What's Next for Workplace Benefits: Prioritized, Personalized, and Positioned for Tomorrow

LIMRA

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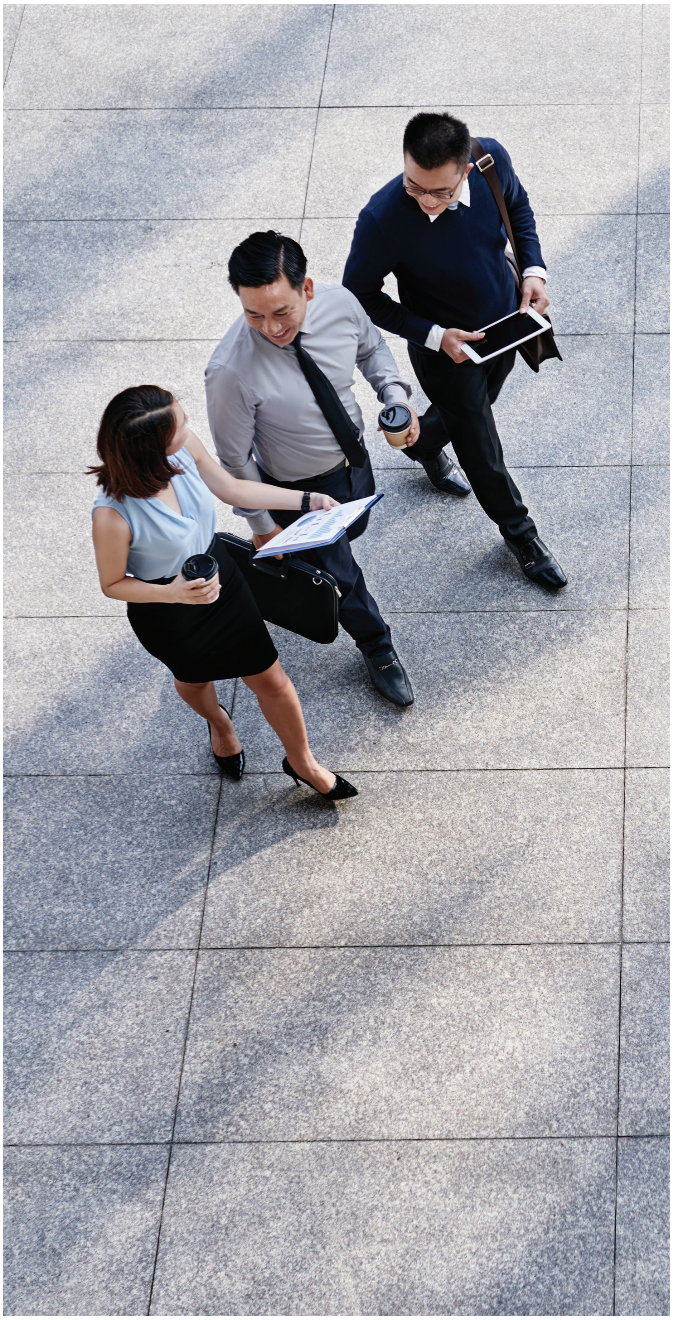


Introduction

Despite these unusual times, it still rings true that "the more things change, the more they stay the same." In terms of changes, we do not need to look very far to see how nearly every aspect of life as we know it has been turned upside down over the past year. However, many of the same fundamental priorities and challenges American workers faced before the pandemic persist today — often in more intense form.

Workplace benefits programs, and support from employers, are key to helping people address some of these issues. Companies that begin by acknowledging the complexity of financial and other benefits decisions, and that assert they are there to help employees, will be valued. Employees who feel they have somewhere to turn are more likely to take steps to address and reduce their financial worries. In turn, those individuals who are not consumed by these external stress factors are much more likely to be happy, productive, and engaged at work.

For providers, plan sponsors, and employers to meet workers where they are in terms of benefits needs, there are myriad issues to consider and address. This paper provides an overview of these topics, including trends shaping today's workplace and the evolution of core and emerging benefits products.

Setting the Stage: What Shapes Today's Landscape?

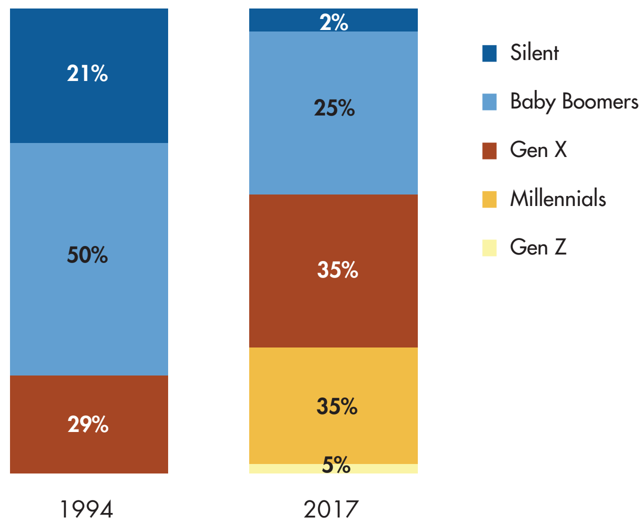
A meaningful discussion of workplace benefits must begin by first setting the "baseline" — acknowledging and reflecting on the many forces that impact the work environment itself. These range from demographics and regulatory and legislative issues to employee attitudes and shifts in the way work is done.

The Changing Workforce

Over recent years, the demographic composition of the workforce has changed somewhat dramatically. Organizations' employee bases now reflect a much more diverse base of ages, with a range of preferences, needs, and values.

As recently as the mid-1990s, the U.S. labor force mainly comprised three generations. In 1994, it was 21 percent Silents, 50 percent Baby Boomers, and 29 percent Gen Xers. However, much has shifted in the past couple of decades: the most recent data from the Pew Research Center shows that in 2017, there were now five generations of workers.

Percent of the U.S. Labor Force



Source: *Millennials are the largest generation in the U.S. labor force*, Pew Research Center, Washington, D.C., April 2018. http://www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/.

Note: Generations are defined as Silent and Greatest: born 1945 or earlier; Baby Boomer: born 1946 to 1964; Gen X: born 1965 to 1980; Millennial: born 1981 to 1996; Gen Z: born 1997 and later.

Clearly, the two youngest generations are now added to the workforce mix — with Millennials representing a slim majority. (Over the last few years, we expect these proportions would have changed even more to reflect fewer older workers and more younger ones.)

Within these dynamics, many older workers choose to remain in the workforce longer than their predecessors — while, at the same time, new workers are entering *en masse*, representing the younger generations (Millennials and Gen Z). This situation, with five generations in the workforce, brings many implications. We can consider the impact in terms of two broad categories:

1. Providers, employers, and plan sponsors need to be able to address a wider range of employee needs.
2. They also need to think about how they educate and communicate with people, enroll them in plans, and provide continued service. Older workers and younger ones may have very different preferences for how they want to learn about and connect with the benefits offered.

In general, each generation is likely looking for something different from both their employer and their benefits. This multigenerational reality presents a lot of dynamic changes, creating an environment where a one-size-fits-all benefits approach no longer is effective.

Evolving Employment Relationships

Another notable trend is the changing nature of employer-employee relationships. As companies face additional cost pressures, they are looking for ways to manage those costs. One approach is to do so through their workforce strategies. Some employers are moving away from having solely full-time employees to leveraging some part-time workers, independent contractors, and temporary work arrangements.

In fact, according to the U.S. Bureau of Labor Statistics, independent contractors and other alternative employment arrangements represented just over 10 percent of the nation's workforce in 2017.[1] In the current environment, we can be quite confident that this proportion has increased.

The Gig Economy

There has been tremendous growth in the gig economy — comprising individuals who, either full-time or part-time, are taking on this specific type of job. These include technology-enabled occupations such as on-demand restaurant takeout delivery, transportation services, and grocery shopping and delivery. (Think DoorDash, Uber, and Instacart.)

Recent LIMRA research finds that more than one quarter of U.S. workers are part of this gig economy (either as a full-time occupation or part-time).[2] Yet gig workers are an expanding market that does not "fit" the traditional model of how employees are given access to benefits. They need to be approached differently.

As companies and the industry consider new ways to engage employees and provide benefits, it is necessary to evaluate how to connect with gig workers to ensure they can obtain the coverages they need.

[1] Bureau of Labor Statistics, Economic News Release: *Contingent and Alternative Employment Arrangements Summary*, Table A, https://www.bls.gov/news.release/conemp.nr0.htm (accessed April 28, 2021).

Remote Work

The explosion of remote work has never been more apparent than over the last year, when it became a necessity for most. Of course, this model was not brand-new when the pandemic began; the pandemic simply accelerated trends underway and made it the default arrangement.

In 2017, LIMRA surveyed employers with insurance benefits regarding the proportion of their workforces working remotely. At that time, almost half of companies said they had some remote workers, while 55 percent said they did not have any (everyone worked at the office/employer site). And, of those that did have remote workers, very few said they comprised a significant amount of their workforces.

Fast forward to 2020, when almost 8 in 10 companies with insurance benefits said they have remote workers. The proportion of these arrangements increased as well: approximately 50 percent of employers then said more than half of their employees were working remotely. What's more, this trend seems likely to endure in some permanent form, even when the pandemic subsides. In fact, 70 percent see remote work continuing — in part or completely.

Taking a step back, there are significant implications that both carriers and employers/plan sponsors must consider. Will the methods that proved effective in 2017 to connect employees to their benefits — to communicate, enroll, and service those benefits — still be as effective today and beyond? How does this impact how things are done moving forward? It is fair to say that they will not stay the same.

Another advantage for organizations that have remote work arrangements (and really commit to them) is building a value proposition that strengthens their talent strategies. They will be able to both attract and retain more high-caliber employees going forward, leveraging the appeal of remote work arrangements. This means people can work in another state and not be constrained to building their lives around commuting to and being in the office.

79% Companies with at least some remote workers in 2020

45% Companies that said the same in 2017

Source: *The Impact of COVID-19 on Employers' Approaches to Workplace Benefits*, LIMRA, 2020.

Employee Attitudes About Benefits

There also has been a shift specific to how individuals — the "end consumers" and users of benefits — perceive them. In late 2020, LIMRA asked people how the pandemic affected their views of the benefits they had available. It was apparent that employees are definitely paying more attention to their benefits.

While employee benefits have always been a significant component of the value proposition in the market to attract and retain employees, this has become more pronounced. As people have a heightened sensitivity around their own insurance, retirement, savings, and financial planning needs, employers play a crucial role in meeting and addressing many of those areas. This will be even more critical moving forward.

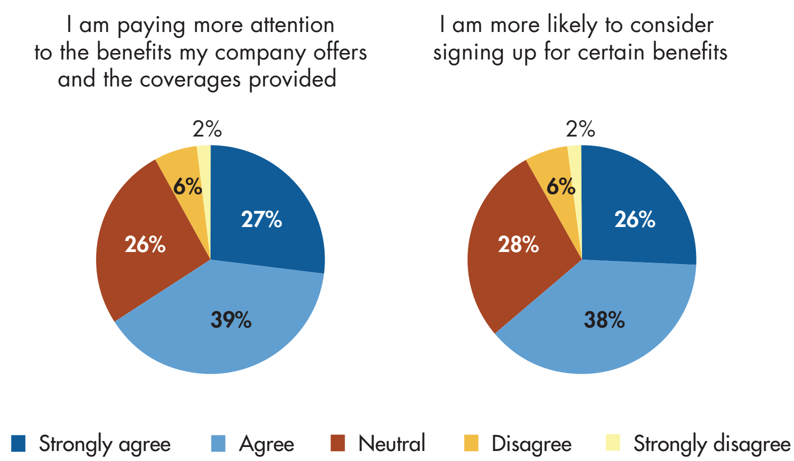
As a result of the pandemic…

66% I am paying more attention to the benefits my company offers and the coverages provided.

64% I am more likely to consider signing up for certain benefits.

Source: *COVID-19 and Workplace Benefits: New Perspectives*, LIMRA, 2020.

Employees Are Looking Closely at Their Insurance Benefits



Source: *Ibid.*

Increasing Legislation and Regulation

The workplace benefits space is highly regulated, and this complexity is ever increasing. In a sea of new and pending legislation and heightened regulatory scrutiny, companies have great concerns (which are only getting bigger) around the cost of compliance and fear of litigation. In fact, when we ask employers about the types of support they would like from carriers, one right near the top is help navigating the regulatory landscape. Regulatory support is a place where carriers and brokers have an opportunity to make this a strong part of their value proposition.

In general terms, a number of COVID-19 relief-related actions were put in place in 2020 to help companies and employees adapt to a drastically changing environment. While many of these expired at the end of the year, there may be some new or long-pending action that takes place throughout 2021. The primary topic areas span:

- **Health care** — Including the Affordable Care Act, consumer protections against surprise medical bills, health care transparency rules that go into effect in 2022, and existing guidance on short-term health insurance and association health plans.

- **Retirement** — Including increased access to automatic 401(k) plans, incentives for low- and middle-income workers to save for retirement, and tax credits for small businesses to start plans while offsetting expenses.

  It is also important to watch how the SECURE Act will play out — for example, in terms of guidance for pooled employer plans. As Congress looks at SECURE 2.0 there might be more movement, which would increase the saver's credit, mandate auto enrollment in new defined contribution (DC) plans, and raise the age for required minimum distributions.

  The American Rescue Plan Act, signed by President Biden in March 2021, included pension funding relief provisions for both single-employer and multiemployer defined benefit pension plans. Also, while take up has not been significant, this space includes state- or city-sponsored retirement savings programs. These are often in the form of "secure choice" payroll-deduction auto-IRA programs, giving workers access to retirement plans if their employers do not offer one.

- **Paid leave** — The COVID-19 crisis obviously has elevated the discussion around employers offering paid sick leave and paid family and medical leave. In late March 2021, almost 200 companies reached out to Congress requesting the passage of expanded paid family and medical leave legislation. While there may be more action yet to come at the federal level, a number of states and municipalities already have taken steps to enact laws that mandate both of these protections. However, this "patchwork" of local laws creates a very complex challenge for companies that operate across multiple states and areas.

It is almost dizzying to keep pace with the many detailed and fast-paced changes in the regulatory and legislative environment. Moving forward post-pandemic, it will be interesting and important to see which elements will have an enduring impact on what employers offer their workforces.

The Whole Picture

Collectively, these primary factors combine to demonstrate that we are in the midst of rapidly changing times. Traditional approaches to employee benefits — which worked very well in the simpler past — now must evolve to meet the complexity of tomorrow's workforce. There is movement to a much more contemporary and multifaceted model.

THEN…

- Three generations in the workforce
- Employees with similar needs
- "Captive audience" where everyone was in one office/workplace and worked the same hours ("9 to 5")
- Paper-intensive enrollment process

AND NOW…

- Five generations in the workforce
- Employees with diverse needs and communication preferences
- Dispersed workforce, distributed across multiple sites and/or working from home
- Technology-enabled, end-to-end processes

For both carriers and employers, this requires a change in thinking about benefits strategy and the best ways to connect with and meet the needs of all members of the current and future workforce. The pandemic — while clearly an unanticipated and unwelcome interruption — essentially forced companies to find new efficiencies. Moving forward, they will need to assess which changes were temporary fixes versus more permanent and enduring solutions.

A Closer Look: What's Happening With Benefits Themselves?

With this landscape as a backdrop, the next step is to consider the benefits themselves, within two broad categories — core and emerging. Of course, these offerings play a significant role in the work-place,
providing employees a trusted and reliable way to ensure their financial security.

Core benefits are the "standard" or "tried and true" products, such as health insurance, a retirement plan, paid time off, life insurance, and disability insurance. Time and time again, research shows that the primary benefits people want most do not change over time. Employees indicate that medical and retirement benefits will continue to be their main focus.

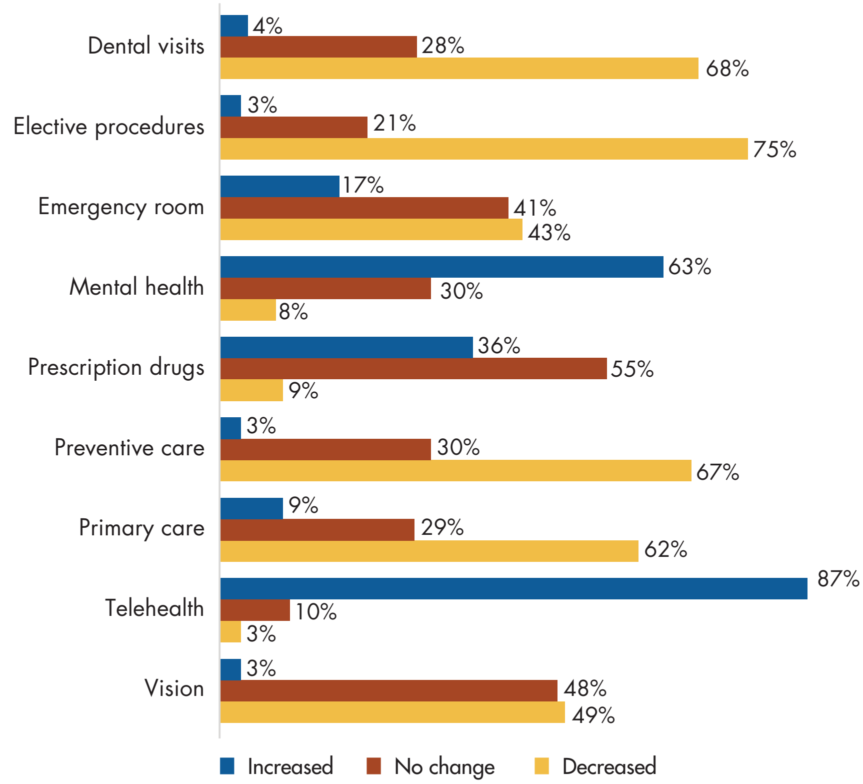
This does not mean, however, that there will not be new developments within core benefits themselves. Health care plans seem ripe for innovation when we consider recent trends including specialty prescription drugs, telehealth, point-of-care diagnostics and digital health tools. Cost increases impacting both employer and employee continue, and cost management techniques continue to evolve and become more sophisticated.

There are a number of health care areas where we will likely see impact from the pandemic. For instance, shutdowns and stay-at-home orders necessitated use of telehealth, and it may grow in popularity as a future option. Also, people forgoing routine or preventive medical and dental care may create longer-term health effects that present themselves a few years in the future.

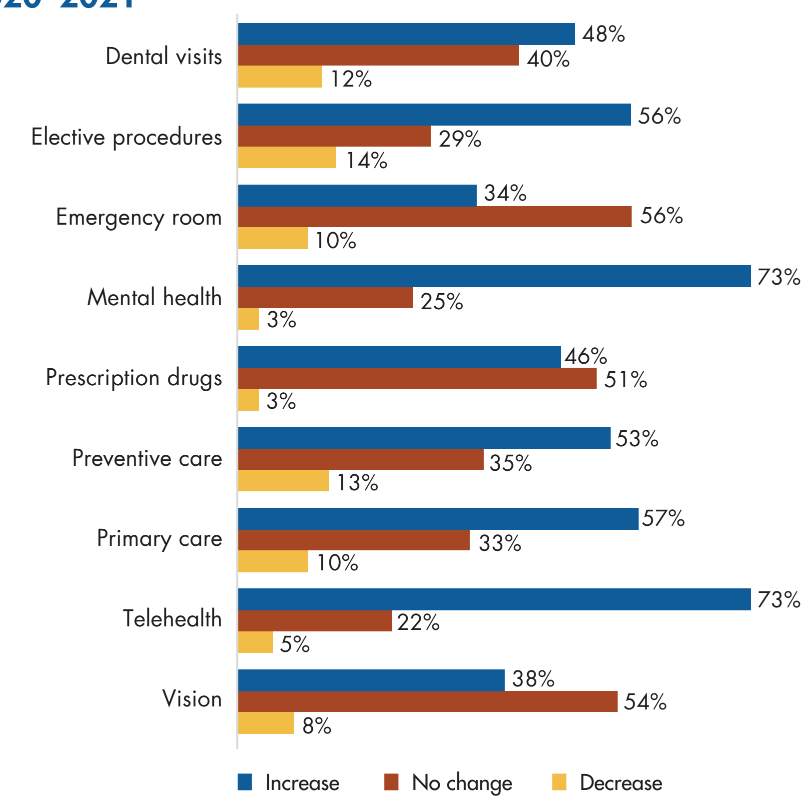
Employers are seeing shifts in claims, reflecting this change in workers seeking care. According to research from the International Foundation of Employee Benefit Plans, employers reported decreases in the number of claims for elective procedures, dental benefits, preventive care, primary care, vision benefits and emergency room care in 2020, compared with 2019. They also reported increases in the number of claims in 2020 for telehealth, mental health, and prescription drug benefits. Looking forward, employers are expecting increases in the number of claims for telehealth, mental health, primary care, elective procedures, preventive care, dental and prescription drug benefits in 2021 as compared with 2020.[2]

[2] *Employee Benefits in a COVID-19 World—Six-Month Update*, International Foundation of Employee Benefit Plans, 2021.

Change in Number of Health Care Claims, 2019–2020



Anticipated Change in Number of Health Care Claims, 2020–2021



Emerging benefits have evolved along some common themes. One is embracing inclusion — such as in terms of taking a broader view of what defines a family and accepting and supporting those with all gender identities. A second is flexibility, as, throughout the pandemic, companies have realized that it is possible to give employees the freedom to integrate their work and family responsibilities. When many workers were forced to do everything remotely, employers saw they were efficient and productive. As we move beyond the crisis, the need for both inclusion and flexibility is only likely to intensify.

There is also heightened awareness and appreciation of some additional benefits, especially as needs arose throughout the COVID-19 crisis. These include expanded paid leave, financial wellness programs, caregiver benefits, telehealth, and others. They are gaining popularity and visibility quickly; they are coming into the mix along with core offerings.

- **Caregiving.** Throughout the pandemic, caregiving has been a very visible and extremely challenging issue. With childcare centers, schools, and assisted living centers closed or locked down, many employees faced unprecedented demands in caring for children, older adults in their lives, or both. In terms of flexibility, this goes beyond simply allowing people to work from home. It extends into offering flexible hours, such as allowing employees to change their daily work schedules to accommodate their caregiving issues. In fact, an International Foundation of Employee Benefit Plans (International Foundation) survey asked companies about changes they made to benefits during the pandemic. It found that 55 percent of responding employers had begun to permit this scheduling flexibility to accommodate childcare and schooling needs due to the crisis. (For example, someone may start their workday very early in the morning, then take a three-hour break mid-day to care for a loved one, and then pick up the workday to extend into the evening.)

Employers allowing flexible work hours for caregiving employees

25% pre-pandemic → **55%** as a result of the pandemic

Source: *International Foundation of Employee Benefit Plans.*

- **Mental health.** Over the past year, headlines everywhere have called attention to the severe toll the pandemic has taken on workers' mental well-being. In fact, a recent Gartner survey reveals that 29 percent of responding employees described themselves as depressed due to the pandemic.[3] (And 49 percent of those saying their companies *offer* a mental wellbeing program say they participated in it in 2020.) The International Foundation found that the use of employee assistance programs (EAPs) has increased since the pandemic, from 6 percent on average to 9 percent. While not large, the increase is still notable since EAP utilization has generally hovered around 5 percent for years. Employers seeing increased utilization can perhaps build on this progress moving forward.

  Employers are sincerely concerned, more than ever, about their employees' levels of anxiety, fear, isolation, stress, and burnout — and they are working to offer support in this area. In fact, the International Foundation found that 26 percent of employers have added services to their existing mental health benefits and another 21 percent are considering doing so. Employees have specific acute and immediate needs that are pandemic-driven, and COVID-19's impact on psychological safety will be far-reaching and long-term. Employer support can continue as a lasting way to help employees feel less burdened, more productive, and healthier.

  While mental health benefits — as well as employee assistance programs — have been part of the benefits landscape for years, the need has never been more critical. Left unaddressed, employees in the most serious of situations can face severe depression, anxiety, thoughts of suicide, or other unsafe situations at home (such as increased domestic violence due to families being more isolated).

- **Financial wellness.** Interrelated with mental wellbeing in many ways, this type of support is another dominant focus today and toward the future. It is considered a "hot topic" but also a genuine and important concern, as many workers are on unstable financial ground and may look to their employer for help. According to a SmartDollar study, financial wellness programs are the top benefit companies seek to add over the next one to two years.[4] Forty-eight percent say the pandemic increased financial wellness as a priority.

  While financial wellness programs have certainly already existed, they have assumed even more importance now, given the acute pressures and struggles employees are facing. Overall, financial knowledge is relatively low, while today people are shouldering additional worries about their own job security, their families' health, their children's schooling, and other stresses. Research from LIMRA's 2020 *Consumer Sentiment Survey* finds that just 1 in 8 Americans have a high level of financial literacy, based on a 10-question quiz provided to nearly 1,000 adults. LIMRA research also finds that many consumers worry about their ability to save for retirement; others are concerned about affording even basic necessities.[5]

4 in 10 consumers…
Worry about their job security

4 in 10 consumers…
Worry about their ability to save for retirement

Over one third of consumers…
Worry about affording necessities

Source: *Consumer Sentiment Survey*, LIMRA.

[3] Gartner, "Gartner HR Survey Finds More Than One-Quarter of the Workforce Describes Itself as Depressed as a Result of the COVID-19 Pandemic," Gartner news release, March 15, 2021.

[4] *Business Wire,* "New SmartDollar Research Finds the Post-Pandemic Workplace Must Include Focus on Financial Wellness," SmartDollar news release, March 3, 2021.

[5] Source: *Consumer Sentiment Survey*, LIMRA, 2021.

With all of this consuming their daily mindspace, people are trying to figure out where they can turn for resources. Many of them look to their employers for help with addressing some of these concerns and improving their financial wellness. But especially with the pandemic backdrop, what specific components make sense in a wellness offering? COVID-19 has brought more attention to solutions like:

- Emergency savings accounts
- Debt counseling
- Payroll advances
- Caregiving benefits

In addition to deciding which elements to include, employers cite other challenges with offering a financial wellness program. Recent LIMRA research finds that approximately half of employers are concerned about the financial cost.[6] About 4 in 10 say the challenge is getting employees to participate, and about one third want to be able to measure program outcomes.

Levels of Financial Wellness Programs

For companies to offer a comprehensive program, they should begin with **fundamental** elements that are considered table stakes today:

- Awareness assessment
- Action planning
- Financial literacy education and tools
- Information on routine basics and specific topics

Overall, the goal of these fundamentals is to inspire people within the workforce to action. Beyond this, there can be **foundational** guidance and solutions, such as:

- Cash and debt management
- Individual investing
- Insurance protection
- Retirement planning

Some programs have gone even farther, moving beyond this stage to **targeted** guidance and solutions, offering support such as:

- College planning
- Career planning
- Personal life goals
- Elder and dependent care
- Survivor and bereavement support
- Post-retirement planning

[6] *2018 SRI Plan Sponsor Study*, based on 894 non-government/non-education employers with 10 or more employees, a defined contribution retirement savings plan, and a formal financial wellness program or plans to add one in the next 12 months, Secure Retirement Institute®.

Building a Package

Ultimately, a key challenge for employers trying to build and offer benefits packages — in addition to simply communicating about them when workers are no longer in the same place at the same time — is choosing from the hundreds of benefits available today. How do companies realistically decide among all of the benefits available to present to their workers as valuable and comprehensive options? How do they build the kind of relevant and meaningful support their diverse workforces will value?

Culture. Benefits chosen should meet employee needs in a way that feels like an authentic fit with company culture. What is important to leadership, and what do they believe is most important to their employees?

Some companies survey their workforces to determine what types of benefits would be most appealing to them and what would help them manage the specific challenges they are facing. For example, it may be helpful to assess caregiving challenges and to understand employee perspectives on paid leave. (For instance, would most people want a paid leave bank of time, or would they prefer a larger amount of general time off where they don't need to provide a reason?)

Cost. Clearly, it is critical for employers to evaluate cost considerations. It's important to perform a cost-benefit analysis, since there are various levels of expense associated with different types of benefits. While some can be very expensive to offer, others can incur little to no cost but provide great value to employees. Companies need to weigh these costs along with employee interest and consider what utilization rates and perceived value are likely to be.

Customization. In the current environment, there is a trend toward increasingly personalized benefits. This is a helpful reminder that companies do not need to build just a single rigid plan, in times when generalizations do not apply. While the core offerings still comprise health and retirement plans, there can also be more of a "portfolio" of voluntary benefits people can choose from, based on their particular needs. This relates directly to the diverse generations in today's workforce, where one employee base can have different needs at different times in their lives. In addition, a portfolio of benefit options can be an attractive recruitment tool; job candidates will be looking for and prioritizing what is important to them when evaluating potential employers.

Personalization is also very evident in the specific realm of wellness. Program trends point to an integration of health and financial wellness. Overall, programs are moving past straightforward guidelines to specific advice tailored to the person. Whatever their health or financial status, employees may want to know what others in their same situation have done. Support also can be personalized in the sense of employees visualizing or simulating their future selves to help them understand what they need to do today.

Companies often say the most effective way they can help employees strengthen their financial security is through a personalized approach. This can take place through one-on-one sessions, counseling with a financial advisor, and/or receiving information and guidance that solely focuses on a life stage or issue they are facing in a certain moment. (One example is targeted resources that speak to employees who have a child heading to college.) Compared with more traditional measures of return on investment (ROI), employers will know these approaches are working by taking a look at the value they receive from them. Value will be evident when companies evaluate employee productivity, absenteeism, presenteeism, turnover, financial distress levels, and so on.

Final Thoughts: Where Do We Go From Here?

While much today is uncertain, one apparent truth is that workplace benefits will remain a critical part of how employers support their workforces. They provide many Americans with protection and security that they may not choose to or be able to access anywhere else. While environmental trends and factors are likely to keep shifting some specific offerings, the fundamental value will endure. Employees appreciate their benefits — even more so today.

As we have surpassed the one-year point since the pandemic began, one of the best approaches employers can take is to regularly connect with their employees regarding benefits. While the crisis and the widespread remote work arrangements it caused have disrupted traditional methods of building awareness and enrolling employees in benefits, there are other ways to engage them.

Essentially, carriers and employers cannot communicate with workers often enough; they should do so throughout the year and not wait for one time per year — the open enrollment period. Frequent communication, via short, simple, and visual pieces — and through multiple delivery channels — can convey clear messages. Again, they should consider what a specific employee base is most likely to respond to. Options include virtual meetings or enrollment fairs, access to call centers via phone or chat, gamified decision support tools, text messages, and social media outreach. The key is to be wherever workers are to ensure they keep benefits top of mind throughout the year.

Even as direct-to-consumer channels and other avenues evolve, employer-offered benefits will continue to be valued. With complex products and myriad choices to consider, employees greatly appreciate the "employer endorsement" — where they know their trusted employers have already done the hard work of understanding, evaluating, and choosing the best offerings. People feel good about these choices, and appreciate that decisions have been simplified for them. This is especially important for the middle-income and mass-affluent consumers who may not have a personal financial advisor and who look to their employers to provide access to necessary coverages.

Today the employer carries a high level of credibility — especially in the midst of so much information, complexity, and vulnerability. Those that make an intentional effort to stay connected with their workforces, and to build benefits offerings that speak to genuine employee concerns and needs, will be able to leverage them to attract and keep the best talent moving forward. Doing what is right and supporting employees when they need it most places them in the role of a trusted and valued partner.

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