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## **Midsized Business Owners Losing Sleep Over Compliance, Health Care Costs and Reform as Focus on Employee Engagement Declines**

ROSELAND, NJ -- (Marketwired) -- 06/12/17 -- A new ADP Research Institute<sup>®</sup> (ADPRI) study released today reveals that midsized business owners are most concerned about rising health care costs, health care reform legislation and the volume of government regulations. However, these same businesses are now less concerned with employee engagement, compared with the prior year's study.

ADPRI said the combination of these factors may mean that midsized business owners are letting their talent bases erode while they focus on these other priority issues.

"Midsized business owners clearly have a lot on their plates these days," said John Ayala, president of Major Account Services at ADP. "But clearly, midsized business owners can't be so distracted by what's going on in national or state governments that they neglect their most important asset -- their people."

In late 2016, ADPRI conducted a post-election survey of more than 750 owners and executives at midsized companies -- those with 50-999 employees. The study not only provides a snapshot of what is happening today; it also reveals trends and areas where attitudinal changes have occurred over the past five years since its inception.

### **Unintended Penalties**

The study underscored the need for midsized businesses to remain vigilant in the area of compliance given the following:

- | Ongoing concern with the volume of government regulations,
- | An increase in companies experiencing unintended penalties from non-compliance, and
- | A decrease in organizations' confidence in their ability to stay compliant.

Of the midsized business owners surveyed, 40 percent indicate they have experienced unintended expenses related to noncompliance with government regulations.

- | The number of larger midsized companies that cited unintended compliance penalties grew significantly in 2016, up to 51 percent from 40 percent in 2015.
- | The number of smaller midsized businesses that cited receiving penalties for noncompliance remained relatively steady at 37 percent in 2016, a slight increase from 35 percent the previous year.

Although respondents cited many types of unexpected fines for noncompliance, what remains concerning is that again this year, about half of those surveyed said they didn't know how many fines or penalties their organizations experienced or the ultimate cost to their company.

### **Employee Engagement**

While concern over compliance should be a high priority, fewer midsized businesses appear to be focused on employee engagement, a topic that should be a top priority given the current tight job market. In the latest survey, only 34 percent of respondents said it was a top concern, down from 41 percent the prior year.

According to the survey, most midsized companies lack a formal approach to manage employee engagement. Only 27 percent of midsized companies surveyed said they have a formal process in place for performance management, and even less -- 26 percent -- said they have a formal process in place for training and learning development.

Midsized companies also said they lack the tools needed to keep and grow talent.

- | About half of respondents acknowledged they needed leadership and professional development training.

- | About 45 percent said they wanted to create and maintain career development plans for employees.
- | 44 percent said they wanted the ability to align goals to compensation decisions such as merit raises and bonuses.

Lacking the tools to keep employees engaged is not, generally, a step forward. For most organizations, a company's workforce is its largest asset and often its most expensive one. Focusing this resource toward a clear set of goals and objectives is essential for retention and to drive business success.

Additionally, as the war for talent continues, companies need to ensure they have a sharp focus on engaging and retaining their employees, and provide initiatives such as innovative benefits programs and other workplace cultural elements that will let them nurture and develop new leaders.

"Successful companies need to ensure they do everything they can to help drive success -- and that includes remaining compliant while at the same time focusing on motivating and empowering their employees," said ADP's Ayala. "By using integrated human capital management systems, companies can ensure they have a holistic view of their workforces and data-driven insights to make better informed talent management decisions."

That focus on engaging employees is critical given that a recent ADPRI study of the midsize business market, "[Fixing the Talent Management Disconnect: Employer Perception vs. Employee Reality in the U.S. Midsize Market](#)," found that 61 percent of employees at midsize companies in the United States are actively looking for, or would consider, a new job opportunity. This illustrates the importance of keeping top talent engaged, which is a critical aspect of retaining employees.

To read more on ADPRI's latest Midsize Business Owners Study, please click [here](#).

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