Employee Benefits Report

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Benefits Administration

Navigating the Benefits Buffet: How to Choose the Right Mix for Employees

With the number of potential employee benefits rising swiftly, employers face tough choices deciding which perks provide the highest value.

As of 2024, the range of possible job benefits has expanded to 216, up 23% from 175 just two years ago, according to data from the Society for Human Resource Management's annual benefits survey. That tally includes everything from traditional medical insurance and retirement plans to newer options like financial wellness guidance, pet care subsidies, and workshops on menopause.

Most employers opt to supply the basics -- 97% make some form of health coverage available, the survey shows. But with the job market still hot in 2024 despite economic uncertainty, and a growing focus on supporting work-life balance and well-being, companies are increasingly considering a wider assortment of extras.

The question is: how do they decide what makes the cut?

Ask Employees What They Want

HR specialists urge employing a time-tested yet often underused solution: survey your workers to learn what they need most. A data sourcing specialist said that ultimately, employers should aim to

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This Just In ...

The Hidden Cost of Unused PTO: Why You Should Encourage Employees to Take Time Off

A troubling new study reveals that the majority of employees are not using all of their paid time off (PTO), costing them and their employers.

PTO Going to Waste

According to a report by fintech company Sorbet, 62% of employees with PTO did not use all of their vacation time in 2023, letting a third of it go to waste. This figure has nearly doubled in just four years. On average, U.S. employees held onto nearly $3,000 worth of unused PTO last year. With 178 million employees nationwide, that translates to over $312 billion in accrued but unused PTO.

Younger and remote employees proved less likely than their counterparts to take vacation days. The study found various factors driving these trends, including difficulties disconnecting and financial pressures.

The True Cost

Employees lose out on extra compensation rightfully earned, as employers waste huge sums on generous PTO policies that employees don't fully utilize.

There are other costs too. Numerous studies have linked unused vacation time to increased stress, burnout risk, lower productivity, and provide the benefits that seem most likely to satisfy their workforce.

In the past, companies took a broad-brush approach, an expert said, offering benefits deemed useful to most people. Now to be more competitive in the marketplace, employers need to drill down.

That's when niche benefits come in handy for attracting talent. For example, a data analyst suggested that having a large selection of specialized benefits, even if not all apply to every employee, demonstrates an effort to meet diverse needs.

Employers are using various methods to gather worker feedback:

Surveys

Annual comprehensive surveys with 50 or more targeted questions related to benefits are commonly used to get quantitative data. Some companies go further by checking in more frequently through quarterly pulse surveys to get ongoing insights.

Informally incorporating benefits feedback into regular one-on-one meetings between managers and employees is another simple way to collect input.

Focus Groups

Assembling groups of 8-10 employees for guided discussions of benefits preferences provides qualitative data to illustrate survey findings. Facilitators encourage open and constructive conversations to pinpoint which offerings employees value most highly and where they see gaps.

Stay Interviews

Interviewing employees when they leave a company offers another lens, revealing benefits that met or fell short of expectations enough to impact job satisfaction and tenure. Comparing feedback from exit interviews and stay interviews helps assess the role of benefits in retention.

External Benchmarks

Researching industry surveys supplies useful context on norms for benefit offerings in a given sector. This allows employers to compare their lineup to competitors in order to spot potential weak spots in key areas employees prioritize.

Medical Claims Data

Analyzing what medical services, drugs and procedures employees are using shows emerging health challenges that new benefits programs could help address. It also helps project future costs by revealing if certain conditions are becoming more prevalent.

For example, over the past four years at New York health benefits provider Progyny, using a feedback-focused approach has resulted in new leaves for difficult situations like NICU stays and parental loss, plus enhanced mental health support, financial guidance, and more.

A rewards executive said incorporating employee input is necessary for creating a benefits package that genuinely addresses their requirements. As a result, Progyny has grown its workforce by 285% and retained 84% of its staff.

Pay Attention to External Forces

Industry trends and current events also influence benefit decisions. For example, the pandemic spotlighted employees' widespread mental health struggles. That led many employers to expand access to counseling, meditation apps, and other support.

Likewise, 40-year high inflation and rising interest rates in 2024 left many households financially fragile. In response, more companies began offering financial literacy programs and emergency assistance funds.

In a few cases, high-profile advocacy also sparks benefit trends. For instance, Microsoft, Sanofi and other major employers recently began providing menopause education and counseling. Experts attribute much of this development to vocal celebrities like actor Halle Berry calling for more workplace sensitivity.

It also comes as U.S. senators co-sponsored a bipartisan bill this spring to fund research, training and education on menopause. Nearly one-fifth of companies now supply menopause-specific assistance, according to the SHRM survey.

An expert observed that as taboos fade, more open discussion of once-sensitive topics like menopause prompts more businesses to consider related benefits.

Above all, benefit consultants emphasize that actually acting on findings is critical. An analyst stressed that employees want concrete change based on their feedback, not just to be heard. The key is active listening and communication focused on needs followed up with changes that address those needs.

higher turnover rates. And when employees do take time off, many report struggling to disconnect, checking emails and taking calls. Constant connectivity defeats the purpose of PTO and prevents employees from recharging.

In essence, unused and interrupted PTO represents a significant loss on investments in time off benefits.

Encouraging Utilization

Employers should take steps to encourage better PTO utilization rates. Firstly, they can foster a culture that promotes disconnecting from work and values rest and rejuvenation. They can lead by example with senior leadership.

Other options include adding extra PTO incentives, allowing employees to cash out unused time, enforcing device-free vacations, and reviewing workload distribution to identify roadblocks to taking time off. Reminding staff that PTO represents earned benefits, not bonuses, can also help overcome reluctance.

GLP-1s Without Lifestyle Changes May Not Lead to Sustained Weight Loss

The popularity of glucagon-like peptide-1 (GLP-1) drugs like Wegovy and Ozempic has skyrocketed in recent years due to their effectiveness for weight loss and treating type 2 diabetes.

However, new research suggests these injectable medications may not be the magic pill they're often touted as on their own. Without comprehensive lifestyle changes and support, many patients fail to stick to GLP-1 treatment long enough to reap the full benefits.

Most Patients Stop Treatment Too Soon

According to an analysis of health insurance claims data based on nearly 170,000 patients prescribed GLP-1 drugs for weight management between 2014-2023, 58% discontinued treatment in less than 12 weeks. This falls short of guidelines recommending physicians reassess treatment efficacy at 12 weeks. Shockingly, over 30% of patients stopped after just one month, often before reaching the therapeutic dose.

Side effects like nausea and diarrhea, which are common when initiating GLP-1s, likely play a role. But experts say lack of counseling and support around expectations may also contribute to early dropout. GLP-1s work gradually, requiring patience many patients seem to lack. Just 66% of past users surveyed felt the drugs were effective for them.

While individual responses vary, modeling real-world data on nearly 17,000 patients prescribed GLP-1s shows they lost around 1.4% of body weight at 3 months, steadily increasing to 3% at one year with sustained use. This pales in comparison to the 10% loss seen in some clinical trials. However, the top 10% of responders mirrored trial findings.

Comprehensive Support Boosts Success

The data highlights the value of comprehensive support services in boosting treatment adherence and outcomes. Patients seeing providers more frequently for follow-ups stayed on medications 60% longer. Those prescribed GLP-1s by weight loss specialists like endocrinologists also fared better than those referred by primary care.

Surprisingly, cost was less of a factor in early discontinuation than expected. But location played a role; patients in underserved areas with known health disparities tended to cease treatment sooner.

Employers Must Take a Holistic Approach

For employers covering GLP-1s hoping to cut healthcare costs, the implications are clear. Simply adding injectable weight loss medications to benefits packages may provide minimal return without ancillary programming.

According to a recent survey by Wondr Health of over 700 employees currently or formerly using GLP-1s, 78% feel lifestyle guidance is most critical to success. Far fewer valued factors like medical guidance, efficacy, side effects, and mental health support. Cost ranked near last.

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This indicates employees recognize GLP-1s aren't one-size-fits-all and lifestyle interventions are key, says Wondr Health Chief Medical Officer Dr. Tim Church. Employers must take a holistic approach or risk wasted spend on half-used GLP-1 prescriptions. The goal should be engaging solutions that produce real health improvements over the long term.

Lifestyle Guidance Makes the Difference

Employers would do well to partner with vendors taking a whole-person perspective. This means not just writing GLP-1 scripts but providing personalized nutrition, activity planning, side effect and barrier management, and mental wellness support. Having an endocrinologist or obesity medicine specialist involved boosts outcomes. Frequent patient touchpoints and digital tracking helps gauge progress and catch dropouts early.

According to Dr. Church, "We're treating human beings, not numbers on a scale." Weight loss often comes with complex emotional adjustments as social dynamics and self-image shift. Ongoing counseling assists patients in establishing realistic expectations, building self-efficacy, and overcoming obstacles.

GLP-1s have benefits beyond the pounds lost, like improving markers for heart health. So, providers must frame success more broadly than the number that patients see on the scale. Slower progress doesn't necessarily warrant stopping treatment altogether. Open communication facilitates shared decision-making between patient and physician when evaluating whether to continue or pause GLP-1 therapy.

Employees Cut Back on Their Own Benefits Amid High Inflation

As inflation continues weighing on employees, new research released just ahead of open enrollment reveals what some industry experts call a troubling trend: evidence that employers would be wise to step up their benefits education and communication.

Median Monthly Benefit Spending Down

The new monthly median amount that consumers will spend on benefits in 2024—excluding retirement savings—is $120, down $30 from the previous two years, according to LIMRA, an insurance industry trade association based in Windsor, Conn.

Kimberly Landry, associate research director for workplace benefits research at LIMRA, expressed concern about this trend, noting that it's problematic when employees are reducing their spending on benefits at the same time that benefit costs are increasing.

Although the LIMRA data does not spell out exactly which benefits employees might cut or reduce, Landry suggested that workers might focus on reducing benefits they believe they're less likely to use, such as disability insurance and supplemental health plans.

Inflation, Household Budgets Driving Decline

Major drivers for the decline in employees' benefit spend include inflation and tighter household budgets. In particular, medical insurance premiums continue to increase significantly year over year, and these already eat up a majority of workers' benefit budgets, Landry explained.

This decision will likely leave some employees underinsured and susceptible to financial issues.

Landry cautioned that if employees opt to spend less on benefits, they may end up foregoing coverage they might need in the future, potentially leaving them financially vulnerable in case of disability or serious health events.

Demographics Impact Spending

The LIMRA study also found that demographics play a role in how much workers will spend on employee benefits. Employees with higher incomes, those who are married with dependent children, younger workers and workers who are already enrolled are more likely to spend more.

For example, enrolled employees are willing to spend a median of $150 per month on benefits, versus $100 for employees who are offered benefits but are not enrolled, according to LIMRA.

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Employers Should Re-Evaluate Offerings

The data is proof that employers should do some soul-searching ahead of open enrollment —and beef up benefits education efforts.

Landry advised that employers should evaluate whether their benefits offerings are affordable for employees, taking into account factors such as average salaries and local cost of living, while ensuring that the benefits provide adequate coverage.

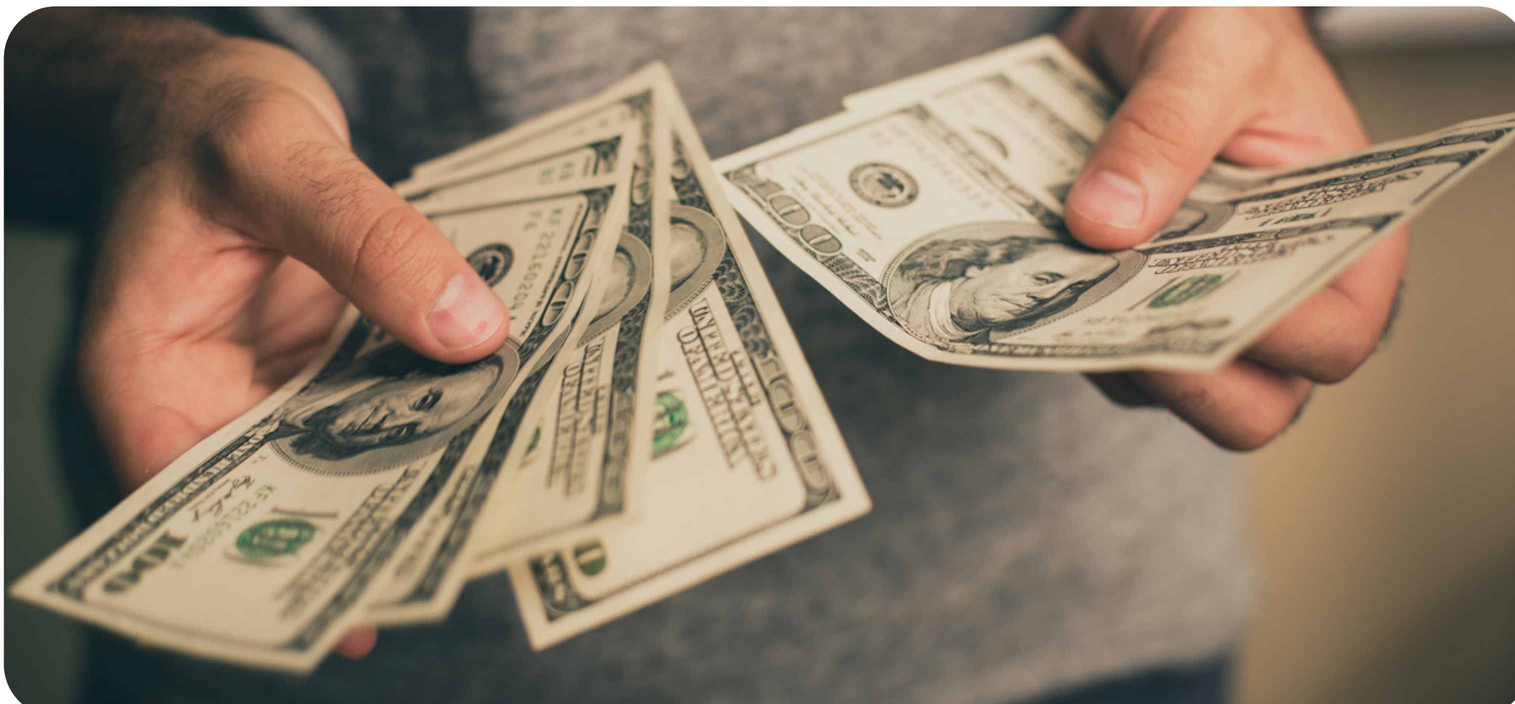
HR and benefits leaders should make sure employees understand what different benefits entail and what value they provide.

Robust Education Strategy Key

Landry pointed out that it's easier for employees to opt out of benefits when they don't fully comprehend them or recognize their value.

Only 54% of employees in LIMRA's survey said their employer communicates about benefits well. Landry emphasized the importance of conveying benefits information through multiple channels and communicating about benefits throughout the year, not just during open enrollment.

Bridget Lipezker, vice president, worksite member operations at benefits firm Optavise, stressed the need for education rather than just information about available benefits and which ones might be most suitable for employees. She noted that without proper education, employees may not fully appreciate the benefits available to them through their employer-sponsored package.



Pay Raises Expected to Slow in 2025 as Labor Market Cools

As the white-hot labor market of the past few years shows signs of cooling down, pay raises for U.S. workers in 2025 are projected to be slower than recent trends. Still, most employers will give salary bumps above the 3% threshold that has become the norm in the pre-pandemic economy.

Latest Forecasts Slightly Lower Than Prior Years

According to the latest data from compensation consulting firms and salary specialists, average pay raises next year will range from 3.5% to 3.9%. Though below the actual 4% increase in 2023 salaries and 2022's 3.6%, that still exceeds historical averages.

A summer survey by Payscale, released in August, found that managers foresee boosting pay by 3.5% next year based on economic uncertainty and easing hiring challenges. Two-thirds expect flat budgets compared to 2024, while 19% anticipate increases and 15% decreases.

A similar poll by WTW of around 32,000 organizations projected 2025 salary budgets growing 3.9%, down almost 2 percentage points from 2023 estimates. Empsight's preliminary figures point to median merit hikes of 3.5%.

Slowing Turnover Among Factors

Experts attribute the slightly slower projected wage growth to various factors, especially a cooling economy after historic levels of resignations and turnover. WTW's research showed 38% of employers struggling to attract and retain workers now versus 57% two years ago, a nearly 20-point drop.

Yet while labor market pressures may be easing overall, they remain intense in some industries where talent is scarce. Payscale determined the biggest raises on tap for 2025 will be in government and engineering/science jobs, averaging 4.5% and 4.2% respectively.

Conversely, increases in retail, customer service and education will likely stay below 3.1%. But regardless of differences between sectors, stiff competition means employers without clear compensation strategies risk losing top staff during upcoming budget cycles.

Inflation Outpacing Pay Gains

Despite substantial salary increases in recent years, many employees feel like they're treading water as steep consumer prices undermine their purchasing power. One survey this year found over half of workers believed their pay lagged behind inflation.

An analysis by Payscale tracked a 33% cumulative rise in U.S. wages since 2006. However, after accounting for inflation, it turned out that real incomes declined by 12.6% over that period. Essentially, workers' current paychecks buy less than what they did 15 years ago.

The pressure on household finances persists even as overall price growth shows some signs of easing. After the exceptionally volatile pandemic economy pushed inflation to historic highs last year, it has cooled slightly but remains well above the Federal Reserve's 2% target.