

Employee Benefit Trends

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Agenda

1. Better Benefits, Better Talent

2. Health Care Costs – the pressure is on

3. 4 Generations, 1 Workplace

4. Defining Generation Z in the Evolving Workplace

5. Considerations for Attracting & Retaining Gen Z

Executive summary

As we continue to figure out post-pandemic work life, care and well-being take center stage

Life post-COVID is much different than it was before 2020. A significant, lasting impact of the pandemic is that employees have raised their expectations for benefits. They are no longer seen as a standard aspect of the employment contract but as something of true value.

Benefits once considered “above and beyond” have become standard practice. Many temporary measures to bolster employee well-being during the pandemic are now expected to continue perpetually.

Care & well-being dominate the conversation



In a post-pandemic world, the role of benefits isn't going away.



Benefits are playing a role like they never have.



Employee well-being and mental health are now top priorities for employers, and benefits are being enhanced accordingly.^{1,2}

Highly energized employees are more likely to work for a company that delivers on total well-being, has tackled organizational complexity, and has an inclusive culture.

Employees who feel energized at work

2019

74%



2022

63%



By gender

Male employees are more energized (69%) than female employees (57%).



By generation

Gen Z are least energized (55%) and Gen Y most energized (65%).

Employees who feel at risk of burnout

2019

63%



2022

81%



By gender

Drivers of burnout for men are perceived unfairness and lack of a support network; for women, burnout is due to workload and pandemic-era emotional demands.



By generation

Most at risk of burnout are Gen Z (89%) and Gen Y (89%), with Gen X below the average of 78% and Baby Boomers significantly lower at 58%.

**Better benefits,
better talent**



Overview

The importance of benefits has never been higher.

In a post-pandemic world, employees see their benefits as a vital support system for their overall well-being. Employers are expected to provide benefits that bolster their employees' mental and physical health, family needs, and financial wellness. There has been a cultural shift around what companies owe their workers. Employers who don't respond to this new reality risk losing talent.

1

Great benefits expectations

2

Employee selection

3

Voluntary benefits

4

Leave policies

5

Generational lens

By the numbers

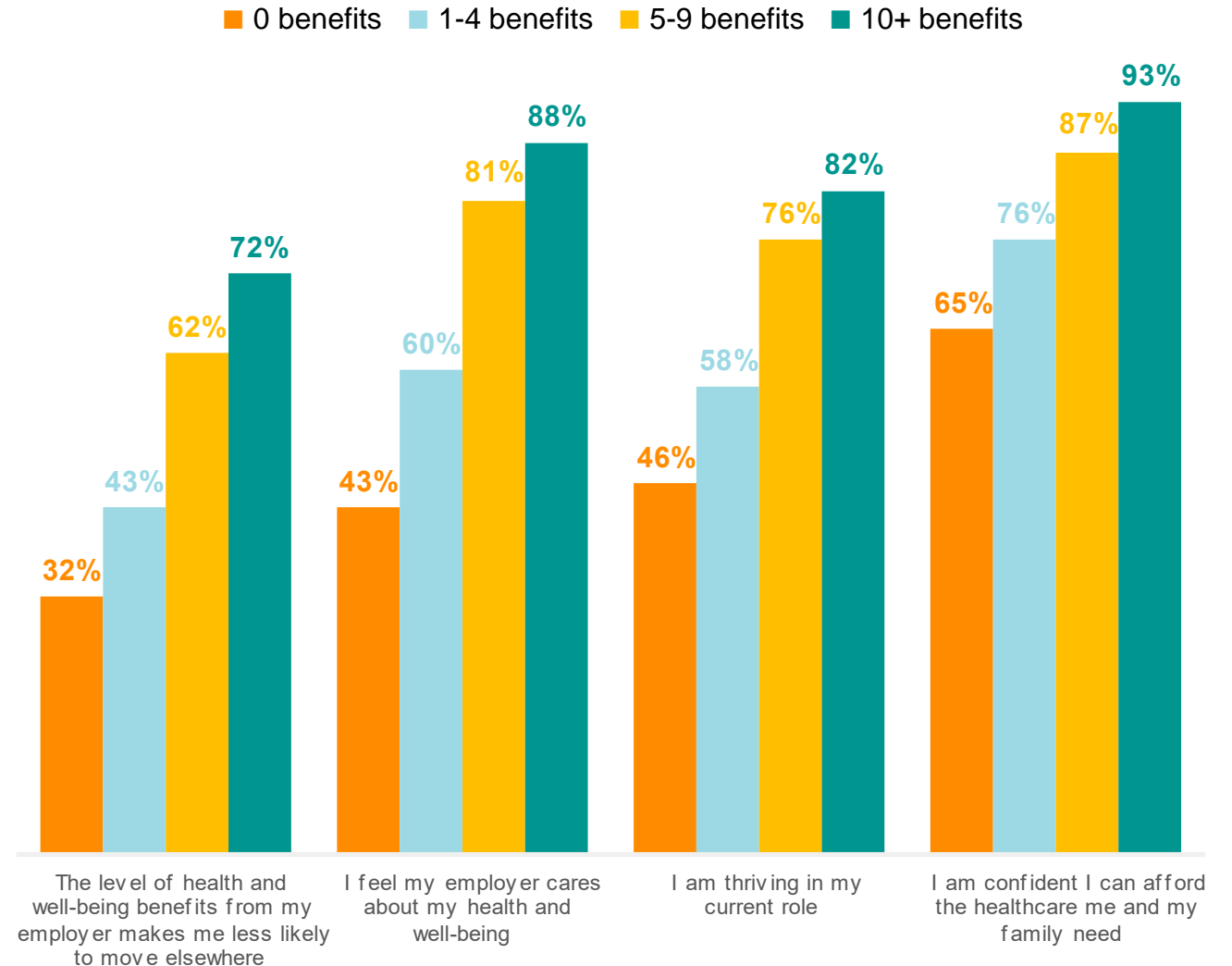
Care = thriving

“78% of employees who believe their employers care about their health and well-being also say they are thriving.”

More is better

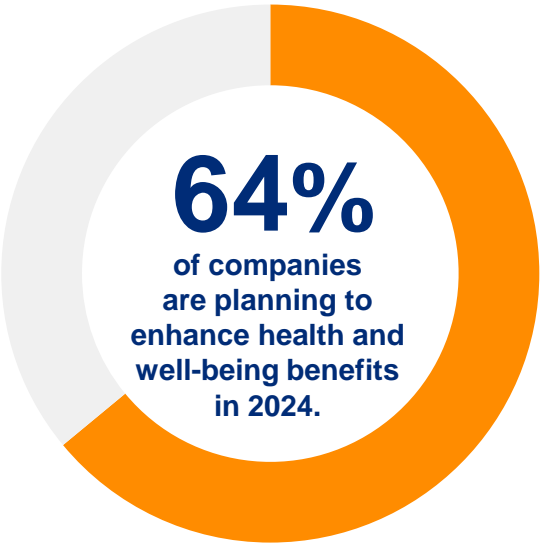
“Of the employees who have access to 10 or more benefits (such as medical coverage, life insurance, and mental health counseling), 82% say they are thriving, compared with just 58% of those with access to between one and four traditional benefits.”

The more benefits an employee receives, the more likely the employee is to report thriving in their role



Meaningful benefits are a must

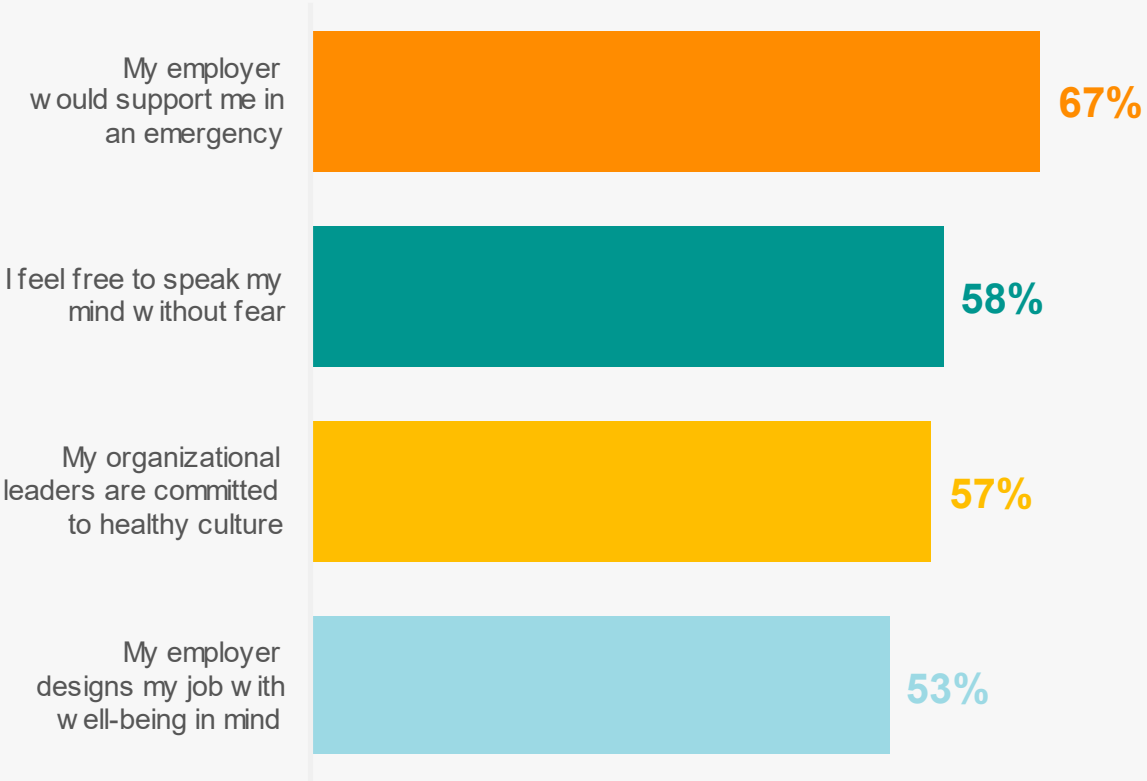
Benefits have moved from being an employee value proposition to an operational necessity. Employers now see them as vital to meeting Environmental, Social, and Governance expectations.



Source: Mercer, "Health on demand 2023 survey report," 2023, [Link](#)

Creating a culture of health

Many CEOs and CFOs report that their **concern for employee health and well-being has guided high-level decision-making in the past year** and is a top organizational priority.

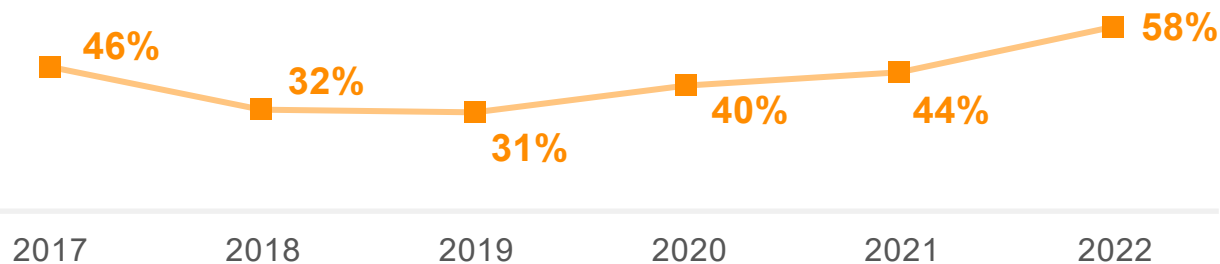


Please mind the (employee/employer) perception gap

Nearly all employers believe their organization provides ample care and support for their workers. However, employees feel that there's plenty of room for improvement. These divergent views have given rise to a disconnect between employee satisfaction and employer outlook.

More than ever before, employers are anxious about their employees trading off salary for more robust benefits.

Question: How likely do you think your employees would be to take a job with lower pay but more robust benefits?



88%

of employers believe their company genuinely cares about employee health and well-being, but only

66%

of employees feel this is the case.¹

22%

This 22% perception gap between employers and employees has increased by 8% since 2021.²

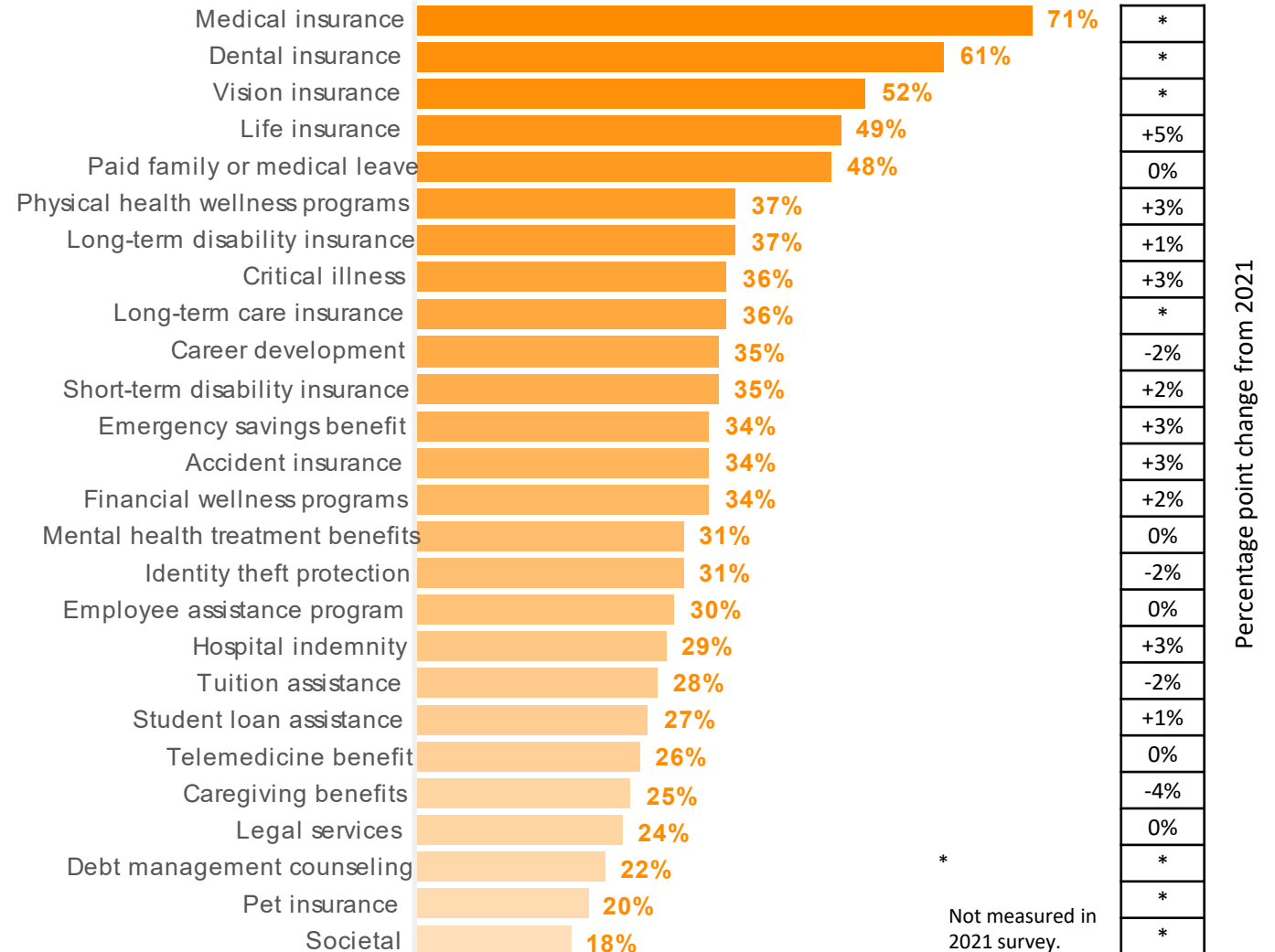
Pandemic-era needs are sticking around

The pandemic saw a spike in employee demand for mental health services and financial well-being support.

However, pandemic-driven needs did not decline as life returned to normal. Demand has remained steady, and that trend is expected to continue. A “comprehensive benefits package” is now expected to include emergency savings programs, career development, paid family leave, accident insurance, and mental health treatment.

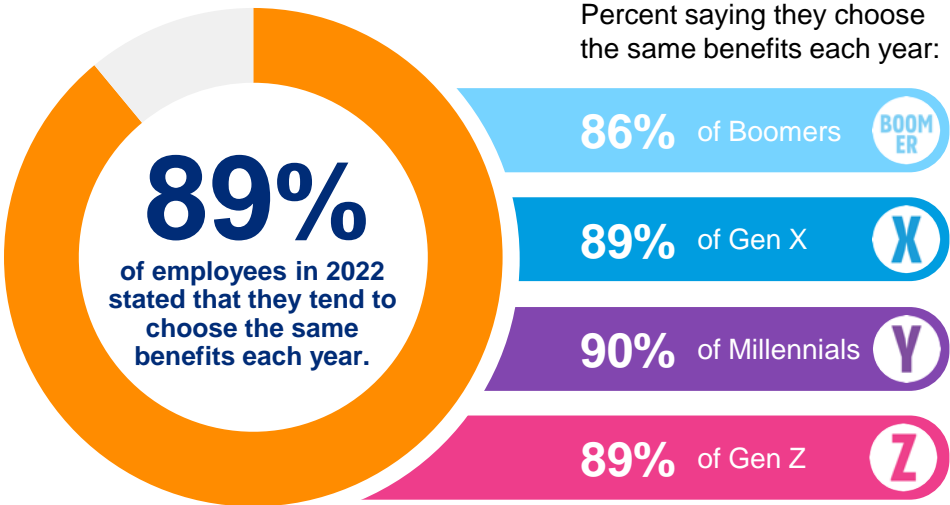
Employers are tasked with bringing their benefits in line with ever-increasing employee expectations to attract and retain talent. This has created a landscape where employers enhance their benefits not only to boost organizational health, but to gain a competitive edge in hiring.

Benefits of the future – what employees are looking for



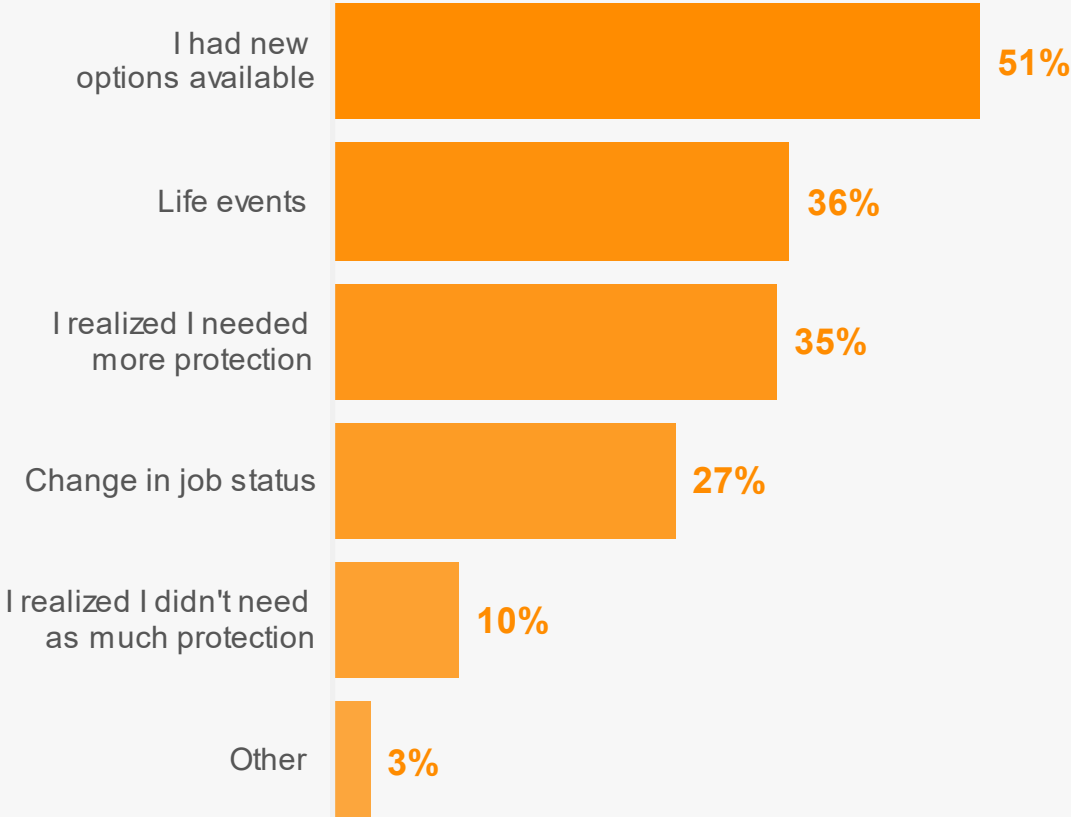
89% of employees say they typically choose the same benefits plan each year

Employers should continue enhancing their benefits plans. However, these improvements will not move the needle on employee satisfaction unless they work to educate and engage employees at the time of benefits selection.



Source: Aflac, "Workplace benefits trends: Employee well-being and mental health 2022-2023," 2023, [Link](#)

Question: What events caused you to make a change to your benefits selections?



Employers believe employees have a better understanding of their health care costs than they actually do

Employer question

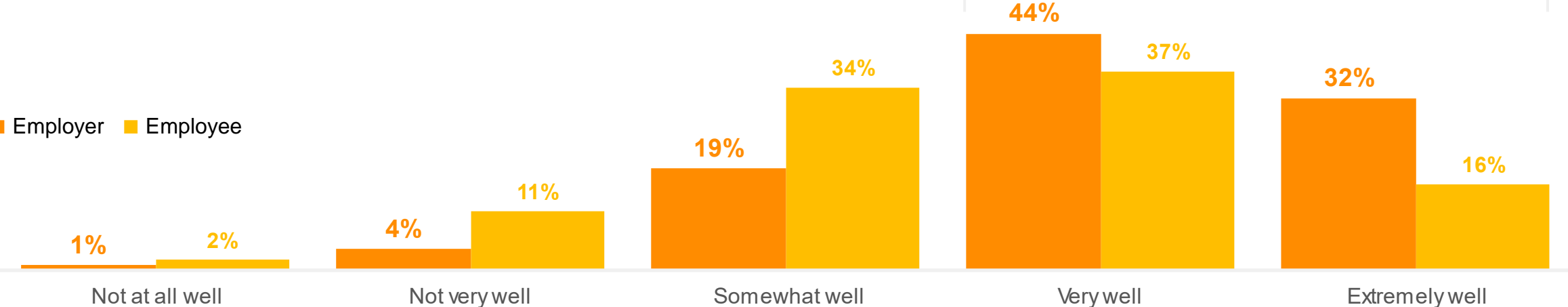
Thinking about health care-related expenses, how well do you think your employees understand their total annual costs for health care?

Employee question

Thinking about all your health care-related expenses for you and your family, how well do you understand your total annual costs for health care?

76% of employers think employees understand costs well, but...
53% of employees say they understand costs well.

■ Employer ■ Employee



Source: Aflac, "Workplace benefits trends: Employee well-being and mental health 2022-2023," 2023. [Link](#)

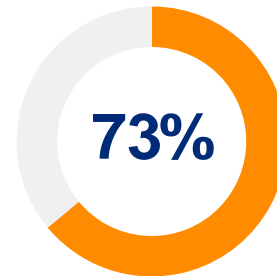
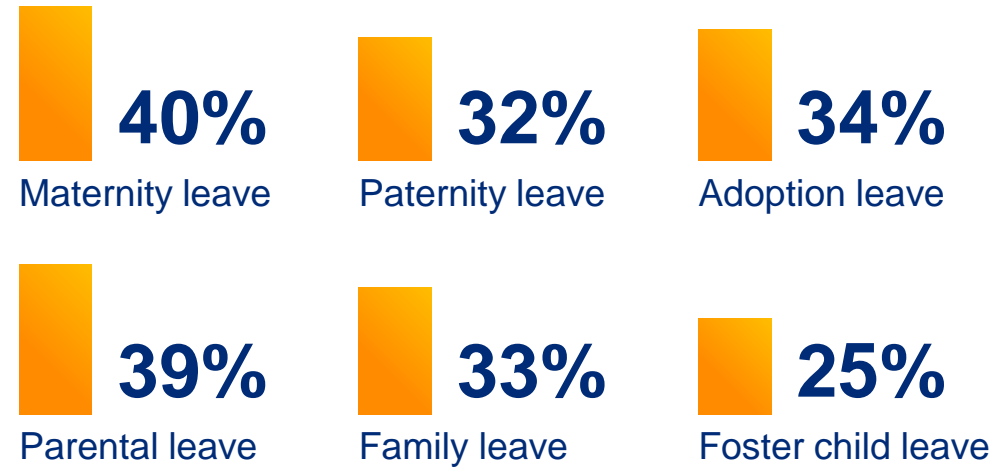
Family leave expanded to be more inclusive

Short-term disability (STD) benefits and salary continuation programs are the most commonly offered maternity plans.

Almost all employers have their maternity benefits run concurrently with FMLA.¹ However, beyond maternity leave, other types of leave like foster, adoption, and paternity are gaining momentum. In fact, **75%** of employers now offer parental leave.²

With norms around family leave evolving at a rapid pace, employers will need to frequently evaluate the effectiveness and inclusivity of their programs. In 2023, the median length of covered parental leave increased from six to seven weeks.³

Paid leave for new parents



73% of respondents say all their employees receive the same STD or salary continuation benefits plan.⁴



The larger an employer is, the more likely they are to pay for 100% of their STD programs.⁵

Sources: 1. Marsh McLennan Agency, "Absence, Disability, and Leave (ADL) Benchmarking Report," 2023, [Link](#), 2. Mercer, "Health & Benefit Strategies for 2024," 2023, [Link](#), 3. Mercer, "Health & Benefit Strategies for 2024," 2023, [Link](#), 4. Marsh McLennan Agency, "Absence, Disability, and Leave (ADL) Benchmarking Report," 2023, [Link](#), 5. Marsh McLennan Agency, "Absence, Disability, and Leave (ADL) Benchmarking Report," 2023, [Link](#)

Health care costs – the pressure is on



Overview

Health care economics: cost pressures and what rising prices mean for us all

Employer health care costs are expected to increase in 2024. Rising costs of care are attributed to an evolving (and increasingly expensive) Rx marketplace, increased utilization, general inflationary pressure, health care staffing challenges, provider consolidation, costly new treatments/technologies, and the continued impact of **pent-up demand from COVID**.

Rising costs from specialty pharma are fueling the overall market uptick. Who foots the bill for all of this turns into a delicate dance. Employees struggle as rising overall life expenses make meeting their health costs more difficult. And employers need to figure out how to continue updating their offerings while protecting their margins.



1

**Inflation and ballooning
health care costs**

2

A health care industry under strain

3

**The role of rising
non-medical costs**

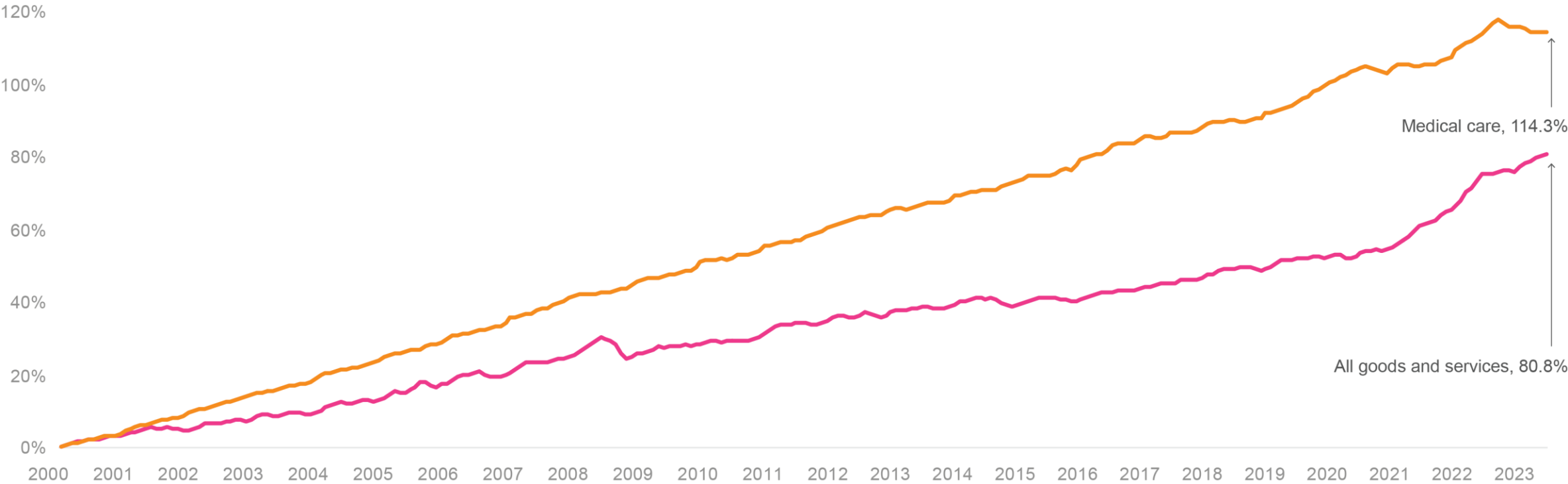
4

**Prescription drug prices
and health care costs**

5

Generational lens

Cumulative percent change in Consumer Price Index for all urban consumers (CPI-U) for medical care and for all goods and services, January 2000 – June 2023



Note: Medical care includes medical services as well as commodities such as equipment and drugs.

Source: Peterson-KFF Health System Tracker, "How does medical inflation compare to inflation in the rest of the economy?" 2023, [Link](#)

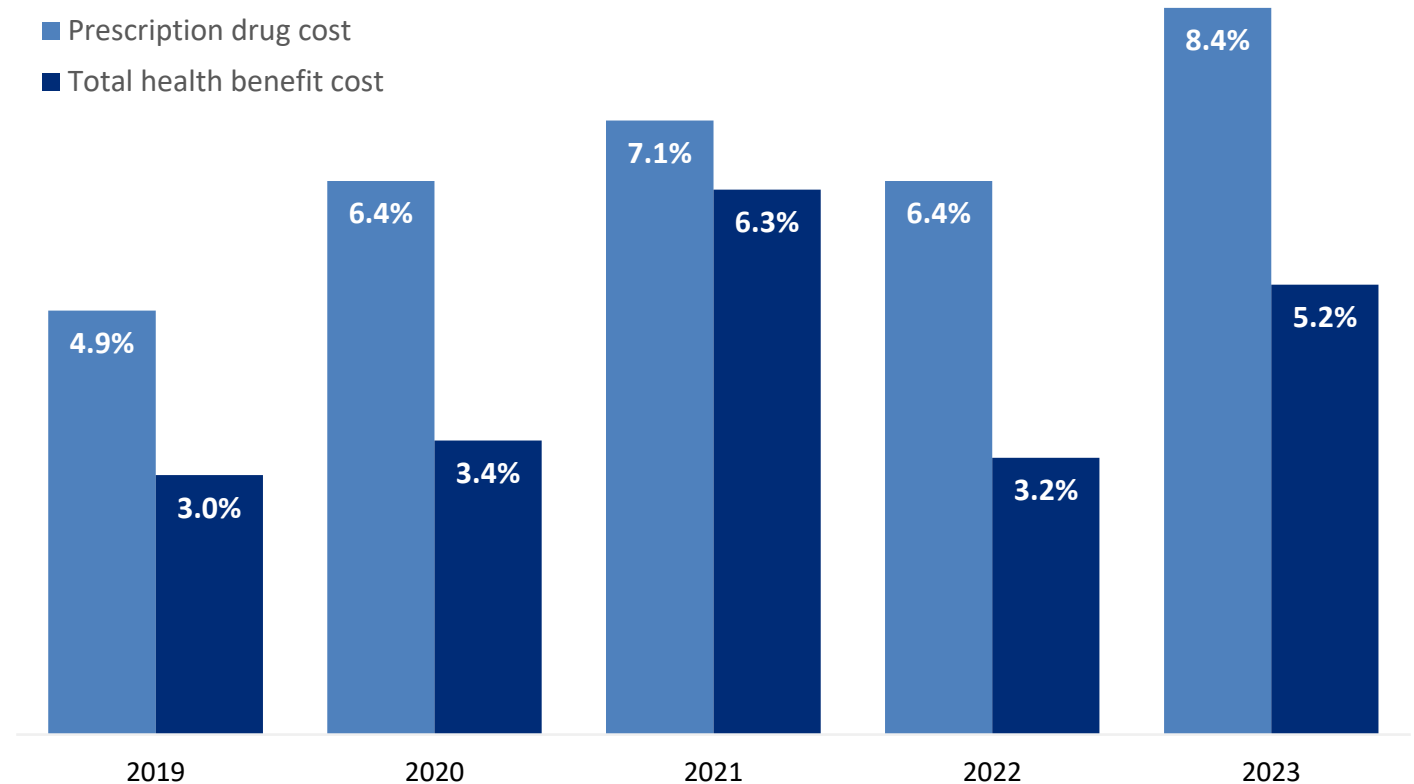
Pharmacy is the biggest driver of health care costs

The price of prescription drugs is the fastest-growing component of benefits plans.

As innovation advances in the pharmaceutical space, this category will continue to drive up overall benefit costs for plan sponsors and employees.

Source: Mercer, "National Survey of Employer-Sponsored Health Plans," 2023, [Link](#)

Average annual change in cost per employee



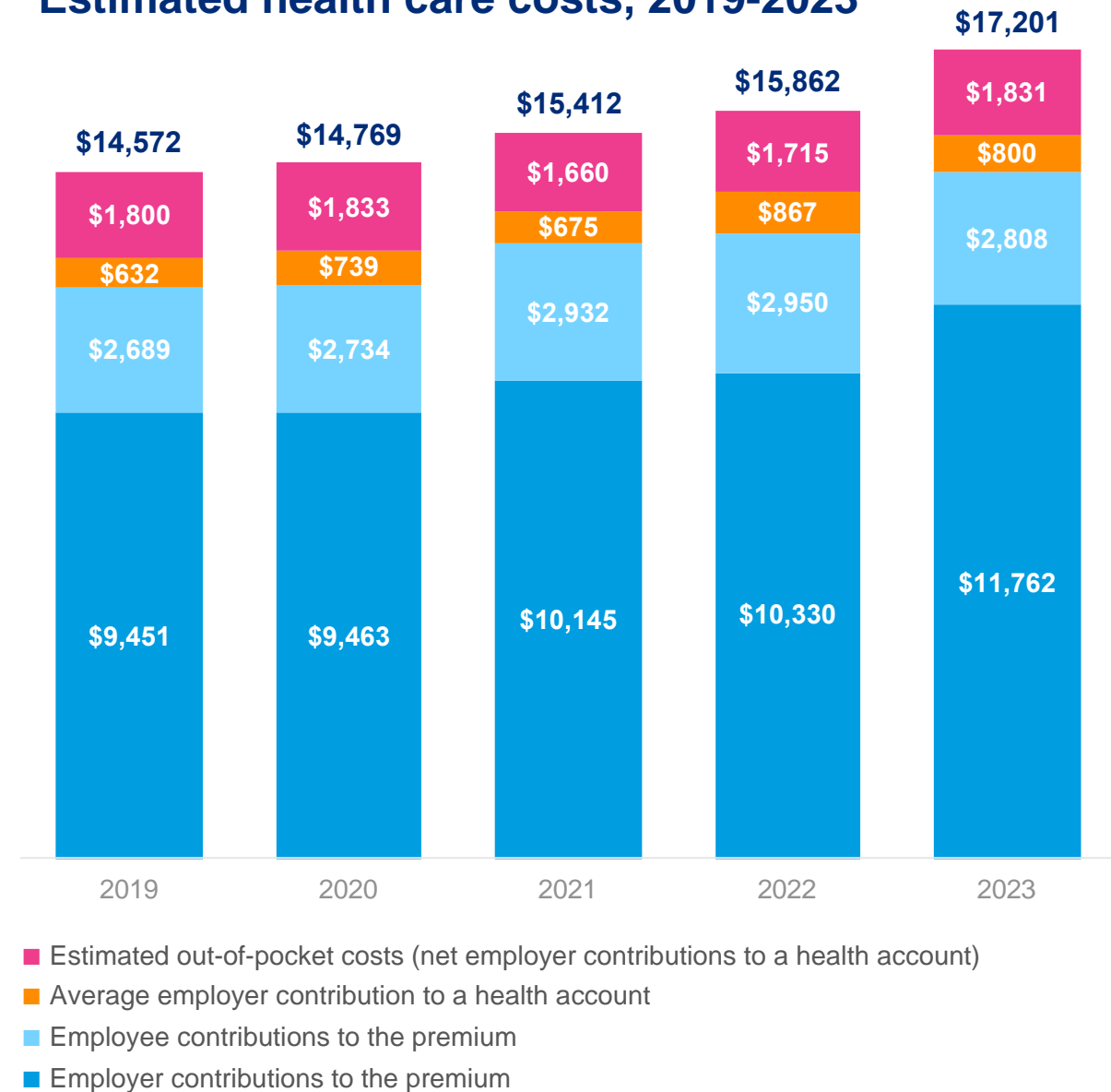
Employers are absorbing cost increases, for now

To keep employee cost increases under control, employers are upping their plan contributions. However, this solution is a stop-gap measure that will be difficult to sustain as health care costs continue to rise.

Employers attribute cost increases to specific health conditions

1 in 2 employers reports that cancer is the number one driver of health care costs. Musculoskeletal issues, cardiovascular disease, and diabetes are the other health conditions that employees see as key cost drivers. By optimizing spending under these conditions, employers can work to stabilize their overall increases in health care payments.

Estimated health care costs, 2019-2023



Health care labor shortages show no sign of slowing and are on a collision course with demand

6.5 million health care professionals will leave the workforce by 2026, and only 1.9 million are on track to replace them. This includes doctors, nurses, home health aides, and techs. This steep decline is attributed to burnout, demographics, relatively low salaries, and a limited talent pipeline.¹

Occupation	Growth	New job openings by 2025	Expected workforce gap by 2025
Home health aides	32%	423,200	-446,300
Nursing assistants	16%	407,396	-95,000
Medical and clinical lab technologists	13%	49,400	-58,700
Medical and lab technicians	18%	60,717	-40,000
Nurse practitioners	30%	51,445	-29,400
Physicians and surgeons, all other	16%	102,970	-11,000

Sources: 1. Oracle, "The Shortage of US Healthcare Workers in 2023," 2023, [Link](#). 2. Bloomberg, "The Health-Care Staffing Crisis Is Bad and Getting Worse," 2023, [Link](#). 3. NCSBN, "NCSBN Research Projects Significant Nursing Workforce Shortages and Crisis," 2023, [Link](#). 4. AMA, "Medicine's great resignation? 1 in 5 doctors plan exit in 2 years," 2022, [Link](#). 5. McKinsey, "Assessing the lingering impact of COVID-19 on the nursing workforce," 2022, [Link](#). 6. Mercer HPA, "Demand for Healthcare Workers Will Outpace Supply by 2025: An Analysis of the US Healthcare Labor Market," 2018, [Link](#)

Nurses are quitting in droves

100,000 nurses left the workforce in the past two years, and another 600,000 plan to leave by 2027.^{2,3}

Doctors are also in short order

1 in 5 doctors plan to leave the profession in the next two years. Another 1 in 3 plan to reduce their working hours over the next 12 months.⁴

Demand to exceed supply by 2025

Demand for physicians, nurses, and other health care professionals is predicted to exceed supply by 2025.⁵

4 Generations, 1 Workplace

Overview






Four generations — Boomers, Xers, Millennials and Zers — coexist in today's workplace.

Employers are tasked with understanding and managing each cohort's unique expectations and needs, delivering a workplace experience and benefits package that keeps them engaged and validated.

Developing an informed, holistic perspective of what each group wants and *why* they want it will allow today's corporate leaders to create an environment where all employees can thrive — regardless of age and outlook.



Understanding your generational workforce

Characteristics	Traditionalists (1925-1945)	Baby Boomers (1946-1963)	Generation X (1964-1980)	Millennials (1981-2000)	Generation Z (Born after 2000)
					
Formative experiences	<ul style="list-style-type: none"> • Great Depression • WWII • Fixed gender roles • Nuclear families 	<ul style="list-style-type: none"> • Vietnam War • Civil Rights movement • Watergate • Woodstock 	<ul style="list-style-type: none"> • Fall of Berlin Wall • First PC • Dot-com boom 	<ul style="list-style-type: none"> • Columbine • 9/11 terrorist attacks • Internet • Reality TV 	<ul style="list-style-type: none"> • Great Recession • Global warming • Technology
Signature product	Automobile	Television	Personal computer	Tablet/Smartphone	Google glass, 3D printing
Value most	Obedience over individualism. Believe age equals seniority.	Company loyalty, teamwork, and duty. Believe achievement comes after paying dues.	Work-life balance; personal and professional interests; and diversity. Leave if employers fail to meet their needs.	Responsibility; quality of manager-work experience; and seek challenge, growth, and development. Leave if employers fail to meet their needs.	Embrace diversity, personalization, independence, and innovation. A good working environment is what matters most.
Attitude towards career	Jobs are for life; loyalty; respect for authority	Live to work, collaborative, driven-achievement oriented	Work to live, distrustful, independent, skill-oriented	Work/life blending, hard working, seek recognition and feedback, career and community oriented	Careers that align with their personality, interests, and values; flexibility and work-life balance
Communication media	Formal letter	Telephone	Email and text message	Text or social media	Images and video
Benefit preferences	Medical, dental, vision, and life insurance	Expanded health care, wellness benefits such as gym and chiropractic care, retirement planning and better 401k match	Expanded health care, flexible work schedules, child care, financial protection, telemedicine, wellness and financial well-being, better 401k match, work-life balance programs	Health and legal insurance, student loan repayment benefits, flexible work hours, caretaker benefits, telecommuting, maternity care, personalized benefits that meet age and individual circumstances	Health insurance; flexible paid time off; tuition reimbursement; pet and accident insurance; well-being benefits, customizable mental health, employee assistance, and career growth and development

Generational Mindsets

Boomers

Live to work – if you work hard, you will go far

Gen X

Work Life Balance

Millennials

Work first, then live

Gen Z

Work to Live and find purpose in your work

Generation Z will account for

1/3

of the global population by 2025

Sources: Wall Street Journal: How to Handle Generational Difference at Work, OliverWyman FORUM: Ready or Not How to Connect with Gen Z Workers Before It's Too Late, FORBES How Gen Z's Impact on the Workplace is Growing

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Defining Generation Z in The Evolving Workplace

Defining Gen Z

- Digital Natives
- Mental Health is a priority
- Social Activists

Experiences of Generation Z

- COVID-19
 - **2/3 of employees say this caused them to reflect on their purpose in life**
- Inflation/Cost of Living
- Share with Peers and Colleagues
- Social Unrest
 - George Floyd
 - Immigration
 - Dobbs v. Jackson, Overturn Roe v Wade



Where Does Gen Z Want to Work?



Born into a digital world – technologically advanced generation



Work to live – jobs are a mean for funding passions outside the workplace and funding retirement. Gen Z wants to be a part of an organization that makes a difference.



Pay equality and flexibility – looking for employers who invest in their futures and allow for work life balance



Not interested in climbing the corporate ladder at the expense of others success but rather want their work to be recognized and appreciated with a group growth mindset. Gen Z wants to interact with the C-Suite.

The Recruiting Challenge*

- **Hiring Managers Prefer Older Workers:** Nearly 1 out of 3 hiring managers (31%) report having a preference for hiring older workers over Gen Z applicants, which of course is an ultimately unsustainable strategy
- **Top Reasons a GenZ did not get the job:**
 - **Entitled Attitude:** 41% of respondents claimed Gen Z interviewees acted too entitled;
 - **Poor Communication:** 39% of respondents claimed Gen Z interviewees were poor communicators;
 - **Unpreparedness:** 36% of respondents claimed Gen Z interviewees were unprepared
 - **Unrealistic Compensation Expectations:** and 42% of respondents claimed Gen Z interviewees were asking for too much money.

*A recent survey from ResumeBuilder.com highlighted by [BizWomen](#)

Considerations for Attracting & Retaining Gen Z

Gen Z's valued benefits

Social awareness

Gen Z, more so than other generations, evaluates companies based on their social awareness and impact. **49% consider a company's stance on social issues** significant for retention, while **77% say it is vital to work for a company whose values align** with theirs.

Well-being & Mental Health

Gen Z seeks well-being benefits for their overall health; **61% would consider changing jobs for better mental health benefits**. They already experience high-stress levels, with **45% reporting work-related burnout**, the highest among all generations.

Financial Stability

Entering a turbulent economic and political climate, they experience widespread financial anxiety. Worries about daily finances and retirement security prevail, and they are **1.4 times more likely to report that "money stresses me out"** than older generations.

77%

say it is vital to work for a company whose values align with their own

1.4x

more likely to report that "money stresses me out" than older generations

61%

would consider changing jobs for better mental health benefits

45%

already report work-related burnout, the highest among all generations



Secure Access to Digital Health and Well-Being Solutions

Here are the topmost helpful well-being interventions related to digital health solutions:



Mobile Applications to help find medical and help self-manage health conditions



Preventative cancer screenings and genetic tests to reveal health risks



Digital platforms for employee communications



Targeted solutions for mental health

Preferred benefits at a glance

Boomers



Caregiving benefits^{6,7}
Comprehensive health care plans^{1,4,6,7}
Workplace flexibility⁷
Retirement benefits^{1,4,6}
Wellness benefits and discounts⁷

Gen X



Remote work benefits^{2,7}
Flexible scheduling^{2,6}
Caregiving benefits^{2,3,5}
Retirement planning^{2,5}

Millennials



Flexible scheduling^{1,4}
Remote work benefits^{1,2,4}
Student loan repayment^{2,8}
Financial planning assistance^{2,3}
Ongoing training and development^{1,6,8}
Family leave and childcare benefits^{1,2}
Fertility benefits³

Gen Z



Comprehensive health care plans^{1,7}
Holistic health and well-being benefits, particularly mental health benefits^{2,6}
Financial planning assistance^{2,7}
Tuition reimbursement^{3,8}
Flexible scheduling^{1,6,7}
Remote work benefits^{1,6,7}

Sources: 1. Obsidian HR, "What Employee Benefits Each Generation Wants," 2021, [Link](#). 2. Ameritas, "How to Tailor Benefits for a Multi-Generational Workforce," 2021, [Link](#). 3. MetLife, "The Rise of the Whole Employee: 20 Years of Change in Employer-Employee Dynamics, MetLife's 20th Annual U.S. Employee Benefit Trends Study 2022," 2022, [Link](#). 4. AICPA & CIMA, "AICPA Employee Benefits Report," 2018, [Link](#). 5. DataPath, "Whitepaper: How Has the Pandemic Impacted Employee Benefit Strategies?" 2021, [Link](#). 6. Forbes, "Workplace Benefit Trends By Generation In 2023," 2023, [Link](#). 7. Ernst & Young, "The 2022 EY US Generation Survey: Addressing diverse workplace preferences," 2022, [Link](#). 8. HRCI, "The Education Perks Younger Workers Value Most," 2022, [Link](#)



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