Employee Benefits Report

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Employee Health Issues

Anxiety Now Top Employee Mental Health Issue

Anxiety has reached unprecedented levels among U.S. workers, according to new data, now topping the list as the number one mental health issue impacting the American workforce.

An analysis of over 300,000 mental health cases nationwide showed that nearly one quarter — 24% — sought assistance for anxiety in 2023. That positions anxiety above depression, stress, relationship problems, family issues, addiction, and grief as the most common presenting problems reported by employees.

Just five years ago, anxiety did not even rank among the top five issues. But experts say the series of stressful events in recent years, from the COVID-19 pandemic to inflation, war, and political upheaval, have created a persistent feeling of worry and apprehension.

Surge In Anxiety Driving Increased Absenteeism

Along with anxiety comes a corresponding increase in lost productivity, absenteeism, and higher health costs for employers nationwide.

According to recent research, mental health-related leaves of absence surged 33% from 2022 to 2023. Since 2017, anxiety-driven absences have spiked a staggering 300%.

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This Just In ...

House Attempts to Repeal Independent Contractor Rule

The House Education and Labor Committee advanced a Congressional Review Act resolution that would nullify the independent contractor rule finalized in January. If the measure clears both chambers and gets President Biden's signature, which is unlikely, the prior Trump-era guidance would be reinstated.

Backers of the resolution, including Rep. Kevin Kiley (R-Calif.), contend the revised test for distinguishing between employees and independent contractors represents "a threat to the livelihood of millions of Americans" and comes at an inopportune economic moment.

Meanwhile, major business groups have filed lawsuits challenging the legality of the new rule, which took effect March 11.

Key Changes

At issue is the standard for determining whether a worker qualifies as an employee under the Fair Labor Standards Act or can be classified as an independent contractor exempt from the law's minimum wage and overtime provisions.

The rescinded Trump-era rule put greater emphasis on two factors — a company's control

The lengths of these leaves of absence range from several days to several weeks, contributing to the rising cost of lost productivity.

Women — especially Millennials — are taking the brunt of this burden. Data showed that 69% of anxiety-related leaves in 2023 were taken by female employees. Of those, 33% were Millennial women, followed by 30% Gen X women.

Financial Challenges Exacerbating Crisis

A persistently high cost of living is further elevating workplace anxiety levels. Research found financial concerns to be the number one driver of poor mental health, cited by 45% of respondents.

Employees today are also more likely to experience negative emotions on the job compared to pre-pandemic times, including higher stress (+12%) and burnout (+17%).

The prevalence of anxiety, depression, and burnout translates directly to employers' bottom lines. Along with increased absenteeism, companies nationwide are dealing with plummeting productivity levels, higher healthcare costs, and more.

Healthcare Expenses

In 2013, anxiety disorders were estimated to result in more than $48.72 billion in healthcare costs in the U.S. With the significant increase in the prevalence of this issue, this figure has likely skyrocketed. Considering that in global estimate of the cost of anxiety was $6.5 trillion, it's likely to have risen significantly.

Treatments for conditions related to elevated stress are not cheap. Just a few visits to an outpatient therapist can quickly add up to thousands of dollars per employee each year.

Prescription drug costs have also soared 32% between 2021 and 2022 (and have continued to climb), including mental health medications such as antidepressants and anti-anxiety drugs. Those costs are frequently passed down to employers through health insurance plans.

Presenteeism Impacting Productivity

Presenteeism — when employees are physically present but not mentally — remains one of the largest contributors to lost productivity stemming from mental health issues.

Up to 80% productivity loss from untreated depression and anxiety often comes in the form of presenteeism. Research confirms mental health conditions contribute more to lost productivity compared with chronic physical conditions like diabetes and arthritis.

Replacing an employee due to anxiety-related issues also comes at a high price. Experts estimate that total turnover costs for a single employee can be as much as a third of their salary or more.

Those replacement costs include hiring temporary workers, lost productivity as the new worker learns the ropes, and more, resulting in significant hidden expenses.

According to one study, mental health issues are costing employers approximately $225 billion per year due to the increased operational expenses and healthcare costs caused by decreased productivity and higher employee turnover.

over the work and the worker's opportunity for profit or loss. The new guidance scraps that approach in favor of a more ambiguous six-part balancing test that experts say will likely result in more workers being deemed employees.

Potential Effects

Proponents defend the Biden administration rule and say it ensures workers receive legal protections and businesses don't unfairly skirt costs.

Critics counter that the change denies people who prefer independent contractor arrangements the flexibility and autonomy they seek while saddling companies with higher costs and legal uncertainty. Some experts predict many independent contractors will lose income or work opportunities as businesses adjust to the new rule.

Courts Will Weigh In

With the Congressional repeal bid unlikely to advance further, attention turns to the pending court cases. The ultimate resolution may hinge on whether judges view the new rule as an unreasonable interpretation of existing law or a legitimate exercise of the Labor Department's authority to adapt its guidance to changing work arrangements.

In the meantime, the Labor Department has said it will not issue citations against companies working in good faith to comply with the new rule as challenges play out. But experts recommend businesses assume the revised test is here to stay and scrutinize worker classifications accordingly.

How Lifestyle Savings Accounts Can Unlock Higher Retention

As the competition for talent continues, employers are searching for new ways to attract and retain top employees.

They're finding that outdated, one-size-fits-all benefits packages no longer cut it. Workers today want personalized perks that match their unique needs and lifestyles. Enter lifestyle savings accounts — the highly customizable benefit that lets employees choose how to spend company-provided funds across nearly any category that promotes health, wellness, and financial stability.

Lifestyle savings accounts (LSAs) are soaring in popularity, with 38% of employers planning to offer them by 2025, up from just 7% currently. And for good reason — these flexible spending accounts cast a wide net to cover individual employees' most pressing concerns, from childcare costs to student debt.

The Problem with Cookie Cutter Benefits

Traditional benefits packages concentrate heavily on basic medical insurance selected by the employer. But that narrow focus doesn't address a lot of other expenses weighing on workers' minds. According to advisory firm WTW, even though employers have significantly expanded their benefits programs over the years, employees rarely use them.

Today employees want holistic assistance across all facets of their financial lives. For example, older staffers need more retirement planning resources, while younger employees grapple with childcare costs and student debt.

The Difficulty of Meeting Diverse Needs

Catering to a generationally diverse workforce poses significant challenges for employers who want to help everyone. Each segment has unique priorities.

With so many options available, it can be overwhelming for companies to identify and administer the right mix. Employers that take a scattershot approach and hope to provide something for everybody risk low utilization as workers struggle to qualify for or even find offerings in an endless catalog.

Lifestyle Savings Accounts to the Rescue

Lifestyle savings accounts help employers cut through the confusion by empowering each employee to choose how to allocate company-provided funds in a way that best supports their personal health, wellness, and financial stability.

Employers deposit a set amount — typically $500 to $2,000 annually — into an account personalized for each worker. Employees then draw from those funds to cover an extensive list of approved expenses, including:

- Child care
- Elder care
- Pet care
- Tuition
- Student loan repayment
- Financial counseling
- Identity theft protection
- Gym memberships
- Youth sports fees

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- Stress management services
- Healthy meal delivery
- And more

The Key Driver Behind LSAs: Retention

In today's ultra-tight labor market, employee retention is the top business priority for most companies. The substantial cost of turnover — estimated by Gallup at one-half to two times an employee's annual salary — threatens profit margins that are already squeezed by inflation.

So what's driving the growing employer appetite for lifestyle savings accounts? Research from WTW found that:

- 38% of companies currently offer or are considering offering LSAs to personalize their benefits.
- Of those currently offering LSAs, 59% are doing so specifically to attract and retain talent.

By meeting individual needs, lifestyle savings accounts boost employee satisfaction and engagement — key factors in retention. And they demonstrate that the employer genuinely cares about employees' financial well-being.

The Case for Consolidation

Today's workers want richly rounded assistance across all aspects of their lives. But complex administration makes it difficult for employers to offer point solutions targeting every potential need. Lifestyle savings accounts present a consolidation play that covers more ground through a streamlined approach.

Some benefits leaders view LSAs as an opportunity to replace underperforming offerings that fail to gain traction among their workforces due to how narrowly focused they are. Consolidating fringe benefits into a single flexible account available to all reduces employers' administrative burden while expanding employees' buying power.

Through lifestyle savings accounts' wide scope and self-service model, employers can expand their benefits portfolio without expanding HR headcount.

Best Practices for Rolling Out LSAs

While lifestyle savings accounts solve many problems for employers and staff alike, companies must take care to communicate the accounts' value and ensure optimal utilization.

HR should educate employees on LSAs through an ongoing communications campaign using multiple channels including email, intranet, break room flyers, and presentations. They should explain precisely how the accounts work, which expenses qualify, and how to submit claims.

Since LSA funds are taxable, employers must indicate that reimbursements will show up as taxable income. Setting proper expectations helps avoid disappointment down the line.

Monitoring LSA account usage helps employers determine if they've achieved the right balance of covered expenses. Consistently low reimbursement rates may signify that offerings miss the mark for employees' financial priorities. HR can use these insights to tweak qualified expenses for better alignment.

Lastly, automating LSA administration not only promotes participation through ease of use, it also saves employers substantial time and effort. Streamlined claim submission and seamless reimbursement remove friction from the process.

How Targeted Wellness Programs Can Reduce Workers Comp Claims

Employers pay a high price for workplace injuries.

According to the Occupational Safety and Health Administration (OSHA), workers' compensation costs U.S. employers nearly $1 billion per week, including indirect expenses like lost productivity, human resources support, replacement employee training, and reputational damage.

Chronic Conditions Drive Up Costs

What is one of the main drivers of those substantial workers' comp costs? The answer is employee chronic health conditions. According to a study by Travelers Insurance, half of all U.S. workers have at least one chronic condition. Treating an injured worker with an underlying chronic condition costs employers twice as much as treating one without.

Yet employers often underestimate the influence employee wellness programs can have on injury rates and workers' comp claims.

Well-Being Impacts On-the-Job Safety

An employee's health and well-being directly affect

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their engagement, satisfaction, productivity, and presenteeism — all factors tied to on-the-job safety. Employees who feel chronically stressed, ill, exhausted, or dissatisfied often get distracted at work, raising their risk of accidents and injuries.

Targeted Programs Can Reduce Claims

Workplace wellness initiatives that give employees resources to better manage stress, mental health issues, and chronic conditions can positively influence two key factors related to workers' comp claims:

- Injury Frequency: Employees struggling with health problems tend to have more workplace accidents. Effective wellness interventions can improve both physical and mental health, leading to fewer on-the-job injuries.
- Injury Recovery Times: Healthier employees with well-managed conditions tend to bounce back more quickly after accidents. Shorter recovery periods translate to lower wage replacement expenses.

Choose Programs That Meet Employees' Needs

Employers must select wellness solutions tailored to their workforce's specific health challenges to maximize results. Consider analyzing benefits utilization patterns and claims history data to identify the most prevalent issues, such as heart disease, hypertension, or diabetes.

Examining injury recovery metrics can also point to potential problem areas. For example, longer than average return-to-work timelines may indicate untreated or poorly controlled employee health conditions.

Surveying workers anonymously about their wellness priorities is another way to pinpoint offerings likely to have the greatest impact.

Effective Interventions

Once employers identify their population's greatest health and wellness needs, they can zero in on addressing them through targeted programming. Relevant initiatives might include:

- Stress management resources for those facing mental health struggles
- Gym membership reimbursement for employees with chronic conditions like obesity and diabetes
- Health coaching for those with poorly controlled hypertension and heart disease
- Childcare stipends for overwhelmed working parents
- Financial guidance for those undergoing money-related distress.

The key is choosing solutions built to tackle employee health deficiencies that are susceptible to driving workplace injury risks.

Boost Participation for Maximum Payoff

Simply offering wellness programming falls short, however. Companies must also ensure workers actively use those resources to gain the lasting benefits of safer, healthier, and less accident-prone employees.

Consider incentives like gift cards, extra vacation time, and reduced insurance premiums to encourage employee participation. Consistency pays dividends. Promoting offerings through multiple channels — email, intranet postings, break room flyers, presentations — improves awareness.

And integrating sign-up reminders into routine communications reminds employees to take advantage of the available assistance.

2024 Pay Raises: Employers Navigate Tight Job Market as Year Unfolds

Six months into 2024, U.S. employers are immersed in a delicate high-wire act as they finalize compensation budgets and pay raise plans. Though inflation has moderated to around 3% after peaking at 8% in 2022, the job market remains fiercely competitive, forcing companies to carefully balance salary hikes against rising costs and profitability pressures.

The Latest Compensation Data

A Gartner Inc. poll conducted earlier this year showed that 71% of finance leaders budgeted for pay raises of at least 4% in 2024, outpacing current inflation levels. The majority, 58%, planned for increases between 4% and 9%, though that's down from 70% in that range in 2023.

According to the survey data, fewer companies — just 13% — foresaw raises over 10%, compared to 16% the prior year.

Gartner researchers said the prevalence of raises exceeding inflation underscores the intense competition for talent amid lingering labor shortages so far this year.

An Evolving Outlook

After last year's overheated job market sparked an explosion in compensation hikes, data suggests some employers are tapping the brakes in 2024. While 86% of U.S. organizations granted pay raises in 2023, just 79% had them budgeted for this year, per Payscale's latest annual survey data released in April. The average planned 2024 increase sits at 4.5%, slightly lower than last year's actual 4.8% average raise. However, some booming sectors may still see hikes around 6%.

Payscale compensation experts noted that despite tentative cooling, employers continue viewing competitive pay as essential for recruiting and retention as stubbornly high living costs strain workers' finances.

Unmet Expectations Persist

However, surveys show a disconnect between many employers' pay plans and expectations of workers so far this year. Over half of employees polled feel their current wages aren't keeping up with inflation, according to staffing firm studies. And a jarring 81% told job site Monster in April that their paycheck has failed to keep pace with soaring costs.

Moreover, an HR tech company study revealed that 73% of workers would consider leaving for a bigger paycheck, saying they'd be lured by an average 13.3% raise — down from 16.1% in 2022 but still elevated.

Calibrating for Maximum Impact

As the year unfolds, compensation experts caution that there is no one-size-fits-all formula for setting pay raises in 2024's unique environment. While pay-raise projections offer guidance, tailoring plans to address distinct workforce needs, skills gaps, labor dynamics, and individual budgets will be paramount.

Researchers suggest that promoting transparency and open communication around compensation practices could also boost employee retention and recruiting efforts amid growing trends toward pay disclosure. With economic conditions and labor market tides still shifting, employers may need to continually reevaluate and adapt raise strategies to remain competitive for essential talent.

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