabilities, correctly identified muscle or bone pain as the top cause.

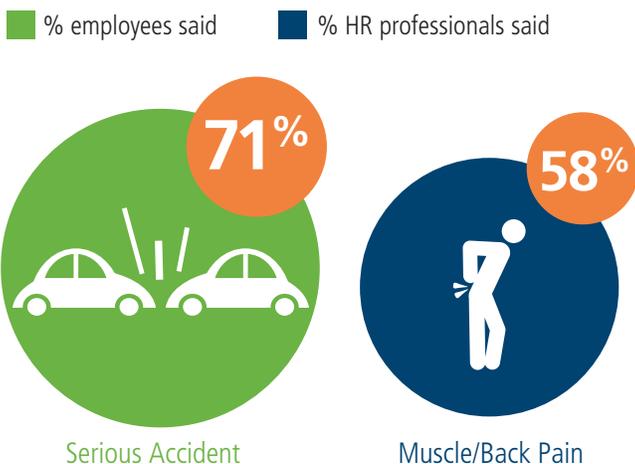
- Fifty-eight percent picked muscle/bone pain as the leading cause of employee disability.
- Fifty-four percent said cancer was the number two cause, followed by maternity (53 percent) at number three.

Often overlooked as a disability, maternity is a common cause of lost income. More than 9 percent of all long term disability claims for women resulted from pregnancies, according to CDA's 2012 Long Term Disability Claims Review.

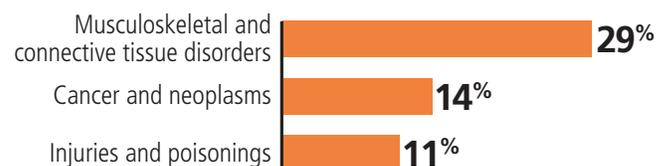
INSIGHT:

Perhaps because of their close involvement with disability claims, HR professionals more accurately pinpoint the likely causes of disability.

WHAT EMPLOYEES VS. HR PROFESSIONALS BELIEVE CAUSES DISABILITIES:



THE REALITY: TOP 3 CAUSES OF DISABILITY: LONG TERM DISABILITY:



Source: CDA's 2012 Long Term Disability Claims Review

SHORT TERM DISABILITY:



Source: Gen Re, U.S. Group Disability Rate and Risk Management Survey, 2012, based on claims closed in 2011

OPPORTUNITY: Get disability-preparedness education tools from DefendYourIncome.org/employers.

Most employees think they'd manage financially if disabled for three months

Most HR professionals don't think employees can make it that long

Many employees assume they could somehow pay their bills if a disability limited their incomes, despite the fact that many haven't thought about it and even fewer have an actual plan.

In fact, a majority of employees (62 percent) believed they could continue paying their bills for more than three months, even if they had no income.

Considering the fact that nearly all employees underestimate their risk of disability, and 37 percent of employees have never thought about preparing, there is serious potential for a loss of financial security.

HR professionals are far more pessimistic about their workers' financial prospects in the event of a disability. Most feel employees couldn't stay afloat financially very long.

A majority of HR professionals (60 percent) did not think employees could last beyond three months without an income. And only 16 percent of HR professionals believed typical employees could keep paying their bills for seven months or longer in the event of a disability.

Fewer than one in 10 HR professionals predicted that their employees could survive financially for a year or longer without an income.

A TALE OF TWO NUMBERS

68%

Sixty-eight percent of respondents surveyed by the American Payroll Association in 2012 said it would be "somewhat difficult" or "very difficult" to meet their current financial obligations if their next paycheck were delayed by a week.

Source: American Payroll Association, "Getting Paid in America" Survey, 2012

Forty-eight percent of U.S. families do not save any of their annual income, according to the Federal Reserve Board.

Source: Federal Reserve Board, "Survey of Consumer Finances," 2010

48%

Employees and HR professionals agree: Both groups believe employees would tap paid vacation and sick leave first

To pay bills while out on disability, most employees said they would rely on vacation or sick time, disability insurance and their spouse's or partner's income.

Forty-two percent of employees said they would tap sick days or vacation time to pay bills if their employment income ended, a notion with which most HR professionals (57 percent) agreed.

Whether it's enough is a different matter. According to a 2010 WorldatWork* research report, a typical American worker has access to seven sick days and eight vacation days during his or her first year of work. The average group long term disability claim lasts 34.6 months, according to Gen Re.**

Only 38 percent of employees said they fully understood or knew the key points of their employer's disability plans.

About 38 percent of employees said disability insurance payments would also be a source of income. Disability insurance is a benefit that is specifically designed to replace a portion of income lost due to a disability. It bears noting that some people mistakenly believe they have disability insurance when they actually do not. Still, others have protection that may not be adequate to pay the bills.

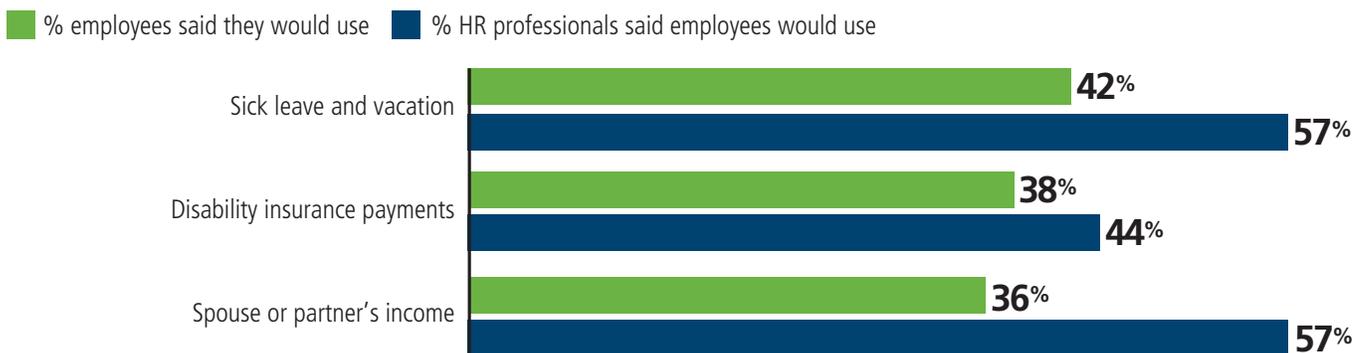
A spouse's or partner's income would be another go-to source, according to employees and HR professionals. But losing one income would still be difficult for a couple, given that 71 percent of Americans live paycheck to paycheck, according to the American Payroll Association.***

A third of HR professionals ranked household savings as the top source of funds employees would need to pay their bills in the event of a disability, but less than a quarter (24 percent) of employees said savings was a viable source.

INSIGHT:

Helping employees understand their disability risk and benefits is a win-win. When employees understand their benefits, they value them more highly, which leads to increased job satisfaction, lower turnover and higher productivity. It also affords employees a chance to make good benefit decisions and to ensure that they have adequate protection in place in case a disability interrupts their income.

PAYING BILLS DURING A DISABILITY



Top three sources listed.

*WorldatWork, "Paid Time Off Programs and Practices," 2010

**Gen Re, U.S. Group Disability Rate and Risk Management Survey, 2012, based on claims closed in 2011.

***American Payroll Association, "Getting Paid in America" Survey, 2012

Employees seek out HR departments for guidance on disability

HR professionals think they should inform but not necessarily guide

When looking for advice about disability risks and insurance questions, most workers seek out their HR departments.

HR professionals surveyed by CDA said employees are most likely to ask “our company’s human resource or benefit professionals” or “me” for benefits advice.

When it comes to choosing those benefits, however, 48 percent of employees said they didn’t have enough information about purchasing disability insurance.

Many HR professionals recognize this knowledge gap among their companies’ employees. Almost six out of 10 said their employees lacked the right information about disabilities to properly plan for one, echoing results from the CDA’s 2010 employee survey.

As far as the role of the HR professional in that decision making, there’s some disagreement. An overwhelming majority of HR professionals (72 percent) felt it was their responsibility to help employees understand their benefits, but only 57 percent agreed that HR professionals should provide direction or recommendations on choosing benefits.

Even fewer HR professionals (48 percent) said that they believe their company has a responsibility to help employees protect their incomes from the risk of disability.

INSIGHT:

Information seems to influence preparation. HR professionals who said their employees had enough information about the risks of a disability were also more likely to say their employees think it is very important to plan for a disability. They also were more likely (34 percent vs. 16 percent) to say their employees were adequately prepared to withstand a disability, and were more likely (57 percent vs. 37 percent) to say their companies have a responsibility to help their employees protect their incomes from a serious illness or injury. And when employers are proactive about education, employees gain value.

TOP FIVE SOURCES OF DISABILITY INFORMATION



When searching for disability information, most HR professionals say employees turn to them.

Respondents could make multiple selections.

CONCLUSION

The findings highlighted in this report suggest the need for and significant opportunities for human resources professionals to assume a greater responsibility in educating employees about the risk of income loss from illnesses or accidents and help them better prepare to mitigate this loss.

Consider the following ways employers can help employees protect their most important financial resource, and appreciate the benefits offerings that are specifically designed to protect it.

Start them young.

Remember that nearly 70 percent of employees thought it was important for people to start planning for a loss of income either at any age or in their 20s! This interest may be heightened by recent economic conditions, but it's important that HR professionals not project yesterday's views on today's employees. There seems to be a real opportunity for HR professionals to engage even younger employees in conversation about how they'd maintain financial independence even if an illness or injury prevented them from earning an income.

Personalize it.

Experts who study risk say when a risk is personified—when the victim is a real person—employees perceive that the risk is more likely to occur. Our employee study confirmed that employees who knew someone who had become disabled also recognized their own chances as higher. Sharing real-life stories about disability and its consequences may be the best way to connect with employees about their risks, and the importance of planning to protect their income.

Review existing benefits.

CDA research has shown that employees generally have a poor understanding of their benefit programs and may incorrectly think inadequate sources such as vacation or sick pay will get them through an extended period without income. Spending time reviewing what income protection plans are in place, how each one works and the maximum benefit they're entitled to receive from each one is an important step. Determine employees' sources

of post-disability income and whether it will be sufficient for them to meet their financial obligations in the event that a disability forces them to stop working. This activity is a highly rewarding one for employers, because when employees better understand their benefit programs, and when it is apparent that their employer cares about their welfare, job satisfaction improves, employees are more motivated and productive, and they are less likely to look elsewhere for employment opportunities.

Take action.

Although the survey showed that workers claim "disability can happen to anyone at any time," far too many haven't taken any steps to prepare themselves financially. Take responsibility for preparing employees to take charge of their own health—both physical and financial. Once a disability occurs, it is often too late. When a disability happens, it is the HR professional's responsibility to explain to the disabled employee and their family what happens next. That conversation is a far easier and more rewarding one when both employer and employee have adopted a sound income protection plan.

Make protecting income the foundation.

This study shows that employees and HR professionals are in solid agreement that the ability to earn an income is an individual's most valuable financial resource. All financial independence—the ability to pay bills, maintain a lifestyle and save for the future—flows from income. Since income is indispensable, so is a carefully thought-out plan to replace that income in the event of loss.



Resources

www.disabilitycanhappen.org

www.defendyourincome.org

feedback@disabilitycouncil.org

207-774-2634

www.disabilitycanhappen.org

