

Colonial Life[®]

Benefits education in today's workforce

Key HR insights for 2022





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In today's tight labor market and shaky economic recovery, results from our **recent surveys show** that **benefits** have a tremendous **impact on retention, productivity and engagement.**

Introduction

Competition is tough for skilled workers. Businesses in most sectors are feeling the effects of enormous staff shortages and the increasing need to support their employees.

Pandemic burnout and “The Great Resignation” have workers leaving their jobs at a rapid pace. A large percentage of the 1.8 million women who dropped out of the workforce have not returned.¹ And for many businesses that were getting back on track, the Delta variant surge knocked them back down. Furthermore, businesses in large regions (California, Louisiana, New York) have been facing multiple natural disasters, including wildfires, hurricanes and flooding.

Yet even in hard times, there is some good news for employers too. About half of employers said their organization’s benefits are very good or excellent. And about two-thirds of workers rated their benefits offering highly. What’s more, workers are paying more attention to their benefits this year:

- Nearly 70% of workers reported they are planning to spend more time reviewing their benefit options this year compared to last year.
- 65% said they’re more interested in their benefits because of the pandemic.
- About half of workers said they planned to add a new benefit during enrollment because of the pandemic.

The statistics (above) show that employers have a tremendous opportunity to showcase their benefits packages and elevate the employee experience during enrollment. And by finding more ways to educate and communicate with employees they will also build goodwill.

Another key finding revealed businesses that have a stronger benefits education or enrollment processes in place are likely to have higher employee satisfaction overall, likely because workers understand their benefits better. This really came through with millennials, an essential part of the workforce, while organizations that were weaker on communication, education and feedback had lower satisfaction.



About **two-thirds** of employees who were **satisfied with their benefits** reported being more productive, **more likely to stay at their job**, and more likely to recommend their employer.

In August 2021, we surveyed 404 employers and 1,463 fulltime workers about their benefits. Our survey results confirmed what many businesses and HR professionals have surmised for a while. Benefits really do play a key role in workers' productivity, retention and engagement.

Nearly 60% of employers said their benefits package had a positive impact on employee productivity and retention. About two-thirds of employees who were satisfied with their benefits reported being more productive, more likely to stay at their job, and more likely to recommend their employer.

This report covers the results and key insights from these Colonial Life surveys. Specialized topics include overall benefits satisfaction, the continued impact of the pandemic, high out-of-pocket expenses, and the role of benefits education, communication and enrollment in today's workforce.



Nearly **60% of employers** said their **benefits package** had a **positive impact on employee productivity and retention**.



Overall satisfaction with the benefits package

Both employers and workers reported they were satisfied with their benefits package overall. Still there was a significant difference between the two, with workers generally more positive about their benefits package. One possible reason for the differing (worker and employer) views is that HR decision-makers are more critical of their benefits offering. This is especially true for small employers who have a limited budget for benefits and may wish they could offer more.

- About half (52%) of HR benefit decision-makers said their organization's benefits package was very good or excellent in the Employer Survey. But for smaller businesses (< 100 employees), this rating dropped significantly to 36% of HR professionals.
- By comparison, 67% of workers rated their benefits as excellent or very good in the Employee Survey.
 - Millennials and Gen X workers were the happiest with their benefits, with 73% rating their benefits as excellent or very good, followed by Gen Z at 65% and baby boomers at 54%.

Given that workers already feel really positive about their benefits, businesses can use that goodwill to reach out to their employees with a thoughtful communication and education plan that really speaks to their benefits needs.





Impact of ongoing pandemic

Well into the second year of the COVID-19 pandemic, both surveys confirmed the health crisis continues to have a profound impact on workers' everyday lives. They're worried about their health and those of their loved ones, they're experiencing financial hardships and are concerned about their mental health. With this in mind, it makes sense that about half of workers plan to add a new benefit during 2022 enrollment, and 66% plan to spend more time reviewing and understanding their benefits.

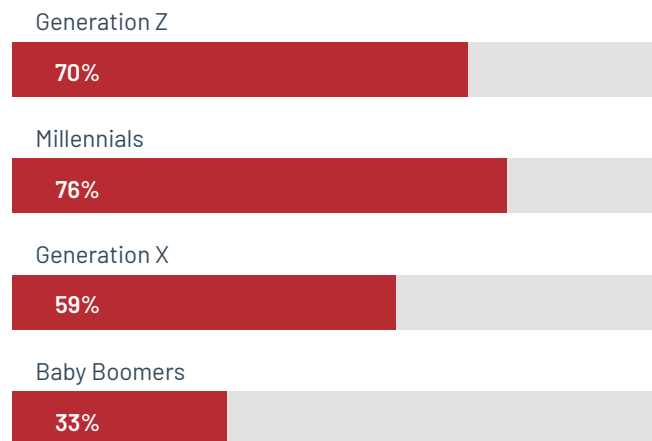
What is concerning is that more millennials reported being impacted by the health crisis than the other generations. Since millennials make up the majority (35%) of the workforce, what they're struggling with will almost certainly impact their employers.

These results highlight the need for employers to look for smart and creative ways to support their workers.

Nearly half of full-time workers plan to enroll in benefits they were not enrolled in last year due to the pandemic.

- Nearly 60% of workers said the pandemic has caused them financial stress or hardship.
 - But this spiked to 76% for millennials, followed by Gen Z at 70% and Gen X at 59%.
 - Just 33% of baby boomers said they were financially impacted by the pandemic. This was surprising given the disproportionate rate of hospitalizations and death on this generation and the financial hardship that is often the result from such a serious illness.

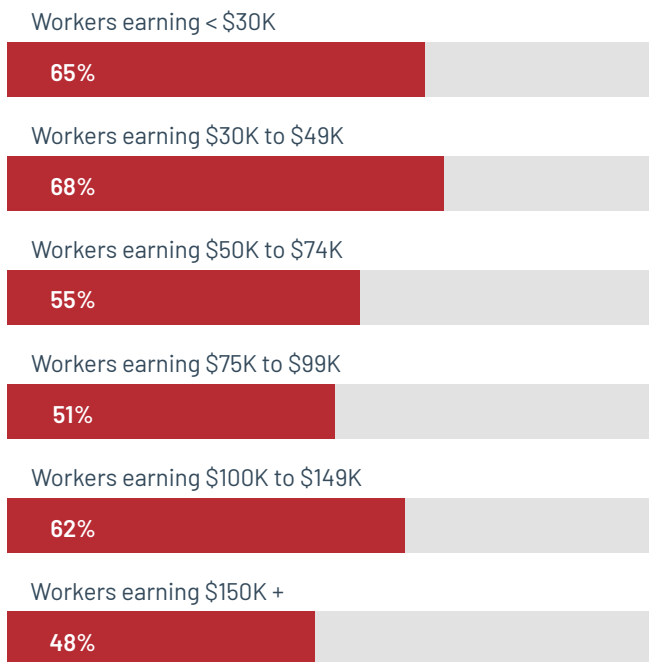
Financial stress due to pandemic by generation





- Even at the higher income levels, a large percentage of workers had financial stress or hardship as a result of the pandemic. This suggests employees with higher incomes were also vulnerable financially although it was still much lower than earners in the less than \$30K bracket. See the chart: *Financial stress due to pandemic by income level*.

Financial stress due to pandemic by income level



- 42% of workers are concerned about their mental health because of the pandemic.
 - Millennials reported the highest percentage of mental health concerns at 55%, which wasn't quite as high as financial stress and hardship.
 - Gen X (43%) and Gen Z (42%) reported about the same level of mental health concerns.

Given the ever-evolving nature of the pandemic, workers are continuously reminded of the how vulnerable their health and their financial wellbeing can be. This is especially true for millennials, who are likely juggling families and still establishing themselves financially.

Employers should try to meet their workers' concerns by reviewing their benefits offering. Does their critical illness policy cover infectious diseases such as COVID-19? Or will an infectious disease rider be needed? Is there adequate and affordable disability coverage available in case a worker gets sick?



42% of workers are concerned about their mental health because of the pandemic.



Using benefits in everyday life

Health insurance is, by far, the most expensive benefit for both employers and workers. And with health care costs growing faster than wages or inflation,² it's no surprise that high deductible health plans (HDHPs) have also been getting more popular with employers and workers.

But for many workers, any savings in premiums with an HDHP is a double-edged sword. Instead of saving money, many workers delay needed medical care, because they feel like they can't afford the out-of-pocket expenses of a \$3,000 to \$5,000 deductible.

And workers delaying medical care can have consequences for employers too. Many workers who don't feel well will not be able to perform their job like they normally would. And there is likely to be increased safety risks on the job and higher workers compensation claims.

Our survey touched on two key questions about health care costs. How frequently are workers using health insurance for unexpected accidents or illnesses and how are they coping with out-of-pocket expenses.

HEALTH INSURANCE FOR COSTLY MEDICAL CARE

Our survey results confirm what employers already observe at their jobsites. A large percentage of workers

or their dependents use their health insurance for medical care with hefty out-of-pocket costs on a regular basis. Specifically, they are using their health insurance for unexpected accidents or illnesses, routine or planned surgeries.

A large percentage of workers are using their health insurance for unexpected accidents or illnesses.

- 45% of all workers used their health insurance for an unexpected accident.
- 51% of workers used their health insurance for an unexpected illness.
- 56% of millennials said they used their health insurance for an unexpected accident, followed by Gen Z (53%), Gen X (45%) and baby boomers at 29%.

Nearly 40% of workers are using their health insurance for routine or planned surgery.

- Gen X reported the highest percentage of planned surgeries at 41%, followed by millennials at 38%.
- Baby boomers and Gen Z were both at 34%.

These results also reveal that millennials are using their health insurance for potentially costly medical care for themselves and their dependents, just as much or more than baby boomers. (Gen X and Gen Z also are also using their health insurance more than baby boomers.) And while younger workers may say they won't need costly medical care, in reality, a large percentage are using their health insurance. Next, we look at workers who are struggling with out-of-pocket medical expenses.

Health insurance used for unexpected accidents or illnesses

45% of all workers used their health insurance for an unexpected accident.

51% of workers used their health insurance for an unexpected illness.

Nearly 40% of workers are using their health insurance for routine or planned surgery.

Percent usage by generation

	Unexpected Accidents	Routine/Planned Surgery
GEN Z	53%	34%
MILLENNIALS	56%	38%
GEN X	45%	41%
BABY BOOMERS	29%	34%

STRUGGLING WITH OUT-OF-POCKET EXPENSES

Over half of employees said they struggled to pay their out-of-pocket medical costs. No doubt contributing to workers' financial difficulty with out-of-pocket expenses is the growing trend toward HDHPs. If a worker has to pay \$3,000 to \$5,000 for a family deductible before co-insurance kicks in, it's easy to see how workers might struggle financially.

But even with the risk of high out-of-pocket expenses, nearly 70% of workers said they are considering enrolling in an HDHP in the coming year. And of those, two-thirds said they have struggled to pay their out-of-pocket costs.

Reasons why workers were considering an HDHP:

- 49% said it was to lower their health insurance premium
- 31% said it was because they were healthy and didn't need an expensive health plan

These results indicate that while employees may save money for lower premiums, the high deductibles become a financial burden once they need costly medical care.

Employers can help cushion the financial impact of out-of-pocket expenses by offering a combination of affordable voluntary benefits that fill in the gaps for deductibles, co-insurance and co-pays. Offering a selection of voluntary benefits, such as accident, critical illness, and hospital indemnity insurance can help employees pay the upfront costs of high deductibles, so they will be more likely to seek medical care. And make sure benefits education helps workers understand how their HDHPs work and benefits that can help provide extra protection.

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Listening to employees' needs

The majority of employers (90%) said they considered the needs of employees and their employees' families when designing their benefits offering. It was a positive trend for workers too, with three-fourths reporting they felt their employer takes their needs into consideration. Millennials, males, and workers earning \$100k+ were most likely to share this belief.

- 73% of workers said their employer takes their needs into consideration with benefits, but this is even higher among select groups:
 - 82% of millennials said their needs are considered.
 - 78% of male workers said their needs are considered compared to 67% of females.
 - 81% of workers earning \$100K+ said their needs are considered.

HOW FEEDBACK IMPACTS EMPLOYEES' PERCEPTION

There was a strong connection between workers' perception about their benefit needs and providing feedback to their employer on benefits.

Among workers who said their employers sought their feedback (whether **formal or informal**) when designing a benefit offering, **94% said they feel their needs are taken into consideration.**

On the other side, among workers who said their employers did not seek their feedback, 53% of workers said they feel their needs are considered.

The takeaway here is that employees are much more likely to feel their benefits package is designed with their needs in mind when their employer sought their feedback.

“

It's essential that employers stay closely connected to what their employees need, not just this year, but next year and the year after that. They can do that by sending surveys, conducting focus groups, and simply asking meaningful questions. Remember, the greater the breadth and depth of benefits you offer, the more engaged your employees will be.

— Kaleb Unverfehrt, AVP of Enrollment Strategy at Colonial Life

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Enrollment, education and communication

Employers use a broad range of education and communication methods to help their employees understand their benefits options. They ranked the three most effective educational methods as a benefits portal or website, in-person meetings with a benefits advisor and group meetings with a benefits advisor.



Workers also rated a benefits portal/website and in-person meetings with a benefits counselor in their top three preferred educational methods to learn about their benefits. The notable difference was that printed material was rated in the top three for workers.

The key takeaway from these results is that a variety of educational methods are needed to speak to workers' different learning styles. For example, education with an advisor in a 1-to-1 or group setting, self-guided education through technology (benefits portal) and printed learning materials (paper to hold and write on). And many employees will use two or more methods (benefits portal, 1-to-1 counseling, printed materials) to fully absorb all the details about their benefits. And like everything in the world, some workers will gravitate toward digital resources while others are less tech savvy.

When it comes to communicating and educating employees about their benefits, don't think that it will be a one-time thing or even a one-size-fits all approach and all of your employees will magically understand their benefits.

"The message will need to be repeated numerous times through numerous channels," said Unverfehrt. "Technology can be a great enabler of this, but **technology can't replace the value of personalized recommendations and education with a benefits counselor.** Find a partner that can not only provide benefits but also support you with benefits communication and enrollment. Think of them like they're an extension of your HR team."

Top 3 preferred educational methods



EMPLOYERS TOP 3:

- 1 Benefits portal/website
- 2 In-person meetings with a benefits advisor
- 3 Group meetings with a benefits advisor

EMPLOYEES TOP 3:

- 1 Benefits portal/website
- 2 In-person meetings with a benefits advisor
- 3 Printed materials

EFFECTIVE EDUCATIONAL TOOLS

While there are some differences in what educational methods are preferred by age, all generations prefer a mix of personalized counseling whether it is in-person or remote (virtual tools and telephone).

So like learning anything new, there isn't just one or two ways that will work for everyone's learning styles. Businesses should consider providing a variety of education and enrollments methods and re-evaluate them periodically.

Use of a benefits portal or website for benefits education:

- 50% of employers feel it is the most effective educational tool
- 49% of employers are currently using one
- 42% of employees prefer this method to learn about their options

When employees feel overwhelmed by benefits information, they can also become indifferent towards them. That is why it's so important to educate employees about their benefits throughout the year. So by the time enrollment comes around, workers have had much more time to absorb benefit information and will feel more prepared.

Having a strong benefits education and communication strategy can cut back on the questions and free up time for HR administration staff. Here are the most frequently asked questions they reported receiving:



HR'S FAQs ON BENEFITS

- 1 Premium or costs
- 2 Changes in coverage or plans
- 3 Claims
- 4 Life-event changes
- 5 Carrier's customer service

Among employees who took advantage of benefits education and advice, 84% reported significantly higher understanding and 76% significantly higher satisfaction with their benefits.

Employee Benefit Research Institute and Greenwald & Associates, Workplace Wellness Surveys, 2021.

#1 way to learn about benefit options by generation



GENERATION Z

32% prefer in-person with a benefits counselor



MILLENNIALS

40% prefer benefits portal



GENERATION X

45% prefer benefits portal



BABY BOOMERS

49% prefer printed material

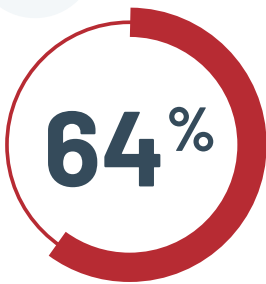


One of the things that came out of the survey results was that we still need to find ways to capture our employees' attention in short bursts. And if we understand those opportunities to use technology and in-person methods to capture our employees' attention, we can use that knowledge to improve our communication plans.

— Robin Schooling,
Managing Partner of People Strategy at Peridus Group



Benefits impact on productivity, retention and engagement



Among **employees** who reported they are **satisfied with their benefits package**, 64% said they **were more productive**.

Both the employer and employee surveys confirm the positive impact that benefits have on productivity, retention and engagement. And where one of these key elements go up say, engagement, it's likely productivity and retention is on the rise too.

BENEFITS IMPACT ON PRODUCTIVITY

Nearly 60% of employers said their benefits package had a positive impact on employee productivity.

But this jumped to 73% for employers who rated their benefits as very good or excellent.

This trend coincided with employees, with half of workers reporting their benefits made them more productive. This increased to 64% among those who rated their benefits as very good or excellent.

BENEFITS IMPACT ON RETENTION

The majority of employers and employees said benefits influenced retention levels. But this wasn't across the board for all companies with about one-third of smaller employers reporting a significantly lower impact for benefits.

This isn't surprising since there is a general perception that "Main Street" businesses have limited budgets for benefits compared to larger companies. Another key piece – businesses with less than 50 full-time employees aren't required to offer health insurance and, if they do, many only offer HDHPs.³ These factors indicate that many Main Street businesses believe their workers have lower expectations for benefits.

For employees, other factors such as total wages, work-life balance and changing career interests may also come into play with their intention to stay at a company.

Impact of benefits on retention

- 70% of employers said their benefits helped with employee retention.
- Among those who rated their benefits as very good or excellent:
 - 90% of employers said their benefits helped with employee retention.
 - Nearly 70% of employees said their benefits made them more likely to stay with their employer.

Schooling explained that businesses should be mindful on how much benefits are influencing their employee retention, as well as recruiting new workers.

"We're competing to keep our own employees and we're competing for new talent," said Schooling. "So, part of your benefits strategy and goal setting is to determine ways that you can clearly convey the value of your benefits to both prospective and current employees."

— Robin Schooling, Managing Partner of People Strategy at Peridus Group

BENEFITS IMPACT ON ENGAGEMENT

Like productivity, most employers said benefits supported employee engagement and the likelihood of recommending the company as a good place to work. Benefits appear to have a strong positive impact for workers as well, as they were more likely to recommend their organization because of benefits.

Impact of benefits on engagement

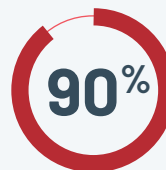
Nearly 60% of employers said benefits had a positive impacted on employee engagement.

- Among those who rated their benefits as very good or excellent:
 - Nearly 80% of employers said benefits had a positive impact on employee engagement.
 - Nearly 70% of workers said they are more likely to recommend their employer.



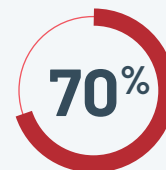
Benefits education leads to higher satisfaction, which leads to more productivity, retention and engagement

When employees are more educated about their benefits, they report higher levels of satisfaction with their benefits. Employees with higher levels of satisfaction with their benefits are more productive, more likely to stay with their employer, and more likely to recommend their employer.

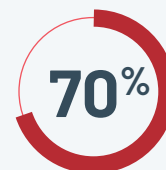


For employers who rated their **benefits plan as very good or excellent**, their offering jumped to **90%** for retention.

Among employees who rated their benefits as very good or excellent:



70% said they are **more likely to stay with their employer.**



70% said they are **more likely to recommend their employer.**

Reviewing and understanding benefits

About three-fourths of HR professionals believe their employees have a good understanding of their benefits and are confident in their ability to make good decisions. And although they think workers will spend more time reviewing their benefits this year, the total time will still be less than an hour.

By comparison, more than half of workers said they find it difficult to select their benefits. This gap indicates that many employers are overestimating how much their workers are fully understanding their benefits during enrollment.

- 63% of employers said their workers will spend more time reviewing their benefits this year, but most will spend less than an hour.
- Just 7% of employers think their employees will spend more than an hour reviewing their benefits.

Consider this: **In 2020, Americans spent an average of 2 hours and 8 minutes on social media per day.**⁴ Even with the heightened health concerns, there are so many things competing for workers' attention. So HR professionals need to find ways to make sure they provide easy solutions for workers to review their benefit options.

On the employee side, 66% of workers will be spending more time reviewing their benefits this year because of the pandemic. For millennials, this jumps to a whopping 78% spending more time reviewing.

- For employees who found selecting benefits difficult, 46% said talking with a benefits expert to get personalized recommendations would make it easier.
- For employees who found selecting benefits difficult, 42% said including their spouse in the decision-making would make it easier.

"What businesses should be asking themselves," said Unverfehrt, "Is what will motivate my employees to complete their enrollment and what can I do to help motivate them?"

One simple way to motivate your employees is to encourage them to attend 1-to-1 counseling during their regular scheduled work hours, instead of asking them to squeeze in their counseling during a hurried lunch break or before or after their shift.

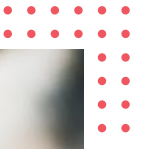


46%

For employees who found selecting benefits difficult, 46% said talking with a benefits expert to get personalized recommendations would make it easier.

42%

For employees who found selecting benefits difficult, 42% said including their spouse in the decision-making would make it easier.



Key takeaways for HR

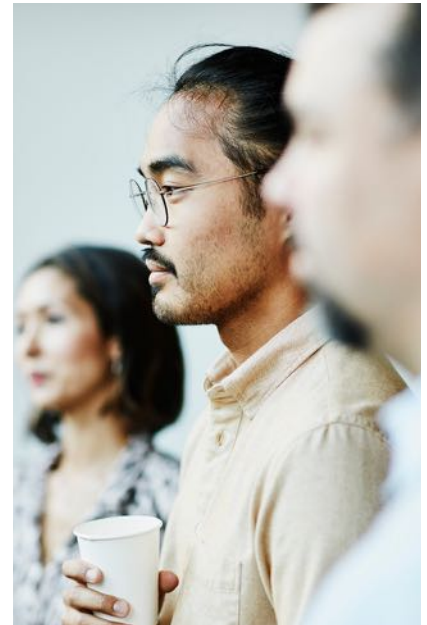
Employers and employees alike are facing serious and unique pressures today. Workers are under tremendous mental and financial stress and the ongoing pandemic continues to shape the workplace and workers' heightened vulnerabilities.

SO WHAT CAN ORGANIZATIONS DO TO SUPPORT THEIR EMPLOYEES?

- Provide a comprehensive benefits package that addresses workers' needs
- Consider voluntary benefits that cushion the financial impact of high out-of-pocket expenses
- Ensure workers feel heard about their benefits needs by gathering feedback – formally or informally
- Develop a consistent benefits education and communication plan to ensure employees understand and take advantage of the protections offered
- Elevate the employee experience during enrollment, and make benefits counseling easily available

If you have limited resources or you don't know where to start, you don't have to set up a comprehensive benefits plan or even a communication and education plan from scratch. We encourage you to lean into your broker or provider for help in tapping into their resources for a comprehensive benefits package, as well as a communication and education plan that's customized to your employees' needs.

"If you're making benefits education and enrollment a priority and your employees can see the effort you're putting into it for them – the more they'll be engaged," said Unverfehrt. "The more you care about your employees' wellbeing, the more you'll be rewarded with stronger levels of employee retention and overall workplace satisfaction."



ABOUT THE SURVEYS

We surveyed 404 employers from August 17-24, 2021 about benefits education, communication and enrollment. Respondents were limited to benefits decision-makers at U.S.-based organizations representing a wide variety of industries.

We surveyed 1,462 full-time U.S. employees from August, 2021 about how their employer-based benefits and enrollment.



1. NPR, Millions Of Women Haven't Rejoined The Workforce – And May Not Anytime Soon, 2021.
2. KFF, New Analysis of Large Employer Health Coverage, 2019.
3. KFF, Employer Health Benefits Survey, 2020.
4. Statistica.com, Average time per day spent by online users on social media 4th quarter 2020, by territory.

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