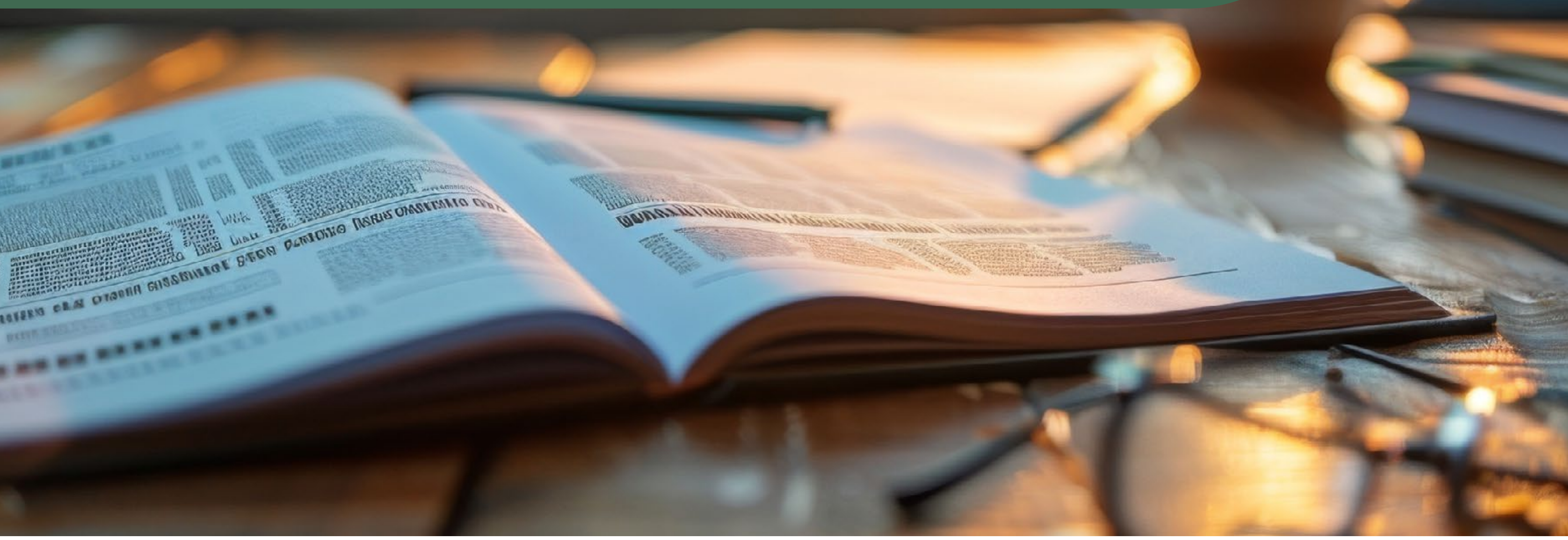
2024 Midyear Benefits Trends to Monitor

Provided by Horst Insurance



Employers have been trying to address many of the same benefits challenges for the last few years, such as rising health care costs and competitive compensation. Some employers have responded to these challenges by attempting to meet employee demands, but by and large, most employers still struggle to find adequate solutions. These challenges are likely to continue through the remainder of 2024.

Understanding the latest benefits trends can help employers evaluate their offerings to best meet employee needs, respond effectively to their challenges and gain a competitive edge over competitors. This article explores the latest benefit trends to watch in the second half of 2024, discussing how they will likely impact employers and exploring how savvy organizations can address them.

The Ongoing Battle Against Rising Health Care Costs

Finding ways to manage rising health care costs while keeping benefits affordable for employees is a critical task for employers as open enrollment approaches; however, it won't be easy. Health care costs have risen sharply over the last few years and will likely continue to rise. Mercer estimates that while average costs per employee increased by **5.2%** in 2023 to reach $15,797, employers expect an increase of **5.4%** in 2024. Health benefits costs are climbing due to factors such as inflation, health system consolidation, costly gene and cell therapies, and the utilization of expensive glucagon-like peptide-1 (GLP-1) drugs.

Zywave's 2024 Broker Services Survey validated that organizations' top employee benefits challenge is mitigating health care costs, attracting and retaining employees, and offering a competitive benefits package. The survey found that employers are struggling with finding the appropriate plan design, educating employees to be better health care consumers and properly utilizing care. While employers may need to implement significant changes to mitigate rising health care costs, many will not alter plan funding or design due to the substantial risk of errors and uncertainty, even though these strategies are likeliest to mitigate the impact of rising costs.

Additionally, a study by the employee health payment platform Paytient revealed that **40% of Americans** with employer-sponsored insurance admit they have delayed health care due to costs, negatively impacting their mental health, productivity and workplace culture.

The Kaiser Family Foundation also reported that, on average, employees pay **$8,435 in premiums** for single coverage, yet many workers wonder where that money is going. Furthermore, Americans collectively have **$220 billion worth of medical debt**, pressuring them to consider how much their health care will cost and weigh whether it's worth seeking care. For many American workers, simply having employer-sponsored health insurance doesn't guarantee they can actually afford the health care they need. Although employee education is a leading challenge to mitigating health care costs, employers must find ways to help build employee confidence and knowledge about health care insurance, services and prescriptions.

The Evolution of Leave

Over the last few years, many more states have enacted laws to provide paid leave. Currently, 13 states and the District of Columbia have state-run, mandatory paid family and medical leave programs that cover most private-sector employees. Eight additional states have voluntary systems that provide paid family leave through private insurance. Undoubtedly, paid leave laws will soon impact more employers. As such, employers who are or will soon be subject to paid leave laws should ensure their workplace policies are compliant with 2024 requirements.

More employers are embracing various types of paid leave, such as family, medical, sick and bereavement leave, even when not required by law. Volunteer leave is also gaining popularity, as it allows employees to give their time to organizations they care about. Some employers even grant paid leave for any reason. In fact, Illinois, Maine and Nevada require employers to provide paid leave for any reason.

For those not subject to paid leave requirements, employers may consider offering creative paid leave benefits to boost employee attraction and retention, increase employee productivity, reduce absenteeism and alleviate employee stress. Add up those advantages, and paid leave can attract a diverse workforce and boost employees' emotional, social and financial well-being. Happy and healthy employees are a win for employers. However, as with any offering, paid leave can have drawbacks for employers offering time off. The first and obvious disadvantage is that paid leave adds to an employer's financial burden, especially for smaller businesses. There is also the potential for misuse; employees may take time off without legitimate reasons, which can also be challenging for employers to monitor. Employers must weigh these pros and cons in the context of their specific organizational needs and capabilities.

Overall, paid leave is evolving to support diverse workers and encourage family-friendly workplace policies. Expanding paid leave benefits can be an important talent acquisition strategy for employers since candidates and employees prioritize them. These benefits can give employees a meaningful safety net and peace of mind, helping build trust and increase loyalty.

Boosting Benefits Utilization With Personalization

Employee benefits significantly impact a company's bottom line and, thus, are a crucial factor for businesses to consider. Today's benefits extend beyond health insurance as workers seek packages with flexible offerings that help them afford everyday purchases and save for the future. With an increasingly multigenerational workforce, employers are also faced with the challenge of designing employee benefits that appeal to all generations of workers.

Considering this, many organizations are looking closer at their benefits packages and exploring ways to expand offerings their employees will desire and utilize. A report by health care benefits company Lively found that 81% of organizations plan to add or improve employee benefits in the next year to better recruit and retain employees. Furthermore, the report showed that employee experience, feedback and ease of use matter the most when benefits leaders decide to select or renew with benefits providers. Consider these additional key takeaways from the 2024 report:

Flexible benefit offerings are on the rise. One in 4 organizations plan to add wellness benefits, bonuses and emergency savings accounts in the next year. Additionally, 1 in 5 companies plan to add pet insurance, professional development, paid time off (PTO) and lifestyle spending accounts.

Employee input is the most trusted source of information about benefits. Employee feedback and complaints are the top reasons, rather than cost, that benefits leaders renew or switch providers.

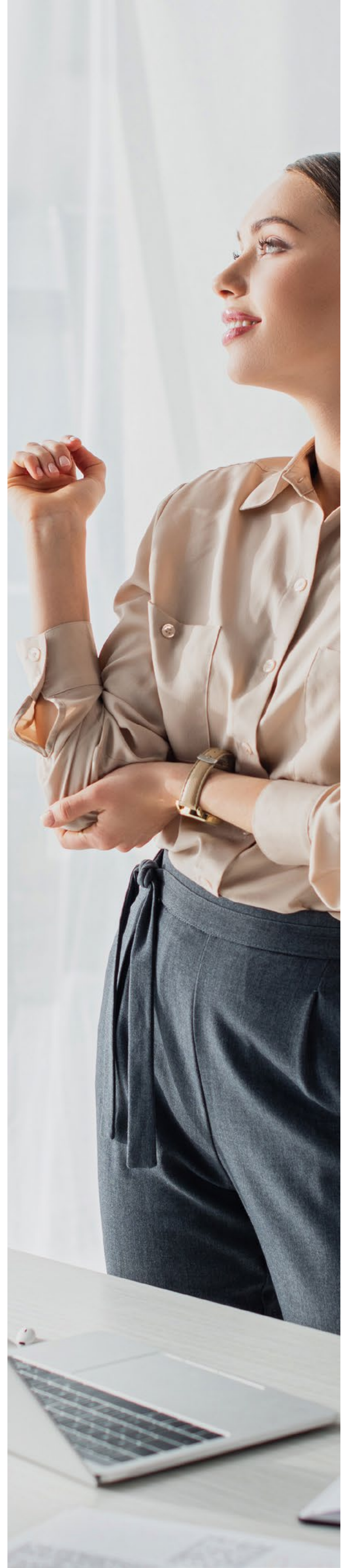
Employee experience with benefits drives benefits leaders' decision-making. Employees' ease of use is the most important factor in choosing a benefits provider, but providers often fall short.

Today's workplaces are diverse, which means workers collectively have a wide range of wants and needs. More organizations are contemplating a personalized benefits model that provides sustainable and valuable benefits to employees based on their individual situations. Personalized benefits empower workers to use their benefits however they want instead of having a one-size-fits-all plan.

Here are some common types of flexible benefits that are attractive to workers:

- Health savings accounts
- Lifestyle spending accounts
- Emergency savings accounts
- Professional development opportunities
- Expanded PTO
- Pet insurance

Although many companies' budgets have suffered in the past couple of years, employers need to be more strategic about their benefits offerings now than ever. Flexible benefits that are easy to use and meet workers' needs can help improve employee recruitment, satisfaction and retention. As more organizations lean on their workers' thoughts and feedback about benefits, it can be helpful to start with this strategy to discover the benefits that matter most to a specific workforce.



The Importance of Emotional Salary

In today's rapidly evolving job market, attracting and retaining top talent extends beyond traditional monetary compensation. While competitive salaries and benefits packages are essential, they no longer suffice as the sole criteria for job satisfaction and employee loyalty. As long as workers can meet their basic needs, most employees care more about their "emotional salary" than the monetary compensation.

Emotional salary refers to the nonmonetary components contributing to an employee feeling adequately rewarded at work. The seventh annual Engagement and Retention Report from Achievers Workforce Institute (AWI) found that compensation plays a significant role in the search for new employment. Alarmingly, two-thirds of employees (65%) have one foot out the door this year. Employees noted that compensation is the top reason to look for a new job in 2024, as pressures from inflation and the cost of living have shifted workers' focus.

However, AWI researchers also noted that an important factor to consider is an employee's emotional salary, revealing that the following factors can increase emotional salary:

- **Culture alignment**—Employees want company decisions to align with their own values.
- **Frequent recognition**—Employees want to be appreciated at work.
- **Work relationships**—Employees want to feel connected to others at work.
- **Consistent feedback**—Employees want their voices to be heard and responded to.
- **Career progression**—Employees want to believe they have a future at the company.

Emotional salary is important because it significantly enhances employee satisfaction, engagement and loyalty, which are critical for organizational success. Beyond financial compensation, emotional salary addresses the intrinsic needs of employees by providing recognition, a sense of purpose, career growth opportunities, work-life balance and a positive work environment. This holistic approach may lead to higher productivity, reduced turnover, and a more innovative and motivated workforce, ultimately creating a resilient and thriving organization that attracts and retains top talent.

The concept of emotional salary is becoming increasingly important in the modern workplace. As organizations strive to attract and retain top talent, they must look beyond traditional compensation and focus on their employees' emotional and psychological needs. A holistic approach to compensation has the potential to create a resilient and thriving organization that attracts and retains top talent. In the end, an investment in emotional salary is an investment in the long-term health of the organization.

The Demand for Mental Health Benefits

Anxiety has been rising in recent years and is now a top mental health issue in the workplace. A recent report revealed that nearly **one-quarter (24%)** of the individuals who contacted mental health provider ComPsych in 2023 were looking for help with anxiety. For context, anxiety didn't even rank as a top-five mental health issue in the providers's 2017 analysis. Today, this mental health condition is surpassing common struggles such as depression, stress, relationship and family issues, addiction and grief.

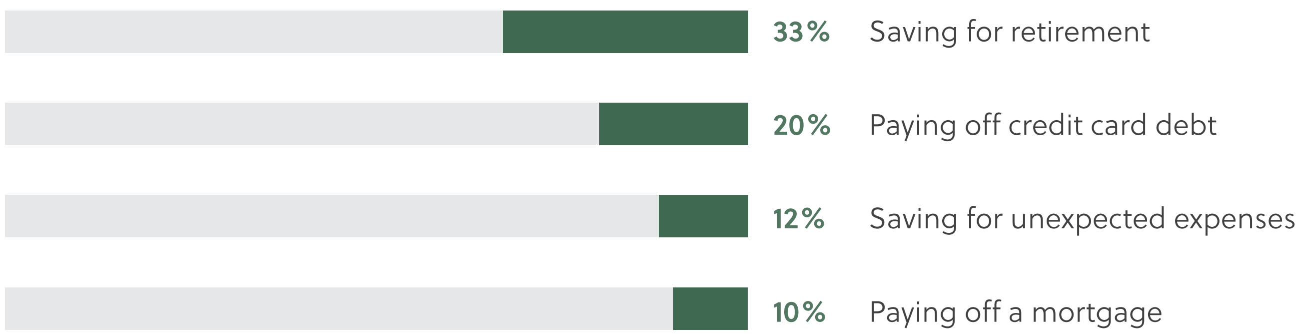
Mental health experts aren't necessarily surprised by the increase in Americans' anxiety, as the U.S. Preventive Services Task Force updated its anxiety screening guidelines just last summer. For the first time, the organization's screening recommendation applies to all adults under 65 and is meant to help identify early signs of anxiety, which can go undetected for years. Anxiety will likely continue to present challenges for employees and employers alike, especially amid economic pressures and a looming presidential election.

With various mental health conditions prevalent in the workplace, employers can focus on ways to break the stigma around mental health and treatment, offer mental and emotional wellness benefits, and foster a supportive work culture. Organizations may invest in new mental health initiatives or amplify existing efforts, such as employee assistance programs, counseling benefits, mental health apps, peer-to-peer support programs and mental health days. However, stigma can prevent employees from utilizing benefits or even getting the help they need. A study at global pharmaceutical company Novartis found that when employees simply heard about colleagues' mental health struggles, they were more likely to use the services or learn more about available mental health programs. The company's trial found that colleagues sharing their personal stories resulted in an increased uptake of an existing peer-to-peer support mental health program by as much as 8%.

Open and candid workplace conversations about mental health struggles can help normalize access to support at work. Once employees are engaged in mental health-related topics, education efforts can help workers fully understand their available mental health tools and resources.

An Increasing Need for Financial Wellness

American workers are starting to feel better about their financial outlooks, but worries remain. A Bank of America Institute report found that nearly half (47%) of employees feel financially well, an increase from 42% in 2023. Despite the improvement in financial optimism, there are still issues restricting employee financial wellness. Many are still financially stressed, worrying about inflation and the cost of living outpacing their paychecks. The report revealed employees' top financial goals:



To help employees reach these personal financial goals, employers are poised to offer retirement planning resources, online financial tools and education to help them develop good financial habits. The Bank of America report also found that there is room for improvement when educating employees on health care in retirement, as many employees underestimate the cost of health care during retirement. Only **7%** of employees anticipate spending $10,000 or more on health expenses; however, research shows that a retired couple should have **$351,000** set aside for them. That discrepancy validates the need for education on retirement expenses so employees save enough money for that chapter of life.

Debt assistance remains a priority for employees, and many employers are working on ways to support that need. Student debt affects about 43 million Americans with a combined **$1.7 trillion of debt**. It's a burden that some borrowers and their advocates say has harmed their ability to save for a home or achieve financial milestones. As such, the Biden administration has provided multiple rounds of student debt relief, offering a total of $167 billion in loan forgiveness to 4.75 million Americans. It also plans to provide additional broad-based loan forgiveness through the Higher Education Act, which could relieve about 30 million borrowers by erasing some or all of their student loans.

To further support employees' debt assistance needs, employers may offer student loan assistance or make matching 401(k) contributions. From a broader financial perspective, employers are offering benefits that include access to financial counseling, financial education and legal support to deal with debt and rising everyday costs. Financial wellness is a valuable investment in an organization's workforce. Implementing a comprehensive financial wellness program is a step toward building a happier and healthier workplace for all.

Employer Takeaway

Employers continue to face many of the same challenges they've faced for several years. Unfortunately, these challenges will likely continue through the second half of 2024 and into the foreseeable future. These trends highlight a dynamic and responsive approach to meeting the diverse needs of today's employees.

Savvy employers will find innovative, practical, cost-effective ways to meet these challenges. While the best strategies will vary by industry and workplace, being aware of current benefits trends can guide organizations as they strategize and take action. Recognizing these trends can help employers respond meaningfully to help keep their workforce healthier, happier and more productive.

Contact us today for more information on the latest benefits trends.