



IN THE BUSINESS OF YOUR SUCCESS®

ADP Resource®

# Perceptions & Pressures: Top Concerns of Business Owners



# Contents

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Introduction .....	3
Top Concern # 1: Cost Of Healthcare Coverage .....	4
Top Concern # 2: Slow Economic Growth .....	5
Top Concern # 3: Increasing Government Regulation .....	6
Conclusion .....	7
About ADP Resource® .....	8

# Introduction

As economic and regulatory uncertainty continues to dominate the discussion of the U.S. recovery, the focus has been squarely on the Fortune 500 and small business communities — and the steps both are taking to weather the storm.

But what about the “mighty middle” — mid-sized companies with 50-249 employees? According to the National Center for the Middle Market at Ohio State University, these often-overlooked businesses account for an estimated one-third of private sector GDP and employ over 40 million people.

The ADP Research Institute<sup>SM</sup>, a specialized group within ADP<sup>®</sup>, delved into the concerns of mid-sized businesses today, gaining insights into what’s on the minds of business owners, C-suite executives, and senior-level executives. The ADP RI survey<sup>1</sup> uncovered three top areas of concern:

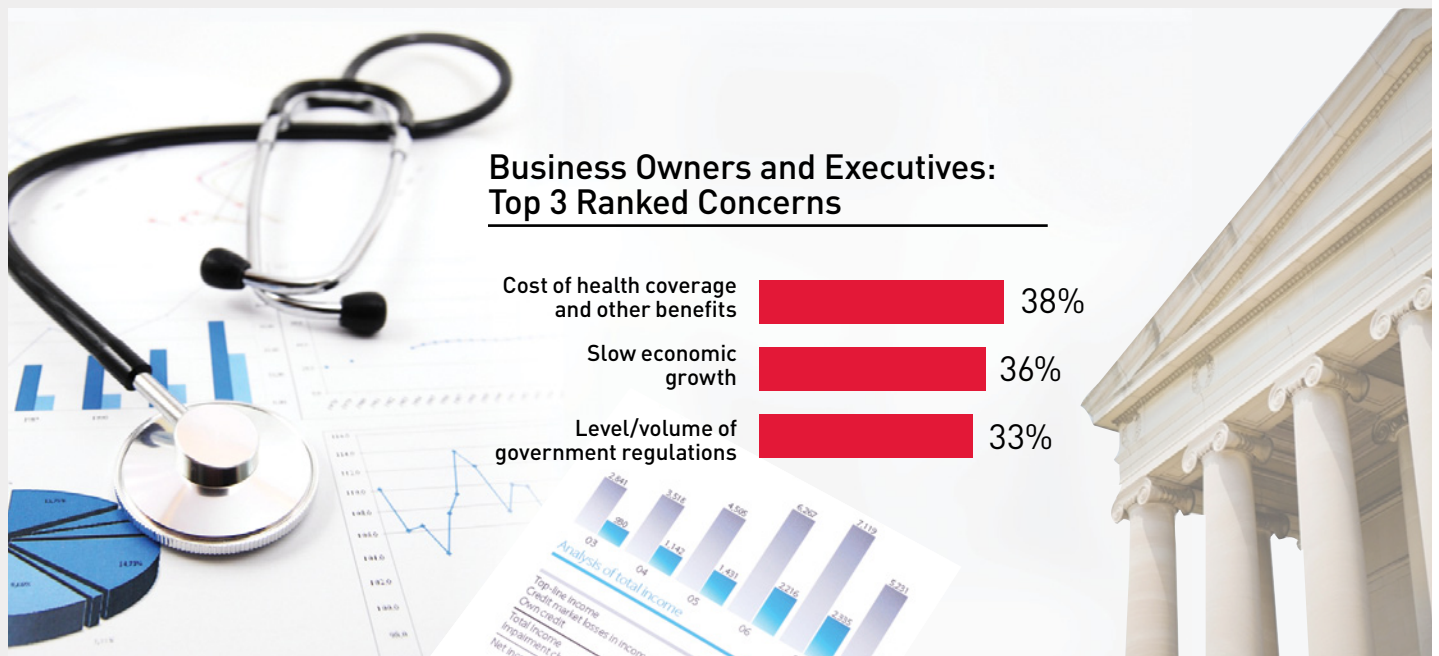
- Rising cost of health coverage and other benefits
- Slow economic growth
- The level/volume of government regulations

A decidedly pessimistic outlook on the economy was countered

with unexpected optimism in terms of hiring — 44% of respondents intend to increase head count in the next year.

With increased head count comes increased responsibility on several fronts — maximizing productivity to counter the effects of a sluggish economy; controlling labor and benefits costs; and managing risk by ensuring compliance with ever-changing labor regulations.

Read on for more detailed insights into today’s mid-sized business community and the hurdles they face.



# TOP CONCERN # 1: Cost Of Healthcare Coverage

Over the past six years, employers' healthcare expenditures have risen by 40% to an average of \$8,000 per employee<sup>2</sup>. Despite these rising benefits costs, midsized companies remain bullish on hiring.

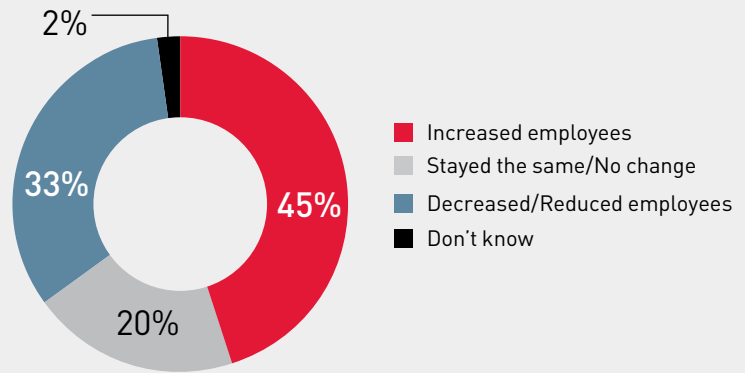
More than two out of five respondents to the ADP Research Institute survey saw an increase in their number of employees within the last four years, and 44% of respondents anticipate a continued increase in the next year.

The 44% of respondents who plan on increasing head counts within the next year expect to hire an average of 14 new employees.

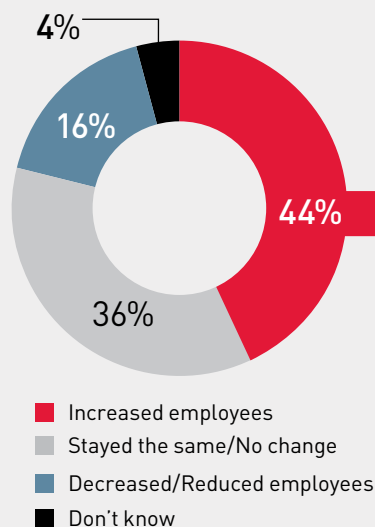
A comprehensive, cost-effective benefits package can help midsized companies become "employers of choice" in attracting and retaining skilled workers. To make the most of their hiring investment, employers must be prepared with the right HR and benefits expertise. From administering a competitive benefits program to reducing turnover and providing employee training, many are leveraging the power of outsourcing to stabilize costs and reduce administrative burdens.

As the cost of providing healthcare benefits continues to rise, expert guidance can help maximize affordability, accessibility and choice for businesses and their employees while controlling bottom-line expenses.

**Shift in Employees Since 2008**

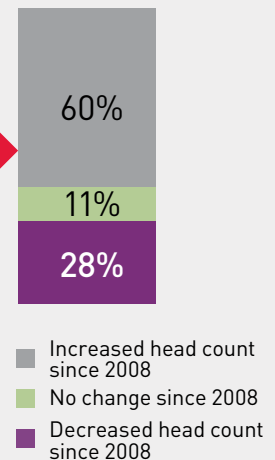


**Action in Next Year**



**Of the 44%**

Who plan to increase next year, compared to 2008




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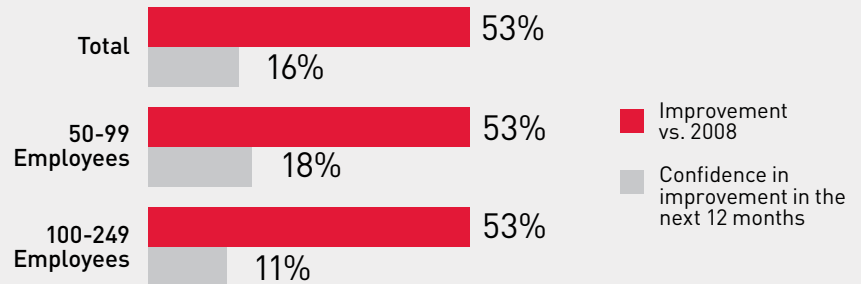
# TOP CONCERN # 2: Slow Economic Growth

Though 53% of mid-sized business owners and executives think the economy has improved somewhat in the last four years, just 16% are confident that this trend will continue over the next 12 months.

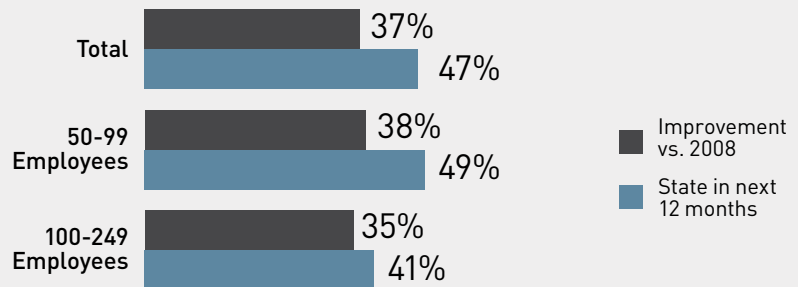
Respondents are much more optimistic about the outlook for their individual industries over the next 12 months, with nearly half expecting improvement.

The ADP Research Institute survey found that increased global competition is affecting nearly half of all mid-sized businesses; 53% of respondents also cite an overall increase in the level of competition within their industry in the last 12 months.

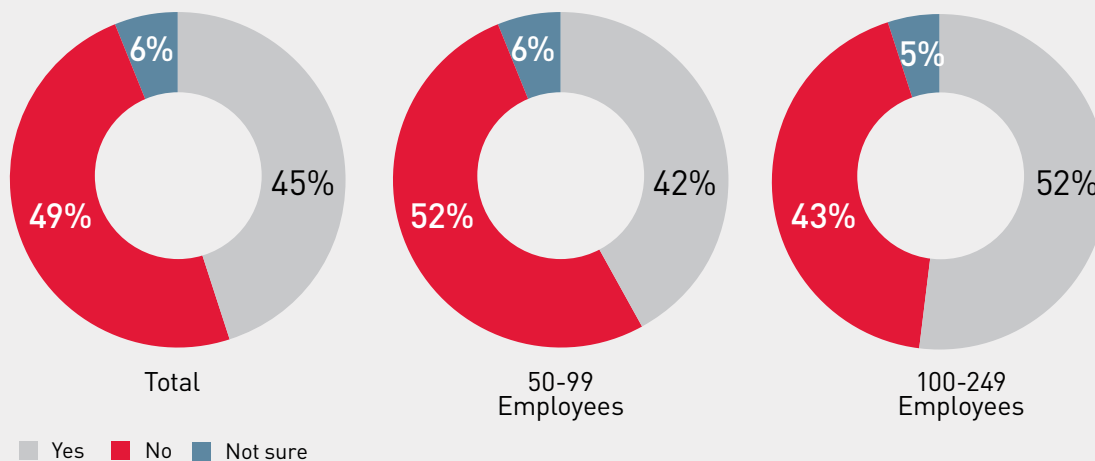
## Perception of Overall Economy



## Perception of Industry



## Is Globalization Having an Impact on How Organizations Conduct Business?



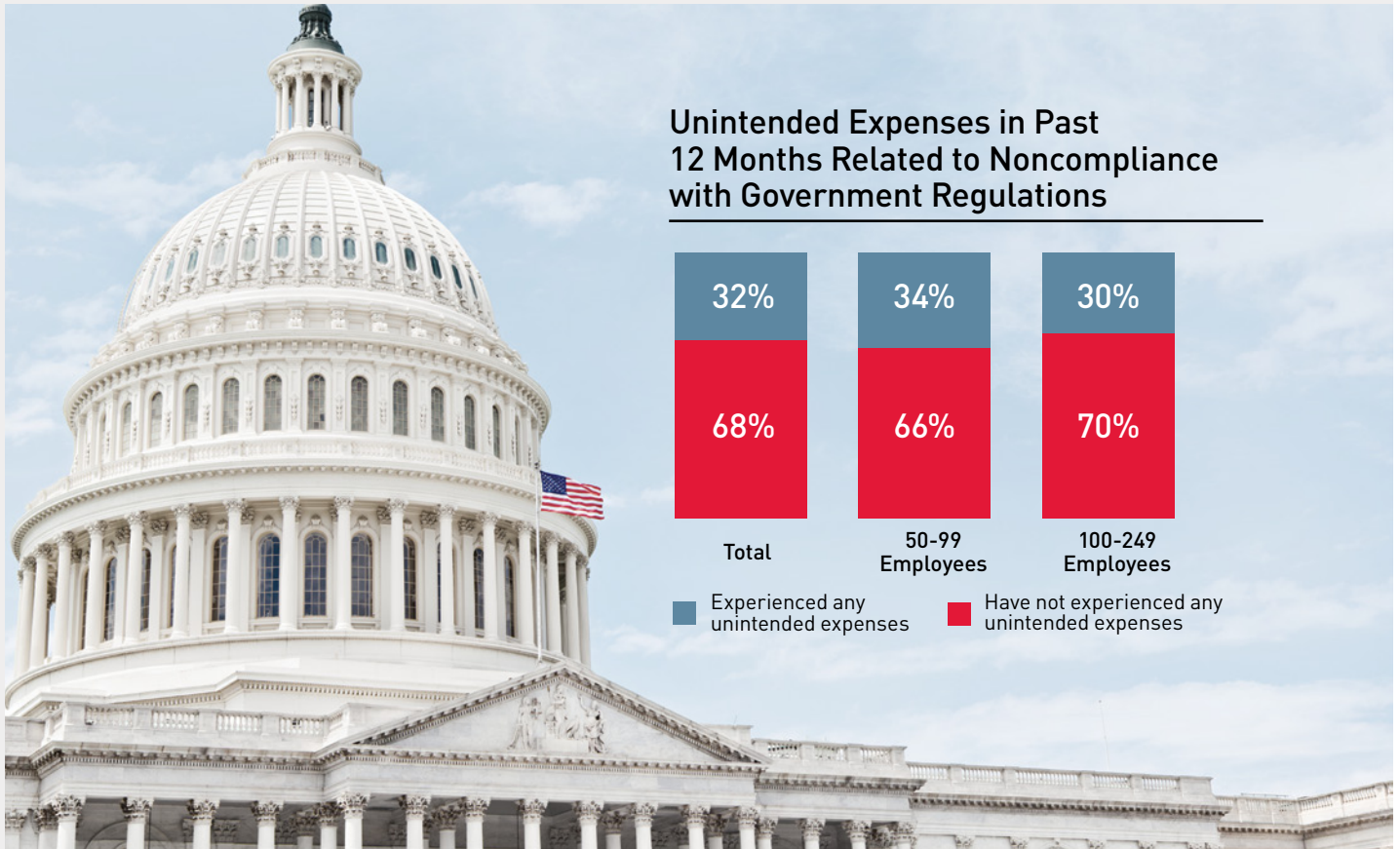
Amid this mixed growth outlook, mid-sized companies are increasingly relying on enhanced human capital management processes to maximize productivity and remain competitive. For example, many are exploring the benefits of a proactive employee engagement strategy — especially when organizations with engaged employees have achieved 12% higher profit, 18% higher productivity and gained 12% more customers than companies with low engagement.<sup>3</sup>

## TOP CONCERN # 3: Increasing Government Regulation

Though survey respondents ranked the volume of government regulation among their chief business concerns, follow-up questions showed a disconnect between perception and reality in terms of compliance confidence.

The vast majority expressed confidence in their organization's compliance with tax laws and other government regulations, but their actual experience tells a different story.

When asked about unintended expenses within the past 12 months, "such as fines, penalties or lawsuits as a result of noncompliance with government regulations (federal, state or local)," nearly one-third of respondents reported such expenses. Of the companies that were fined or penalized, each received an average of 5.4 fines or penalties.



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With the U.S. Department of Labor finding that 70% of today's employers are noncompliant with wage and hour laws, midsized businesses must remain vigilant regarding compliance. With the right safeguards and expertise in place, companies can mitigate compliance risk and be ready to deal with changing regulations.

# Conclusion

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In examining the connection between mid-sized businesses and the U.S. economic recovery, it's clear that this critical yet understudied segment has played a key role — growing three times as fast as the companies on the S&P 500, according to the National Center for the Middle Market.

To maintain this momentum, companies must continue to pursue new avenues for managing challenges, making the most of resources that will increase their likelihood for success. By taking a fresh look at proven ways to stabilize costs, minimize risk, enhance productivity and ease compliance, mid-sized companies can continue to lead the way to a stronger recovery across all U.S. businesses.

1 ADP Research Institute, *Top Concerns of Business Leaders with 50-249 employees*, 2012.

2 Aon Hewitt, 2012.

3 Gallup, 2009.



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## About ADP Resource

ADP Resource is a comprehensive business process outsourcing solution from ADP, a leading provider of human capital management services. As an Administrative Services Offering (ASO), ADP Resource provides small-to-mid-sized organizations with an end-to-end human resource solution including guidance from a dedicated HR business partner, a flexible human resource management system (HRMS), and a workers' compensation insurance program. The cloud-powered HRMS is mobile-enabled to provide employees with on-demand access, along with a broad array of critical human resource solutions including talent management, risk management, compliance, 401(k) retirement savings plan and other employee benefits solutions including COBRA administration, spending accounts, employee assistance program, employee discounts and much more.

To learn more about how ADP Resource can help you gain a competitive edge, call **1-866-360-2454** or visit **[resource.adp.com](http://resource.adp.com)**

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