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GUARANTEED INCOME INSURANCE & OCCUPATIONAL DISABILITY: AN EMPLOYEE PERSPECTIVE

Research report by
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EXECUTIVE SUMMARY

This research report is the result of a collaboration between **AG Insurance** and **Vlerick Business School** with the objective of gaining insights into employees' personal experiences and expectations about occupational disability, and the employer's role in this respect.

SAMPLE

In order to get a representative sample, the survey was distributed via 2 national newspapers, 'De Standaard' and 'La Libre Belgique'. In September 2018, 1071 respondents shared their experiences and needs regarding occupational disability and income protection.

PREVALENCE OF OCCUPATIONAL DISABILITY

53% of the respondents have experienced occupational disability in the past

60% declare it likely that they will face occupational disability (again) in the future

12% of the sample currently has an occupational disability

HOW WELL ARE EMPLOYEES AWARE OF THE FINANCIAL IMPLICATIONS OF OCCUPATIONAL DISABILITY?

66% of the respondents overestimate social security benefits available in the short term

As we asked for the family situation and the salary of the respondents, we were able to estimate how much support the government would give were the respondent to have an occupational disability. We compared this figure with the estimate by the individual, which showed us that 66% of

the respondents overestimated the social security benefit they would be eligible for in the short term (in case of a disability ranging between 1 and 12 months), and 55% overestimated what they would receive in the long run (a disability of longer than 12 months). We also found that, the higher the income, the higher the overestimation. Apparently, many Belgian employees are not aware of the fact that there is a ceiling on social security benefits.

GUARANTEED INCOME INSURANCE AS A SURPLUS ON SOCIAL SECURITY: WHAT ABOUT PREVALENCE AND APPRECIATION?

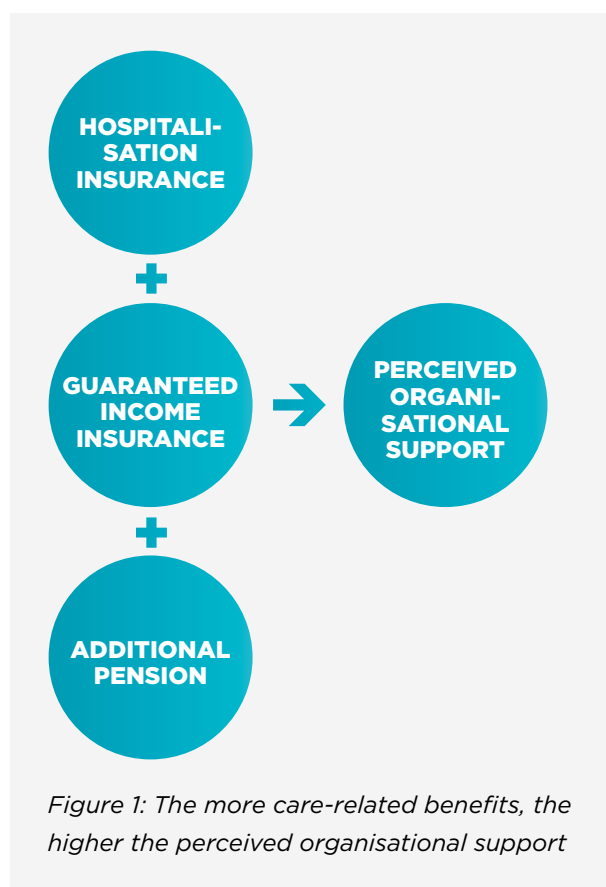
18% of Belgian employees are covered by guaranteed income insurance

In our sample, 38% of the respondents state that they are covered by a guaranteed income insurance, paid for by their employer. This is significantly more than the 18% average on a national level. Probably, the people that are familiar with this insurance were more inclined to participate in the survey. This suction effect has no consequences for the representativeness of the statistical results, however, since we have a large sample.

90% of the respondents would strongly appreciate being offered a guaranteed income insurance by their employer

This appreciation is stronger among older employees in the sample and slightly weaker for those on a higher salary. It could seem logical that higher earners show a lower appreciation for this insurance as they might have a buffer, but we should not forget that it was shown that these people clearly overestimate the social security benefits in case of occupational disability.

A very important outcome of our study is that it has proven that care-related employee benefits, such as the guaranteed income insurance, hospitalisation insurance and pension plan, have a positive impact on the perceived organisational support by the employee. The higher the number of care-related benefits provided by the employer, the stronger the effect.



Going into more detail, we asked the respondents about the risks that they would wish to see covered within a guaranteed income insurance. It was clear that cover for a serious disease is the most important, followed by work accidents and mental illness. Surprisingly, pregnancy got the lowest score. This might be due to the fact that a pregnancy is often well planned for.

At the end of the survey, we asked the respondents to allocate a fictional employee benefits budget of 100 units to additional pension, hospitalisation insurance, guaranteed income insurance and/or cash payments. Guaranteed income insurance turned out to be the second most important benefit, right after additional pension.

38% of the budget is allocated to additional pension

29% of the budget goes to a guaranteed income insurance

25% of the budget would be spent on a hospitalisation insurance

8% is the amount of the budget that the respondents want to be paid in cash

Our study provides clear evidence that a guaranteed income insurance is a key ingredient of the employee benefits package. The employer benefits since the employee feels more supported and it contributes to the image of a 'caring employer'. Moreover, employees will definitely need income protection if they hit hard times since the social benefit provided is often overestimated. A clear reward communication is recommended so that the employees realise the advantage of this benefit and feel strongly supported and financially covered by their employer.



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INTRODUCTION



In the field of employee benefits, a lot of media focus at the moment is on flexible benefits (the so-called cafeteria plans) and mobility benefits (e.g. the company car, in the current context of environmental activism). Taking into account the increasing occurrence of burnouts, the (active) ageing of the population and the government's withdrawal from social security, **AG Insurance** and **Vlerick Business School** are convinced that attention should also be paid to what are known as the core benefits, which focus on care towards the employees. These benefits are related to retirement, death, disability and hospitalisation.

Previous research by AG Insurance and Vlerick Business School has already highlighted the importance of good communication on pension plans. Rather than providing more benefits or a higher salary, better communication has the strongest impact on employee appreciation of these benefits and it also acts as an important predictor for the support employees perceive. Building further on this research, AG Insurance and Vlerick Business School have taken the initiative to consult a large number of employees regarding occupational disability. We wanted to get insights into the extent to which employees are aware of the benefits provided by social security, but we also wanted to find out to what extent additional benefits on top of these social security benefits would be appreciated. Today, only 18% of employees are covered by a guaranteed income insurance, and we wanted to discover to what extent this insurance is an essential part of a total reward package.

1 WHAT ARE WE TALKING ABOUT?

1.1 CONCEPTS AND TERMINOLOGY

Social security and its add-ons by means of employee benefits is a rather technical and sometimes complex field. In order to guide the reader fluently through this research report, we briefly explain the most important concepts.

Guaranteed income insurance or income protection: compensation to replace the loss of earnings due to occupational disability.

Additional pension: the accumulation of pension capital via the employer, designed to supplement the state pension.

Hospitalisation insurance: medical expense coverage for hospitalisation and pre- and post-treatment related to hospitalisation (e.g., accommodation, consultations, pharmaceutical products).

Perceived organizational support: the extent to which an employee feels supported or valued by his/her organisation.

1.2 METHODOLOGY

In the preliminary meetings, it was decided not to develop and distribute a questionnaire on behalf of employers for a number of reasons. First of all, a lot of employers are not aware of this benefit and there might have been a rather low tendency to fill out the questionnaire, even though it would have been interesting to confront the opinions of employers offering these benefits with the opinions of employers not (yet) offering these benefits. However, it would have taken enormous effort to convince both groups to fill out such a specific questionnaire. Moreover, it would have been difficult to find

the right people to fill out the questionnaire. Secondly, we would have needed a large number of participants to be able to generate relevant results, and our previous study¹ has shown that getting these large numbers is very difficult. Thirdly, that same previous study taught us that input by employees is the most relevant because no studies have had such a specific focus, and it would help employers in their focus and decision-making on employee benefits.

Consequently, we decided to focus on the employees' perspective for this research topic, and more specifically the perspective of private sector employees and civil servants working on a contractual basis. During spring 2018, we brainstormed about the content and defined our main research questions:

How do employees perceive (the risk of) occupational disability?

What is employees' knowledge of the financial implications of occupational disability?

Is a guaranteed income insurance an essential element of a contemporary reward package?

Since we found it important to reach a large number of participants, a survey was concluded to be the best format. In the meetings that followed, we agreed upon a series of specific questions and the final questionnaire took shape. We prepared the online survey in summer 2018 and as of September it was ready to be sent out.

¹ Pension & Health Benefits: The Cornerstone of a Strategic Employee Benefits Policy

2 WHO PARTICIPATED IN OUR STUDY?

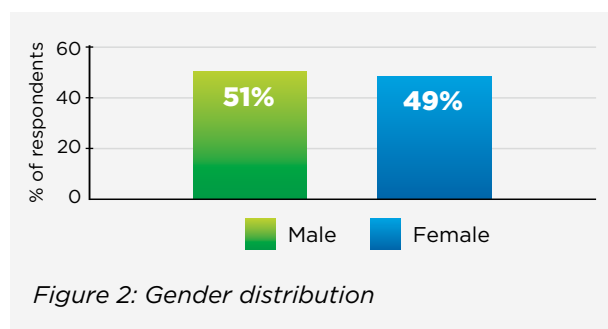
2.1 SAMPLE DESCRIPTION

In order to reach a broad employee sample, we collaborated with our media partners De Standaard and La Libre Belgique. These newspapers sent out the survey in September 2018.

Thanks to them, we managed to get 1071 useful responses, after screening the data thoroughly. Out of the responses, we selected the employees working in the private sector and the civil servants on a contractual basis. Secondly, we made a selection based on the completeness of the responses. In the end, we had a trustworthy, representative sample of 1071 respondents. This large scale made us able to run the required statistical tests and gain interesting insights into this topic.

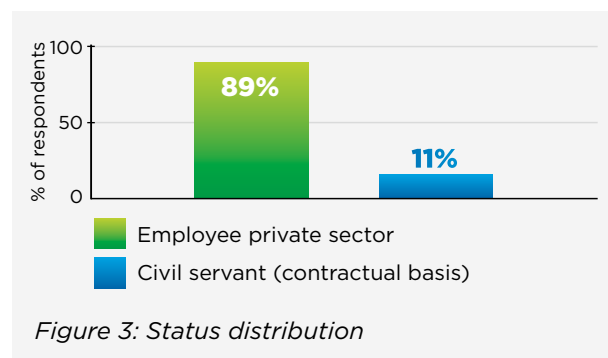
2.1.1 GENDER

As can be seen from figure 2, the sample has a nearly equal distribution between men and women.



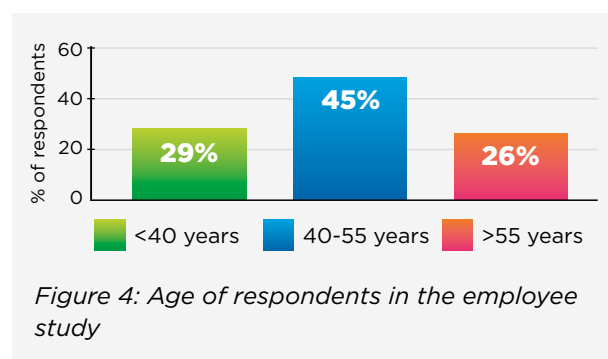
2.1.2 STATUS

Looking at figure 3, you can see that most of the respondents work in the private sector (89%). However, thanks to the large number of observations, we are able to find out significant differences between, for example, employees working in the private sector and civil servants.



2.1.3 AGE

As far as age distribution is concerned, the average age of the respondents in our sample is 47 years old, with a range from 23 to 72 years old. Almost half of the respondents fall into the 2nd category, namely 40 to 55 years old.

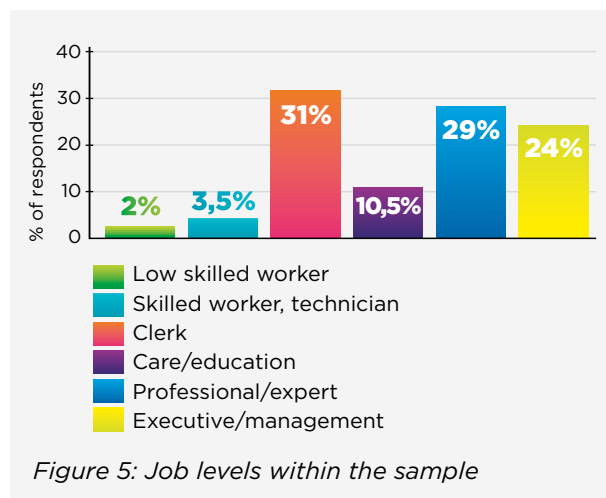


2.1.4 FAMILY SITUATION

The social security benefit in case of occupational disability is allocated as a percentage of the gross salary, but this differs depending on the family situation. For this reason we also asked for family details in our survey.

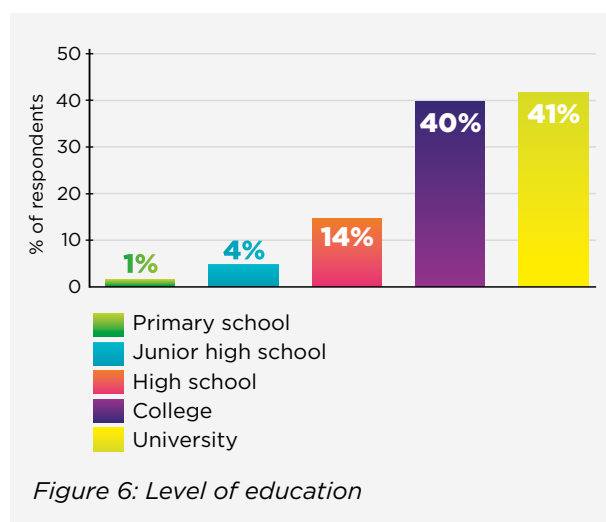
35% of the respondents have one or more dependants to support. 25% are single and 40% have a partner but no dependants.

2.1.5 JOB LEVEL



From figure 5 above, we can conclude that the job levels that are most strongly represented are clerks (31%), professionals/experts (29%) and management (24%).

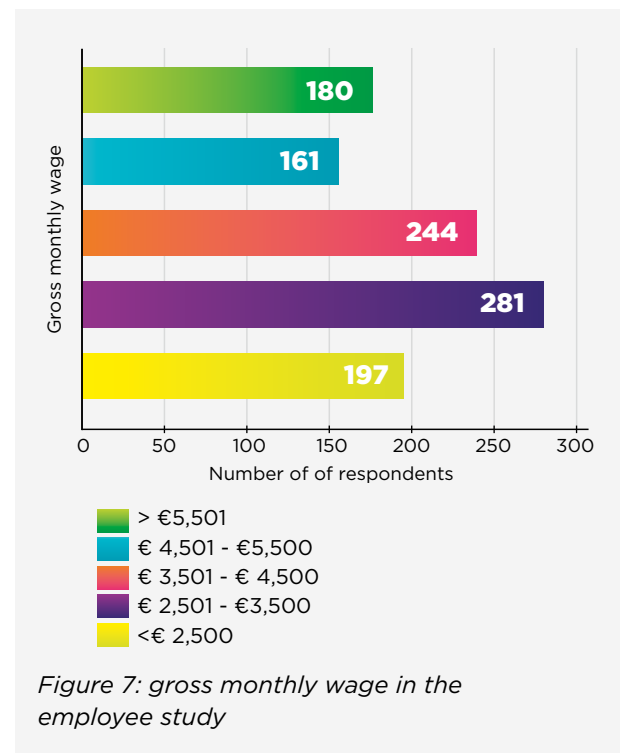
2.1.6 LEVEL OF EDUCATION



Out of the 1071 participants, 19% have at most secondary school qualifications. 40% went to college and 41% have a university degree. We can conclude that our sample's average education level is rather high.

2.1.7 GROSS MONTHLY WAGE

In order to be able to predict social security benefits in case of occupational disability, we had to ask for the income levels. Figure 7 shows the distribution of the employees over the different income levels. The average gross salary in Belgium in 2016 was around 3500 euros, according to the figures of Statbel².



Overall, all income classes are well represented in the study.

² <https://statbel.fgov.be/nl/themas/werk-opleiding/ionen-en-arbeidskosten/gemiddelde-bruto-maandlonen>

2.1.8 PREVALENCE OF GUARANTEED INCOME INSURANCE, SUPPLEMENTARY PENSION AND HOSPITALISATION INSURANCE

In this section, we would like to give you some insights into the prevalence of the benefits.

According to our survey, 68% of the participants have an additional pension, 72.5% a hospitalisation insurance and 38% a guaranteed income insurance. 32% are covered by all three of them. Table 1 gives an overview of the benefits entitlements and in which combinations.

PREVALENCE OF INSURANCES/ADDITIONAL PENSION IN THE SAMPLE

ADDITIONAL PENSION	HOSPITALISATION INSURANCE	GUARANTEED INCOME INSURANCE	% SAMPLE
			17%
X			8%
	X		11%
		X	1%
X	X		26%
	X	X	3%
X		X	2%
X	X	X	32%
		TOTAL	100%

Table 1: Prevalence of benefits

What is very important is the fact that there is a gap between the civil servants on a contractual basis and private sector employees when it comes to benefits. As table 2 clearly shows, the civil servants are less privileged.

GUARANTEED INCOME INSURANCE	YES	NO	DON'T KNOW
Civil servant (contractual)	12.9%	69%	18.1%
Private sector employee	40.6%	46.4%	13%

Table 2: Income protection per status

There is a second remark as well. Table 3 makes clear that the provision of guaranteed income insurance is partly determined by the job level.

GUARANTEED INCOME INSURANCE	YES	NO	DON'T KNOW
Low skilled worker	11%	68%	21%
Skilled worker, technician	29%	58%	13%
Clerk	31.5%	52%	16.5%
Education/health care	11.5%	78%	10,5%
Professional/expert	42%	45%	13%
Management	55%	34.5%	10.5%

Table 3: Income protection per job level

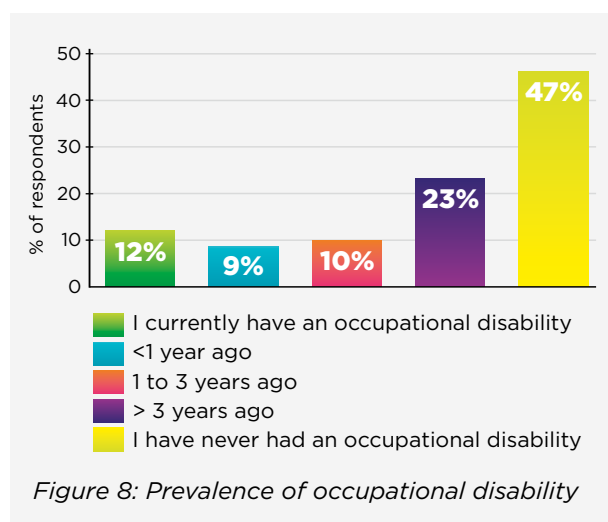
In third place, the employees who are covered by a guaranteed income insurance earn more on average than the 62% who are not covered by this benefit. Of course, this goes hand in hand with the job level differences. The job hierarchy and salary level are correlated significantly. The median gross wage shifts from €4,500 to €3,500, according to whether the respondent has a guaranteed income insurance or not.

We see similar patterns for the hospitalisation insurance and additional pension figures, although the numbers in general are higher for these benefits. For completeness sake, we added these tables in the appendix.



3 (PERCEIVED) PREVALENCE OF OCCUPATIONAL DISABILITY

53% of the survey participants have had an occupational disability in the past for at least 1 month. Furthermore, 12% are currently not at work. For 9% the occupational disability occurred less than a year ago, for 10% in between 1 and 3 years ago while for 23% it was longer than 3 years ago.



Moreover, for more than 80% of them, this was only for a short period, but 16% had to face the consequences for more than 1 year.

When we take a look at the national figures³ of 2016, provided by AG Insurance, 12% of the Belgian workforce have had a primary occupational disability, which means in the short term (1 to 12 months). Almost 1 out of 10 Belgians have had a secondary occupational disability, which is being absent for more than a year.

Thus, 12% of the sample having a current occupational disability is very much in line with figures on the national level. In any case, it shows the significance of this topic, also taking into account the increasing number of burnouts.

When looking into the immediate environment of people, 72% of the sample state that they know at least one person that has had an occupational disability before. 60% declare it likely that they will be confronted with this in the future. However, many of them do not realise what awaits them financially. The next section will give some clear insights into the misconceptions concerning social security benefits when off work due to an occupational disability.

³ www.riziv.fgov.be

4 EMPLOYEES' AWARENESS OF THE FINANCIAL IMPLICATIONS OF OCCUPATIONAL DISABILITY

4.1 SOCIAL SECURITY BENEFIT

One of the questions in the survey was the following:

“ Imagine you become sick (occupational disability) for more than 1 month and you won't be able to go to work. What percentage of your gross salary do you expect to receive from social security in the short term (1-12 months) and long term (longer than 1 year)? ”

In the discussion and table(s) below, we make the distinction between occupational disability in the short term (1-12 months) and in the long term (more than 12 months). On average, respondents estimated they would be paid 63% of their gross salary in the short term, and 49% in the long term.

In fact, these estimations seem quite realistic when compared with the figures of RIZIV⁴, the 'Rijksinstituut voor Ziekte- en Invaliditeitsverzekering', which translates as the 'National Institute for Health and Disability Insurance'.

In the first 1 to 12 months, 60% of the gross salary is paid out by the social security.

After the first year, however, it shifts depending on the family situation:

1-12 MONTHS OF OCCUPATIONAL DISABILITY	> 12 MONTHS OF OCCUPATIONAL DISABILITY
60% of the gross salary for all	Person with dependants: 65% Single person, no dependants: 55% Cohabiting or married couple, no dependants: 40%

Table 4: Social security benefit in % of gross salary in the short and long term

Besides the status, there is a second pitfall that people should take into account when estimating their entitled compensation. The legal ceiling of 43,596.79 euros⁵ annual gross salary makes the relative compensation much lower for the high earners. This ceiling comes close to the average monthly gross salary of €3,500 euros. We took into account the legal ceiling that applied during the study. Since 1st September 2018, the legal ceiling has been 44,470.39 euros, which is slightly higher.

⁴ <https://www.riziv.fgov.be/nl/themas/arbeidsongeschiktheid/bedragen/werknemers-werklozen/Paginas/max-uitkering-primaire-ongeschiktheid.aspx>

⁵ Legal ceiling from 01/01/2018 to 01/09/2018

Taking all this information into account, we constructed the following table in which we make a distinction between the earners above and beneath the ceiling. The different family situations make the row distribution.

	GROSS SALARY < €43,596.79		GROSS SALARY > €43,596.79	
	Estimation	Reality	Estimation	Reality
Dependants (N=384)	68%	60%	61%	41%
Single (N=258)	66%	60%	59%	44%
Cohabiting (N=429)	65%	60%	61%	45%

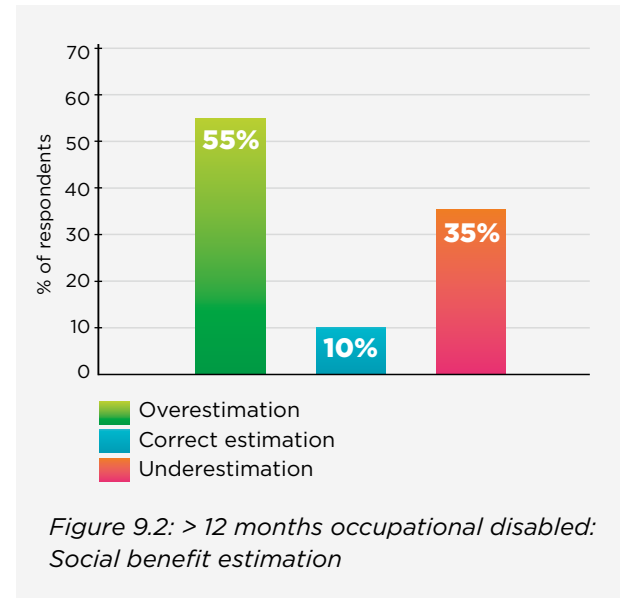
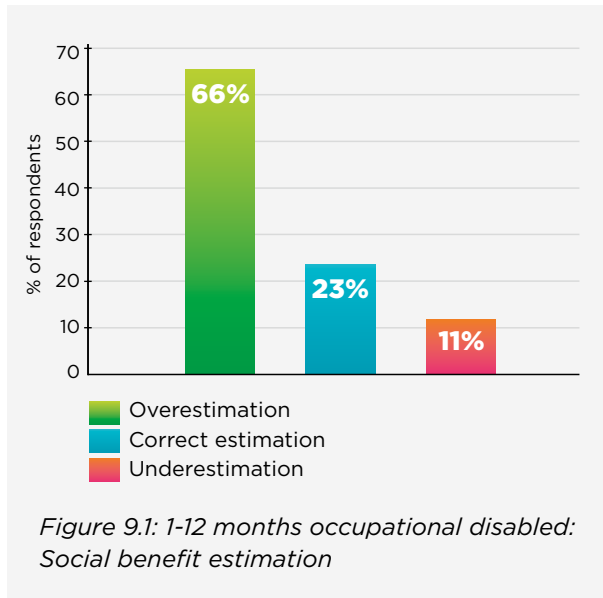
Table 5: Social security benefit in % of gross salary in case of 1-12 months of occupational disability

We can conclude that, on average, employees overestimate their social benefit in case of occupational disability. Especially those that are well paid, receiving a wage above the ceiling, might be surprised when receiving a payment up to 20 percentage points less than expected. The actual percentages were calculated by taking 60% of 43,596.79 euros and dividing this by a respondent's gross annual salary. The resulting ratio is the percentage of their gross salary that they will receive since they earn above the ceiling. Overall, 66% of the respondents overestimated their social security benefit in the short term.

	GROSS SALARY < €43,596.79		GROSS SALARY > €43,596.79	
	Estimation	Reality	Estimation	Reality
Dependants (N=384)	52%	65%	48%	45%
Single (N=258)	50%	55%	48%	40%
Cohabiting (N=429)	49%	40%	47%	30%

Table 6: Social security benefit in % of gross salary in case of > 12 months of occupational disability

In case of secondary occupational disability, we see a slightly different pattern. The people in a single income household or with dependants underestimate their benefit, at least when having a salary beneath the ceiling. The others make an overestimation that becomes highest for the employees that are part of a dual-income family with earnings above the ceiling. For a long-term disability, 55% of the sample made an overestimation of the social security benefit.



After identifying the over-estimators per time frame, we combined these two groups to have the total number of over-estimators. When we compare these over-estimators with the other part of the sample, we cannot distinguish any remarkable differences concerning age or gender. Also, it is not the case that the over-estimators had less experience with the consequences of having an occupational disability, or under-estimators had greater experience. Both groups had a similar distribution between people that had an occupational disability in the past, and people that did not. Unsurprisingly, due to the ceiling, the salary level is the most dominant predictor of overestimation.

Overall, 62% of the high earners over-estimate the social security benefit he or she will receive, whereas this is only the case for 26% of the earners below the salary ceiling.

In the end, we can conclude that most of the participants are not aware of the compensation they will receive. As a consequence, they might be vulnerable to financial implications that they have not taken into account.

4.2 SOCIAL SECURITY BENEFIT SUPPLEMENTED BY GUARANTEED INCOME INSURANCE

'Better safe than sorry': that's what the respondents who are covered by a guaranteed income insurance might think. They make up around 38% of the sample, which is a high number in comparison with our AG insurance source, which states that only 18% of private sector employees is covered by this insurance.

We might call it a suction effect. People that have the insurance are familiar with the research topic and might have more interest in participating. Nevertheless, this had no consequences for our analyses.

DURATION	ESTIMATION	FREQUENT ESTIMATIONS
1-12 months occupational disability	78%	80%--> by 14% 100%--> by 28%
> 12 months occupational disability	64%	60%--> by 10% 80%--> by 14.5% 100%--> by 10%

Table 7: Social security benefit supplemented by guaranteed income insurance in % of gross salary

On average, this group expects to receive 78% of their gross salary in the first year of occupational disability and 64% of their gross salary after one year. Remarkably, 28% of those that are covered by an occupational disability insurance expect to receive 100% of their gross salary during the first year. Since we do not have any details on their insurance conditions, we cannot identify the over- and under-estimators within this group. However, receiving 100% of the gross salary with a supplementary insurance is almost impossible. We compare the group of employees that estimates they will receive 100% of the gross salary with the whole group that are covered by an income protection. There are relatively more men in the group that estimates they will receive 100% of their gross salary in the first 1 to 12 months of occupational disability. Also, the average gross monthly salary is around 6000 euros for the group that expects to receive 100% and 5000 euros for the group in total that is covered by a guaranteed income insurance, which is significantly lower.

4.3 THE RESPONDENTS' FEELINGS ON THE FINANCIAL IMPACT OF DISABILITY

The actual social security benefit for half of the 1071 respondents was calculated and revealed during the survey, using their gross salary. Both the informed and non-informed respondents were asked to give their opinion on the following statements:

“ I believe I won't be able to maintain my current standard of living in case of occupational disability ”

“ I will have financial problems in case of occupational disability ”

“ I think there is a real chance that I will be confronted with a period of occupational disability during my career ”

The respondents could rate the statement from 1, which means fully disagree, to 5, which is fully agree. Being informed or not did not play any role in the answers, but on average the respondents did agree with the statements. 61% believe that maintaining their current standard of living will not be possible and 32% state that financial problems will occur if they have an occupational disability.

But, what is the chance of having an occupational disability? Well, 59% expect that they will need to take incapacity leave at some point in the career.

As mentioned before, 38% of the sample have a guaranteed income insurance. But, does this make the employees feel more secure? From our results, we can indeed see that these employees worry much less about potential financial implications or decreases in standard of living.



5 GUARANTEED INCOME INSURANCE: UNIMPORTANT OR KEY BENEFIT?

5.1 APPRECIATION FOR GUARANTEED INCOME INSURANCE

Earlier, we revealed that 38% of the respondents in our study are entitled to a guaranteed income insurance. 90% of the sample states that they would strongly appreciate it if their employer provided such an insurance. It is important to add that we do not see any remarkable differences in this belief across occupation levels such as blue-collar jobs, clerks or management. However, what is true is the older the employee is, the more they would appreciate it, and the higher their salary, the less they would show appreciation. The latter is quite striking since it is especially the high earners that overestimate the social security benefit they would receive.

“I (would) strongly APPRECIATE my employer providing a guaranteed income insurance”

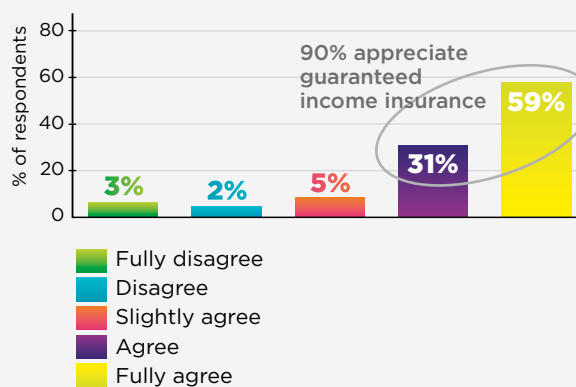


Figure 10: Appreciation of guaranteed income insurance

“I believe it is my employer’s RESPONSIBILITY to provide an insurance that supplements my social security benefit in case of occupational disability”

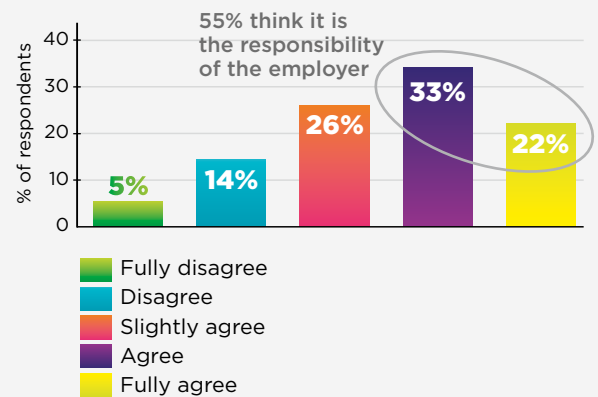


Figure 11: Employer’s responsibility for a guaranteed income insurance

While 90% would value a guaranteed income insurance, 55% of the respondents think it is the task of the employer to provide this benefit. 55% is a rather high percentage and highlights the expectations the employees have of their employers.

Moving a level higher and taking the perspective on the benefits package as a whole, we can use the concept of Noriaki Kano⁶, which provides us with an interesting framework on how individuals might appreciate different benefits. Using this model, we can classify different benefits into 3 categories, taking the perspective of appreciation by the individual:

⁶ Kano, Noriaki. “Attractive quality and must-be quality.” *Hinshitsu (Quality, The Journal of Japanese Society for Quality Control)* 14 (1984): 39-48.

1. 'Must-have'. These benefits are expected by the employee and at the same time highly appreciated when offered by the employer. Not offering this or similar benefits might result in a lower satisfaction with the benefits package and eventually an unfavourable view by employees of their employer.
2. 'Delighter'. Some employees do not expect specific benefits. They do not believe it is the responsibility of the employer to offer a particular benefit but when provided, it might result in a strong feeling of delight.
3. 'Satisfier'. A third type of benefit is the satisfier. There might be benefits within the benefits package that will make the employee satisfied, but on the question whether it is the employer's responsibility or not, the employee responds neutrally. Nonetheless, it will bring value if it is provided so we label it a 'satisfier'.

On top of the above-mentioned, we can distinguish a fourth and last type of benefit: the ones that the employee would not value at all.

It is worthwhile to apply this classification to the guaranteed income insurance. As a result, this benefit is a 'must-have' for 54% of the employees. 23% of the respondents see this benefit as a 'satisfier' within the benefits package and 13% as a 'delighter'. 10% do not value a guaranteed income insurance.

According to these figures, employers that wish to differentiate themselves as caring employers could consider offering income protection to their employees. Before doing so, it might be interesting to find out what the profile is of the employees within each of the four classifications.

20% of the managers (would) feel delighted about a guaranteed income insurance which is significantly higher than the 13% on average. As a consequence, the average gross salary for this group -delighter- is 5270 euros which is up to 25% higher than the average gross salaries of the other classifications. Moreover, 74% of the low skilled workers find the guaranteed income insurance a must-have within the benefits package, which is much more than the average 54%. The employees that consider the guaranteed income insurance a must-have are on average of 47 years old, which is slightly older than the delighter (44.5 years old) and no appreciation group (45 years old). Also, the civil servants on a contractual basis consider the guaranteed income insurance much more a must-have (66%) than the private sector employees (52.5%).

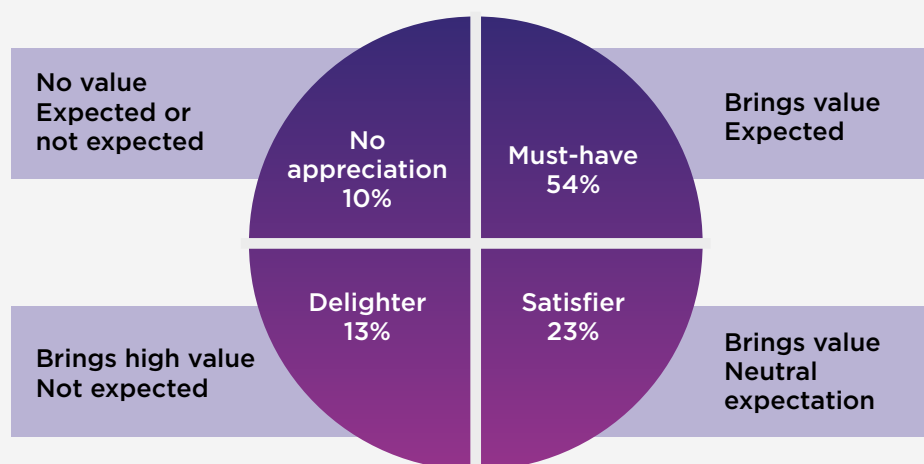


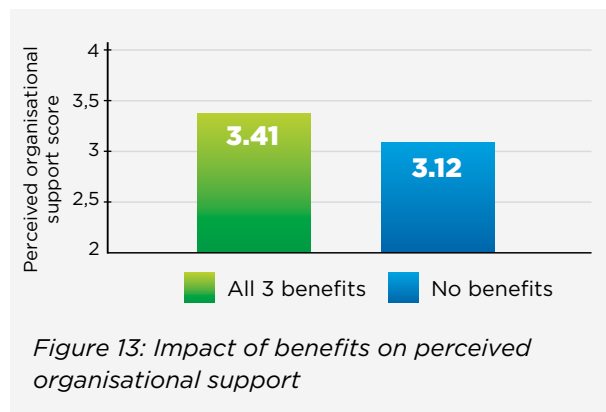
Figure 12: % of the respondents that perceive the guaranteed income insurance as a must-have, satisfier or delighter within the benefits package

5.2 PERCEIVED ORGANISATIONAL SUPPORT

Besides explicitly asking the respondents about the importance of the guaranteed income insurance, an interesting approach is to take an indirect perspective.

More concretely, we know whether the respondents are entitled to a guaranteed income insurance, and we also asked them about the perceived organisational support they experience. This perceived organisational support is *'the employees' perception of the extent to which the organisation values their contributions and cares about their well-being'* (Eisenberger et al., 1990)⁷. When linking the occurrence of different benefits with the perceived organisational support, we get very relevant information on the extent to which these benefits go together with a better feeling of organisational support.

We find that offering these what are called care-related employee benefits (guaranteed income insurance, hospitalisation insurance, pension plan) result in a higher feeling of being supported. For example, the respondents that are covered by a hospitalisation insurance or a guaranteed income insurance will feel much more supported by their employer compared to those that are not. When a company offers all three of the benefits, the perceived organisational support scores 3.4 out of 5, compared to 3.1 when none of the benefits are offered. So, the shift from being neutral to feeling supported as an employee is easy to influence by investing in small benefits such as guaranteed income insurance and hospitalisation insurance. Moreover, the higher the number of benefits, the better.



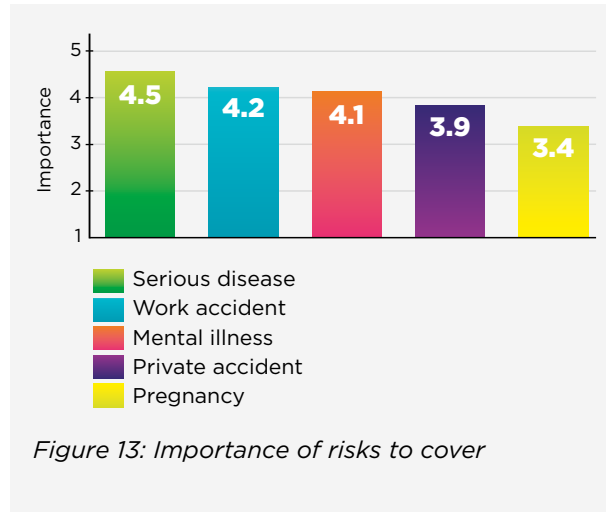
⁷ Eisenberger, Robert, Peter Fasolo, and Valerie Davis-LaMastro. "Perceived organizational support and employee diligence, commitment, and innovation." *Journal of Applied Psychology* 75.1 (1990): 51.

5.3 IMPORTANCE OF RISKS TO COVER WITHIN THE GUARANTEED INCOME INSURANCE

The message up till now is clear: two third of employees overestimate what social security benefit they will receive if they are not able to work. At the same time, half of them believe the chance is real that this situation will arise (again) during their future career. Moreover, the financial implications will have an impact on most of them. Nonetheless, only 38% of our sample are covered by a guaranteed income insurance while most of them would definitely appreciate this benefit. There is obvious room for improvement.

Even though employees do not (yet) have a choice about which risks are covered by a guaranteed income insurance, we wanted to know which risks they would certainly want to see covered. So we asked them about the importance of the following covers: Serious disease, work accident, mental illness, private accident and pregnancy.

Without any doubt, employees are most concerned about serious diseases such as cancer. This risk got a 4.5 about of 5 for importance. Strikingly, pregnancy is the least important risk of our sample, regardless of age. We argue that this is because childbirth is, most of the time, well planned and seen as less of a risk than the other, more inconvenient incidents. Women attach more importance to the risks of serious disease and mental illness than men. Also, the more a person earns, the higher the importance of private accident or pregnancy risks to cover. There are no age, degree or job level differences in risk importance.



6 BUDGET ALLOCATION: IMPORTANCE OF THE GUARANTEED INCOME INSURANCE

After getting insights into the occupational disability risks and their concerns, how important is a guaranteed income insurance itself, when compared with the other benefits?

We tested this by assigning the employees a fictive employee benefits budget of 100 units. Each of them had to allocate this budget to one or more of the following benefits: additional pension, hospitalisation insurance, guaranteed income insurance and cash payment.

% of the sample that would spend some part of the budget on a particular benefit

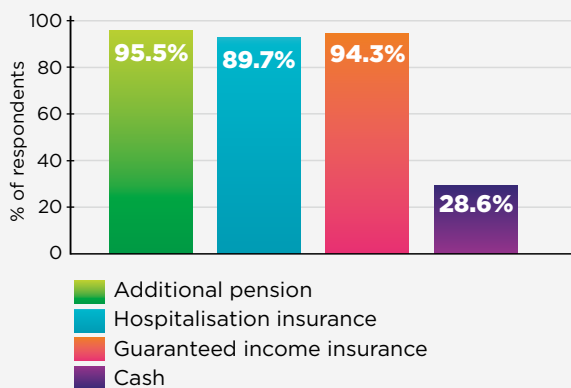


Figure 15: % of the respondents that would allocate some part of the budget to additional pension, hospitalisation insurance, guaranteed income insurance and/or cash payment

94% of the respondents would spend some part of the budget on a guaranteed income insurance. This is a first argument that the guaranteed income insurance might be of equal importance to the typically offered benefits such as hospitalisation insurance (90%) and additional pension (95.5%). Besides this, we can look at the level of budget allocation. Additional pension, with an average budget allocation of 38%, occupies the first place, followed by the guaranteed income insurance and the hospitalisation insurance, respectively receiving 29% and 25% of the budget. Cash closes up the ranks with only 8% of the budget on average.

Budget allocation (%)

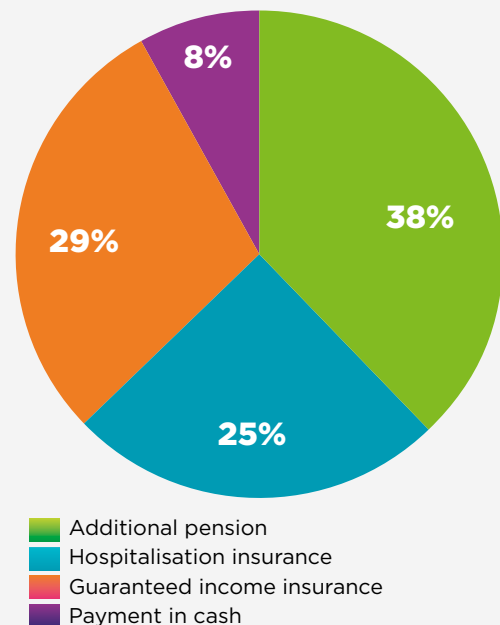


Figure 16: Benefits budget allocation by the employee

We compared the average budget allocation with our realistic cost calculation. It turns out that the employee would, relatively, pay more for the hospitalisation (25%) and guaranteed income (29%) insurances than the real cost, which is respectively 10% and 12% of the budget. We recommend the employer providing these insurances since a small investment will pay off much more.

With guaranteed income insurance ranking second in the budget allocation for employees, we think it is time to give more attention to this benefit. The employees that are currently covered by this insurance would allocate up to 30% of the budget on it while for non-beneficiaries this is 27% on average.

As a result, we provide evidence that this insurance would be very likely to pay off in combination with the right choice of risk coverage.

	ABSOLUTE VALUE	RELATIVE VALUE
Additional pension	2000 euros	78%
Hospitalisation insurance	250 euros	10%
Guaranteed income insurance	300 euros	12%
Total	2550 euros	100%

Table 8: Relative cost estimation of the benefits



7 CONCLUSION

With this report, our goal was to gain deeper insight into employees' perspective on occupational disability and all its consequences. By means of an extensive survey, containing questions on the perceptions of occupational disability, the financial implications, the importance of an income protection and the impact on the perceived organisational support, we were able to find answers to our research questions.

HOW DO EMPLOYEES PERCEIVE (THE RISK OF) OCCUPATIONAL DISABILITY?

First of all, the risk is real. 60% expect to have an occupational disability in the future. 1 out of 10 respondents currently have an occupational disability, which is in line with the national figures.

WHAT IS THE EMPLOYEES' KNOWLEDGE OF THE FINANCIAL IMPLICATIONS OF OCCUPATIONAL DISABILITY?

The amount of social security benefit that would be received is highly overestimated. 66% of respondents expect to receive more than the social security benefit they would be eligible for the first 1 to 12 months. This is partly due to the salary ceiling of 43,596.79 euros⁸ gross annual salary. As a consequence, the earners above this ceiling are allocated much less than 60% of their gross salary in the event of occupational disability.

In the long run, after 12 months, there are changes to the social security benefit, depending upon the family situation.

People with dependants are given 65% of their gross salary, singles without dependants 55% and couples without dependants 40%. Together with the legal ceiling, this results in 55% of the sample overestimating the social support.

Moreover, 61% believe that maintaining their current standard of living would not be possible and 32% expect financial problems if they have an occupational disability. The people that are granted a guaranteed income insurance, which is 38% of the sample and 18% nationwide, worry less about the financial implications.

Taking these results into account, we recommend employers to inform employees more on the financial risks and other consequences of occupational disability and at the same time to communicate clearly what exactly the employer provides in order to protect the income of the employee. Good communication on elements of the benefits package such as guaranteed income insurance is definitely in the interest of both the employer and employee.

⁸ Legal ceiling from 01/01/2018 to 01/09/2018

IS A GUARANTEED INCOME INSURANCE AN ESSENTIAL ELEMENT OF A CONTEMPORARY REWARD PACKAGE?

If you are looking for an opportunity to differentiate yourself as an employer, income protection might be the solution. Only 18% of the employees are covered by this insurance, while around 55% actually believe it is the task of the employer to provide this within the benefits package. Moreover, 90% state that would appreciate this benefit.

Next to the appreciation argument, we realized that this income protection is essential for many employees. Because of the salary ceiling, many overestimate their occupational incapacity benefit. As a result, the financial outcomes of occupational disability would not be as mild as many of them predict. Offering this benefit to your employees is part of being a caring employer. A combination of a hospitalisation insurance, additional pension and a guaranteed income insurance results in the highest perceived organisational support. Employees would allocate 29% of the budget to guaranteed income insurance while the relative cost for the employer is estimated to be lower. This benefit will pay off in multiple ways: increased perceived organizational support, and better income protection for employees. Finally, communicating to employees why they need this is crucial, since many do not realise it is necessary until it is too late.

8 APPENDICES

ADDITIONAL PENSION	YES	NO	DON'T KNOW
Civil servant (contractual)	26.7%	62.1%	11.2%
Private sector employee	73.2%	24.2%	2.6%

Table 9: Additional pension per status

ADDITIONAL PENSION	YES	NO	DON'T KNOW
Low skilled worker	47.4%	47.4%	5.3%
Skilled worker, technician	64.9%	27%	8.1%
Clerk	62.3%	32.3%	5.4%
Education/health care	35.7%	56.3%	8%
Professional/expert	75.4%	22.4%	2.2%
Management	83.1%	16.9%	0%

Table 10: Additional pension per job level

HOSPITALISATION INSURANCE	YES	NO	DON'T KNOW
Civil servant (contractual)	63.8%	35.3%	0.9%
Private sector employee	73.5%	26.5%	0%

Table 11: Hospitalisation insurance per status

HOSPITALISATION INSURANCE	YES	NO	DON'T KNOW
Low skilled worker	42.1%	57.9%	0%
Skilled worker, technician	55.3%	44.7%	0%
Clerk	68%	32%	0%
Education/health care	45.5%	53.6%	0.9%
Professional/expert	80.2%	19.8%	0%
Management	85.5%	14.5%	0%

Table 12: Hospitalisation insurance per job level

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