

2019-2020

WORKPLACE BENEFITS TRENDS



Aflac[®]
WorkForces Report

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EXECUTIVE SUMMARY

The 2019-2020 Aflac WorkForces Report explores benefits trends and attitudes across business size and industry to reveal the dynamics guiding employer benefits programs and decisions. The ninth annual study was conducted between Sept. 25 and Oct. 17, 2019, prior to the COVID-19 public health crisis. Consequently, the data doesn't reflect changes taking place in the workforce as a result of the pandemic.

In these challenging times, health insurance, benefits programs and financial security continue to be important for businesses and their employees. The Aflac survey provides insight into issues that are, perhaps, even more relevant in the current environment – like the rising cost of health care, influence of paid family leave and rising out-of-pocket expenses.

It is in this spirit that we share the data included in the ninth annual Aflac WorkForces Report.

HIGHLIGHTS

- ▶ A benefits package is easily as unique as the business offering it.
- ▶ Employers credit a better benefits package to working with a benefits advisor.
- ▶ As health care costs continue to rise, consumers bear a greater share of the costs even with health insurance.
- ▶ There are a variety of stressors surrounding benefits, including concerns about the financial preparedness and understanding benefits options.

Benefits meet diverse business needs.

Approximately 1 in 4 employers say the most important objectives for their benefits programs are:

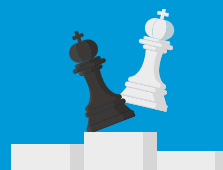
Increasing productivity



Increasing employee satisfaction



Remaining competitive with other employers



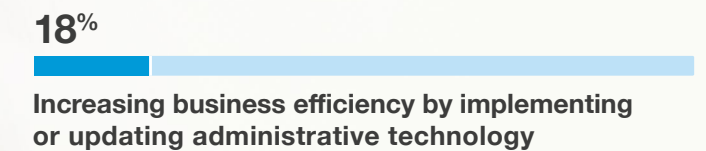
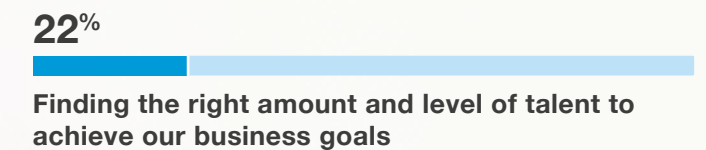
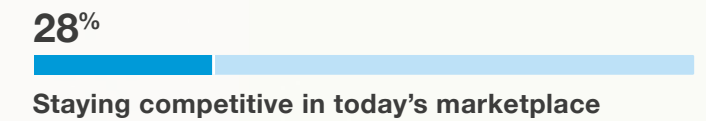
Retaining employees



Employers focus on staying competitive.

Most mentioned among employers, staying competitive was their top mentioned objective – even more so for small employers and the private sector.

Of the following business objectives, which is the most important to your company right now?





What makes a benefits program competitive?




The survey saw an increase in employers contributing to vision insurance, supplemental insurance and retirement benefits. Most health insurance plans required an employee contribution, with companies typically paying a percentage of the premium.

Employees see health insurance and dental and vision plans as most essential to their benefits packages, followed by life insurance, critical illness and disability insurance.

Younger employees tend to rank critical illness and cancer insurance higher than those 39 and older. While it is the top-ranked benefit among all generations, Gen Zers and millennials are less likely to rank health insurance as one of the most necessary benefits compared to those 39 and older.




Employees rank top-five most important benefits

Percentage of participants ranking benefits first, second or third most important.

-  **86%** Health insurance
-  **57%** Dental
-  **39%** Vision
-  **34%** Life
-  **27%** Critical illness

Employees rank value-added benefits

Percentage of participants ranking benefits first, second or third most important.

-  **64%** Flexible work schedule
-  **40%** Wellness stipend
-  **34%** Health advocacy or medical bill negotiation
-  **32%** Employee assistance program
-  **30%** Identity theft protection





Health care costs continue to shift toward employees.

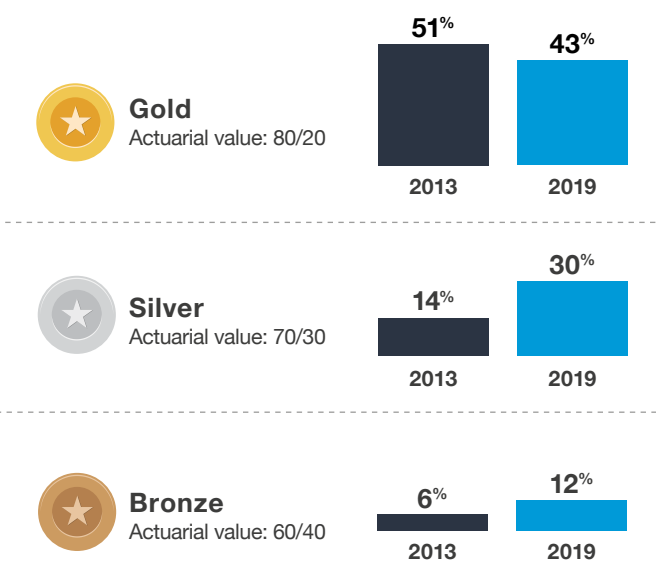
About **1 in 10 employers** that offer benefits said they cannot continue to sustain the costs and a growing proportion of employers are proactively controlling costs by shifting the financial burden to employees.

In fact, about **1 in 5 employers** increased employee co-pays and/or increased employee share of premium in 2019. This means that employees are shouldering more of their health care costs.

Rise of the silver and bronze

Although gold health plans covering **80%** of the actuarial value remain the most popular employer option, silver and bronze plans are becoming more popular.

Since 2013, both silver and bronze health plans doubled in popularity, while the popularity of gold health plans decreased by 8 percentage points or roughly 16%.



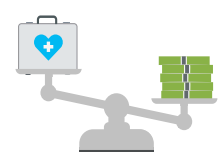
High-deductible health plans are on an upward trend

The incidence of employers offering these plans jumped from **26% to 32%** between 2018 and 2019 — and the companies that offered them were 7 percentage points more likely than the national average to shift premium costs to employees, **22% vs. 15%**.

While over half, **55%**, of employees with an HDHP said they'll choose one again next year, they also report:



43% feel overwhelmed when making health care decision, 11 percentage points higher than those enrolled in another type of plan.



28% are extremely or very likely to accept a job with slightly lower compensation but better benefits, 13 percentage points higher than those enrolled in another type of plan.



55% regularly underestimate the total costs of an illness or injury and will shoulder increased costs in the future, 12 percentage points higher than those enrolled in another type of plan.



Pay and benefits top employees' concerns.

Year over year, employees consistently say **improving their benefits is the one thing their employers can do to keep them in their jobs — second only to pay.**

In fact, more than half of them, **52%**, said they're at least somewhat likely to accept slightly lower compensation in a job that offered a more robust benefits package. And this year, **63%** ranked health benefits as one of the top-three factors when looking for a new job.

Rank the following in terms of their importance to you when looking for a job:

Percentage of participants ranking benefits first, second or third most important.

- 89% Pay
- 63% Health benefits
- 54% Fulfilling work
- 52% Flexibility
- 43% Opportunity for growth

What could your employer do to keep you in the job?

Percentage of participants ranking benefits first, second or third most important.

- 71% Increase my salary
- 38% Improve my benefits package
- 34% Give me a promotion
- 29% Provide greater flexibility
- 28% Offer new growth opportunities
- 26% Give me more time off
- 11% Assign me a new or different manager
- 7% Nothing

Fulfilling work and flexibility matter. Employees share the best part about working for their company.

20% Fulfilling work

Health care, government, education, an accommodation and food services were more likely than other industries to name fulfilling work as the best part about working for their company.



19% Flexible schedule

Small-business employees were much more likely to name a flexible schedule as the best part of working for their employer:

- **35%** at companies with 1-2 employees.
- **23%** at companies with 3-99 employees.
- **14%** at mid-size companies with 100-499 employees.
- **17%** large-size companies with 500 or more employees.



13% Benefits package

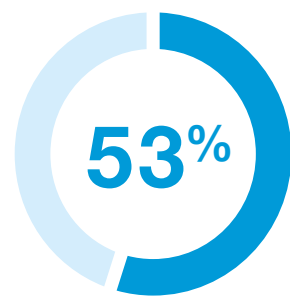
Employees at large businesses and in transportation and warehousing were most likely to say their benefits package is the best part of working with their company.



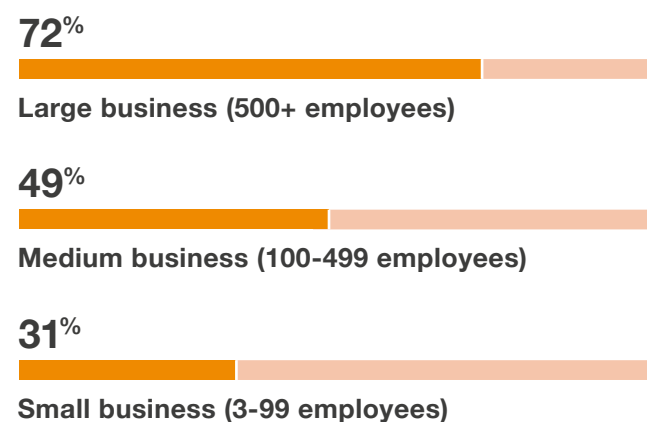
Wellness programs help employers keep insurance premiums down.

While employers want to offer quality benefits to their employees, they're highly aware of budget constraints. So it's no surprise that proactive and cost-saving, value-added services are growing in popularity.

A little more than half of employers offered a company-sponsored wellness program, up from 40% in 2013.



Wellness programs are most often offered at a large business.



Employers measure wellness

Improved measurement

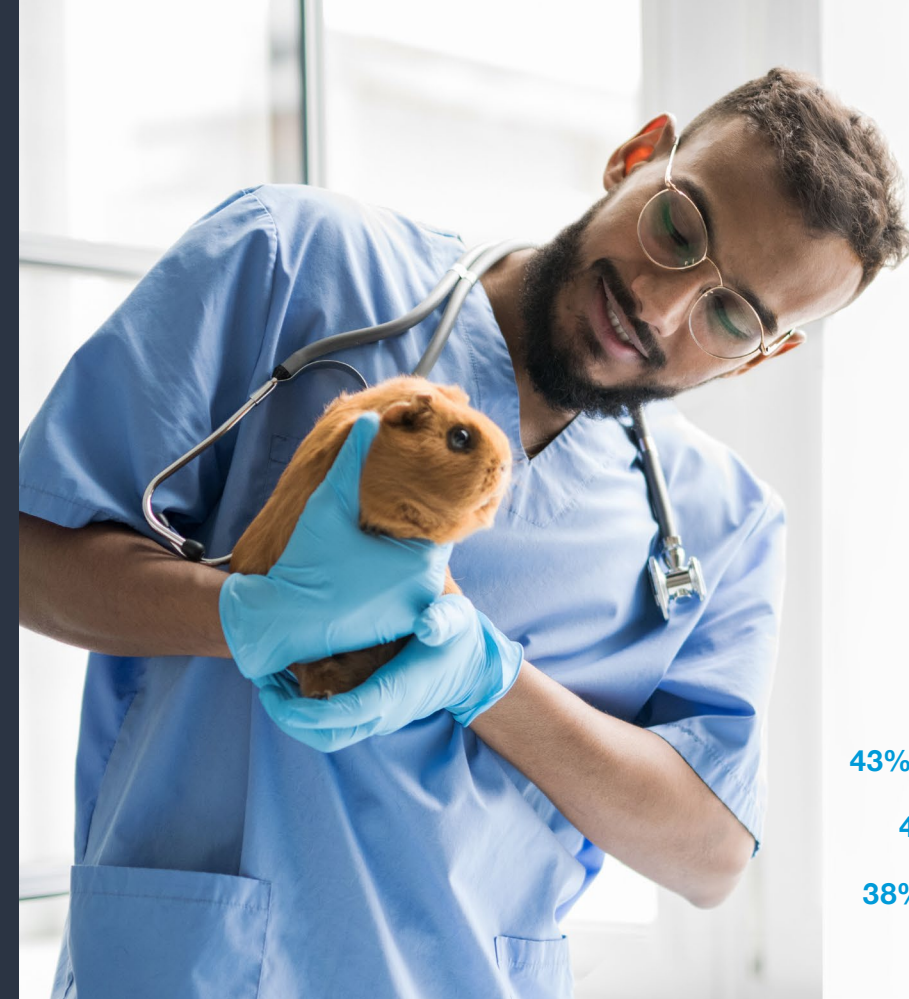
81% measured their wellness program's effectiveness (similar to results in 2017, the first year the question was asked in the survey).

74% were able to determine a return on investment on their wellness programs, up from **32%** in 2013.

Improved results

86% had good employee participation in their wellness program, up from **53%** in 2013.

73% were able to offer lower insurance premiums as a result of their wellness program, up from **45%** in 2013.



Wellness plan features and incentives are key to driving participation numbers up.

Top-five most common wellness program components:

- 60%** Wellness program incentives
- 44%** Stress management programs
- 43%** Tobacco and smoking cessation programs
- 41%** Web-based resources for healthy living
- 38%** On-site gym and discounted membership

Employers combat chronic stress with wellness programs

Chronic stress can lead to burnout, including depleted energy, exhaustion, negativity, cynicism and — most critically for employers — reduced productivity.

What's more, young workers may need health and wellness benefits most, as their levels of burnout are much higher than their peers who are 39 and older.

Burnout due to work

64% have experienced burnout due to work, including **68%** of millennials.

Current level of burnout

55% of employees rated their current level of burnout as moderate to severe, including **65%** of millennials.

Mental health

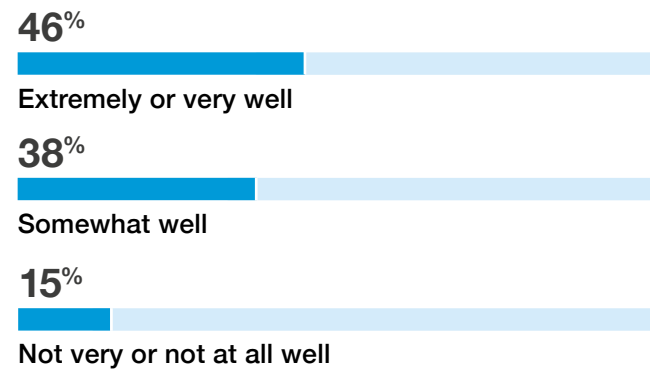
25% employers offering benefits reported that employee mental health issues had an effect on their company in the last year. Time off for personal or mental health is the most common way employers help employees with self-care issues, followed by flexible scheduling and group counseling.

Employees feel confident about their benefits enrollment but less certain about their benefits coverage and costs.

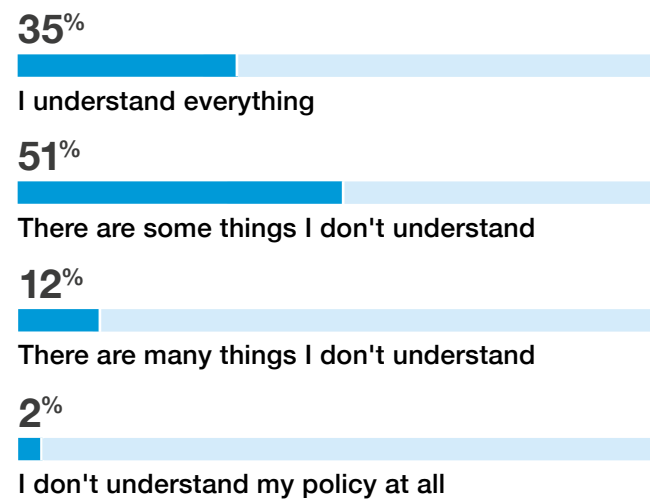
Do you feel confident you understand everything you signed up for during your last benefits enrollment?



How well do you understand your total annual health care costs?



How well do you understand your health insurance policy?

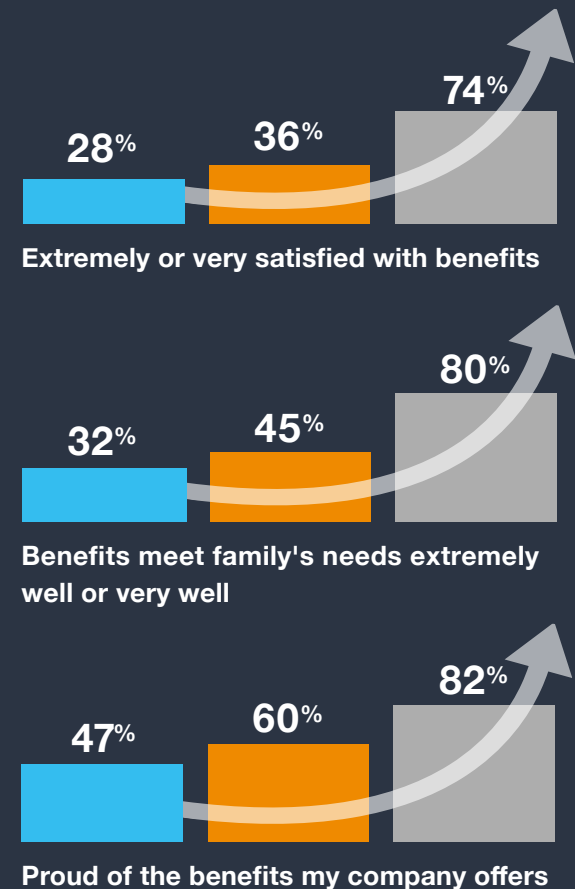


Benefits understanding is key to benefits satisfaction

When employees understand their benefits, they are more often satisfied with those benefits. In fact, employees who understand the total annual cost of their health care coverage more often say they are extremely or very satisfied with their current benefits – a difference of 46 percentage points from those who understand their costs not very or not at all well.

Understanding of benefits policy and costs directly correlates to sentiments about employer benefits.

- Understand total costs not very or not at all well
- Understand total costs somewhat well
- Understand total costs extremely or very well



Encourage employees to spend more time researching and working with a benefits consultant

Similar to past years, an evaluation of employees' benefits enrollment patterns provides likely explanations behind their lack of understanding of their health care benefits.

93% of employees still choose the same benefits each year.

56% spent less than 30 minutes researching their benefits options during the last open enrollment, including 14% who did no research at all.

54% would rather experience some form of discomfort than research their open enrollment benefits. These feelings are highest among younger workers, including 84% of Gen Zers and 66% of millennials.

Make tools available for employees to research and ask questions.

Employees' top choices for enrollment tools include:

- 52%** enrollment website
- 44%** spending tools
- 41%** one-on-one access to a benefits consultant
- 40%** printed materials
- 25%** live chat
- 24%** educational videos
- 23%** recommendation based on what others like you purchased

73% of employees, particularly younger generations, said their family history is somewhat to extremely influential in guiding their health insurance decisions.

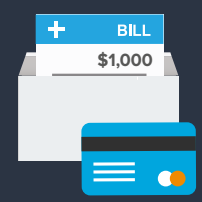
84% particularly younger generations, would be at least somewhat likely to purchase insurance to help cover costs associated with a serious illness in their family history, such as cancer, a heart attack or stroke.





Most Americans still struggle with medical costs.

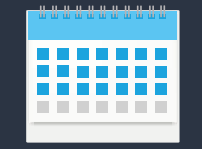
Although employee preparedness for out-of-pocket expenses remained consistent with 2018 numbers and is slightly up from 2016 and 2017, many admitted they aren't prepared to protect themselves from rising health insurance and health care costs — even with health insurance.



52% of American workers couldn't cover unexpected out-of-pocket medical costs of \$1,000 or more.



18% couldn't go more than a week without a paycheck, down from **20%** in 2018. At **23%**, almost one-quarter of millennials said they live week to week.



39% couldn't go more than three weeks without a paycheck, down from **44%** in 2018.



1 in 5 employees

say they or a member of their immediate family suffered a major health event or accident (such as heart attack, stroke, cancer or serious accident requiring hospitalization) in the last year. Of these:

50% had to miss a paycheck.

63% had to take a leave of absence.

88% were surprised by at least one type of medical expense:

- 54%** Hospital bills
- 39%** Doctors' bills
- 38%** Prescription costs

Employees express skepticism about the future of their health care benefits and managing those costs.

Percentage who agree

68%

I believe the medical costs I am responsible for will increase in the next year.

50%

Because of changing health care legislation, my personal health insurance situation will become more confusing.



53% of employees surveyed have been adversely impacted by high medical costs or bills, most commonly by avoiding or delaying medical care or hindering their ability to save. While on par with 2018, this number has improved from **65%** in 2016 and 2017.



41% would have to charge high, unexpected out-of-pocket medical expenses to a credit card.



25% of employees said they hold multiple jobs, and the dominant reason was to help make ends meet.

48%

I would be unable to adjust to the large financial costs associated with a serious injury or illness.

47%

I regularly underestimate the total cost of an injury or illness, including medical, household and out-of-pocket costs.



Employees are happier with their overall benefits package when they enroll in supplemental insurance

With rising health insurance and medical costs, employees show an increased need and interest for supplemental insurance. Consistently, the survey finds that enrollment in supplemental coverage is positively correlated with satisfaction with overall benefits package.

When employees are offered supplemental insurance they are more satisfied in their jobs.

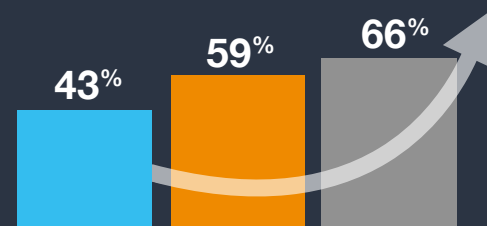
63% are extremely or very satisfied compared to **56%** of those not offered the policies and even more so when they are enrolled, **68%**.

Did you know?

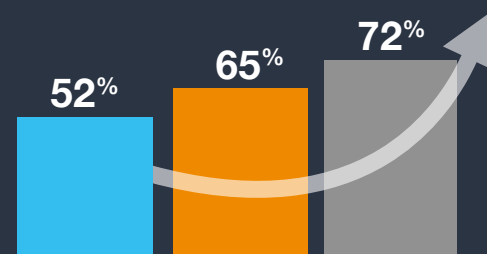
Offering a wide range of options and satisfying employee need, interest or demand are the top reasons that companies offer supplemental insurance benefits.

Employees offered, enrolled in supplemental insurance are happier with their benefits packages.

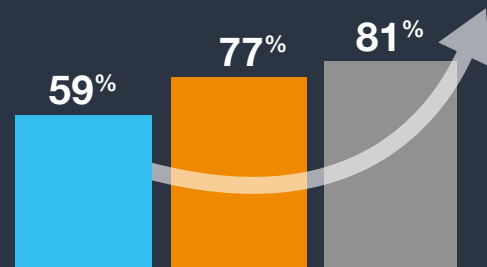
- Not offered supplemental insurance
- Offered supplemental insurance
- Enrolled in supplemental insurance



Extremely or very satisfied with benefits



Benefits package meeting needs extremely or very well



Proud of the benefits offered by employer



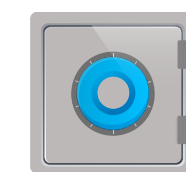
3 key factors related to supplemental insurance trends:



Most employees, 85%, said they see a growing need for supplemental insurance, up from **63%** in 2014 — the first year it was asked in the survey.



More than 2 in 5 employees, **41%**, strongly or completely agreed that supplemental insurance benefits are part of a comprehensive benefits program, up from **33%** in 2014 — the first year it was asked in the survey.



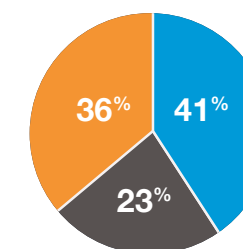
Nearly all employees enrolled in supplemental insurance benefits, **91%**, said these policies help protect their financial security — a new question in 2019.

Recruitment and retention

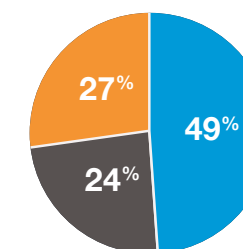
Employers said offering these policies can also help with recruiting top talent. Among organizations offering supplemental insurance, **41%** reported that it helped with recruitment and **49%** reported that it helped with retaining employees.

- yes
- no
- not sure

Does supplemental insurance help your company recruit employees?



Does supplemental insurance help your company retain employees?

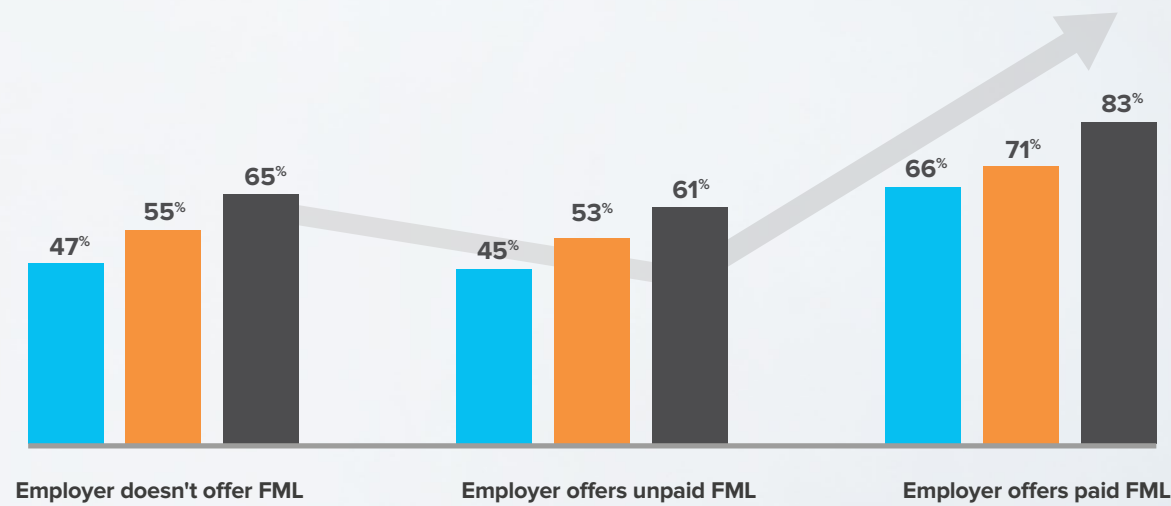


Paid family medical leave also correlated with benefits attitudes

Nearly 3 in 5 employees, **59%**, said their employer offered family medical leave and **61%** of those said they were offered paid leave, which provided the most positive results.

When paid, family medical leave was strongly correlated with employee satisfaction and positive perceptions of their benefits program. When helping employees requiring medical leave, employers that offer a paid leave benefit may improve employee perceptions and security received from their benefits program. By far, employees indicated a flexible work schedule and the ability to work remotely most ease the return to work after taking family medical leave.

When paid, family medical leave correlates with employees' perceptions about their benefits

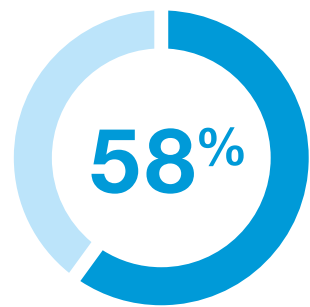


- Extremely or very satisfied with benefits
- Benefits meet family needs extremely or very well
- Proud of the benefits my company offers



Employers attribute having a better benefits package to their benefits consultant

Many employers look to benefits consultants, agents or brokers to help determine the benefits for their business.



Consistent with previous years, nearly 6 out of 10 employers who offered benefits reported using a broker or benefits consultant to determine their benefits options.

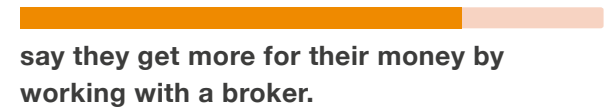
Employers find value in using a broker to help determine their benefits options.

72%



say brokers help their company offer a better benefits package.

74%



say they get more for their money by working with a broker.

49%



say hiring a broker made their benefits package less expensive.

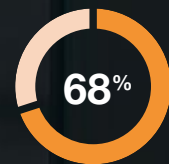


Strong knowledge of best practices in employee benefits is the top reason given for using a particular broker or benefits consultant.

Working directly with benefits carriers continues to be the top reason employers give for not using a broker or benefits consultant.

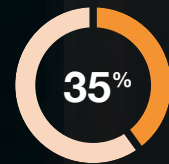
Cost is the biggest barrier to offering benefits for small businesses.

In the case of very small companies 3-49 employees not offering benefits, **76%** report never offering employee health benefits. Their top-three reasons include:



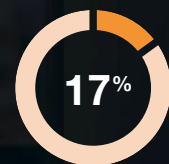
Cost

“We cannot sustain a benefits program for our workforce.”



Need

“Our employees don’t need health care through our workplace because they have access through another source.”



Quality

“We cannot offer the quality of coverage that our employees need.”



Employees at small businesses are especially likely to report that a flexible schedule keeps them going.

At **23%**, small-business employees are much more likely to say flexible scheduling is the best part of working for their employer compared to those at mid-sized companies, **14%**, and large-size companies, **17%**.

A flexible scheduling ranked as the most important nontraditional benefit an employer can offer, and when we talked to gig workers, they said they’d consider a traditional job over gig work if it offered the same flexibility, **61%**, or sense of fulfillment, **66%**.

Small-business employees expressed satisfaction with their benefits.

Employees at companies with 3-99 employees seem to understand the limits of their employees and remain grateful for the other advantages working for a small business provides. Of employees at small companies that offer health insurance benefits:

63%

said they are proud of the benefits their company offers, mere percentage points beneath the national average.

58%

said they are extremely or very satisfied with their jobs, similar to the data collected from workers at larger companies.

55%

said their company’s benefits package meets their family’s needs extremely or very well, also in line with national figures.

50%

were extremely or very satisfied with the current benefits package offered by their employer – once again, within the margin of error for all American businesses.

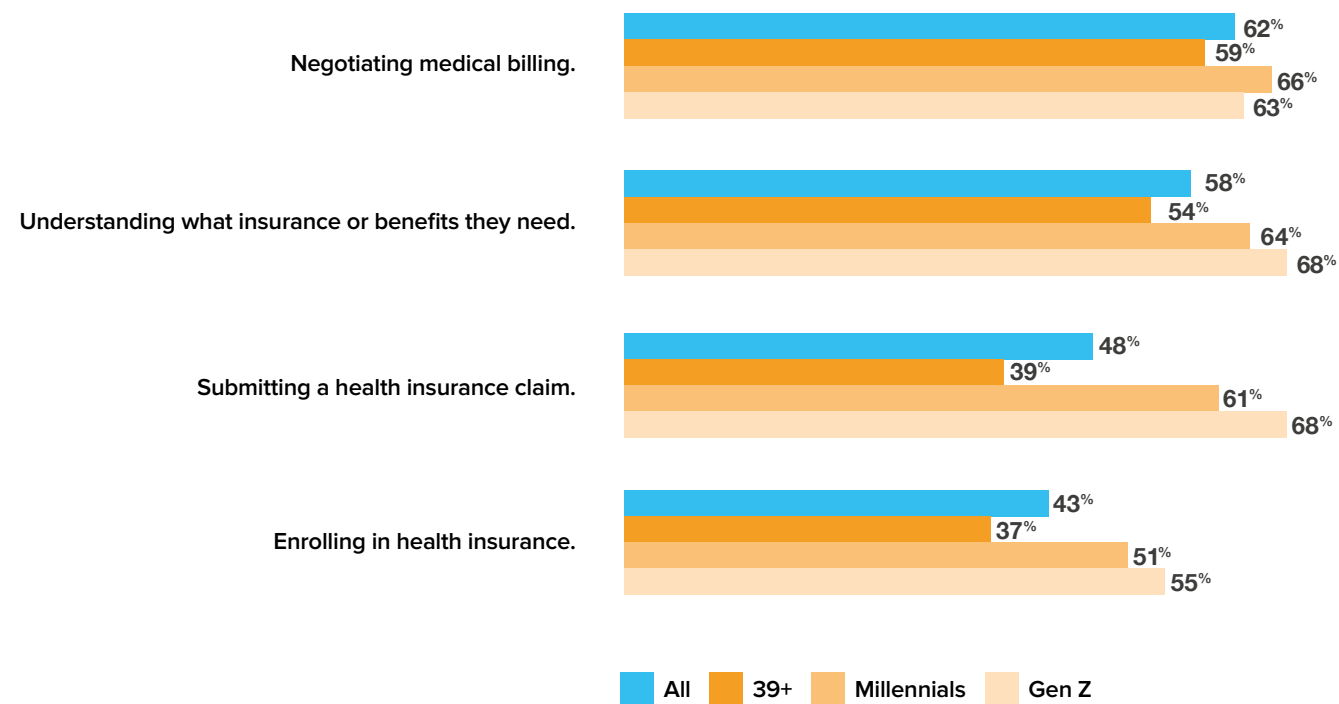
Millennials and Gen Zers stress about health care benefits.

A majority of employees finds understanding their insurance and benefits stressful, and that number increases for millennials and Gen Zers.

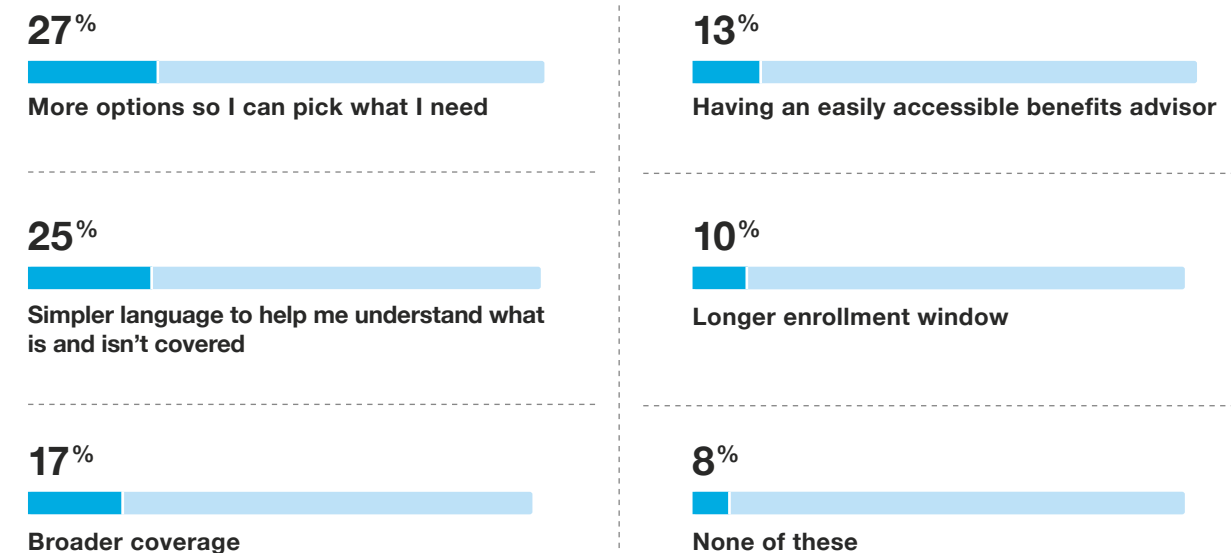


What causes the stress?

Employees find the following somewhat or very stressful:

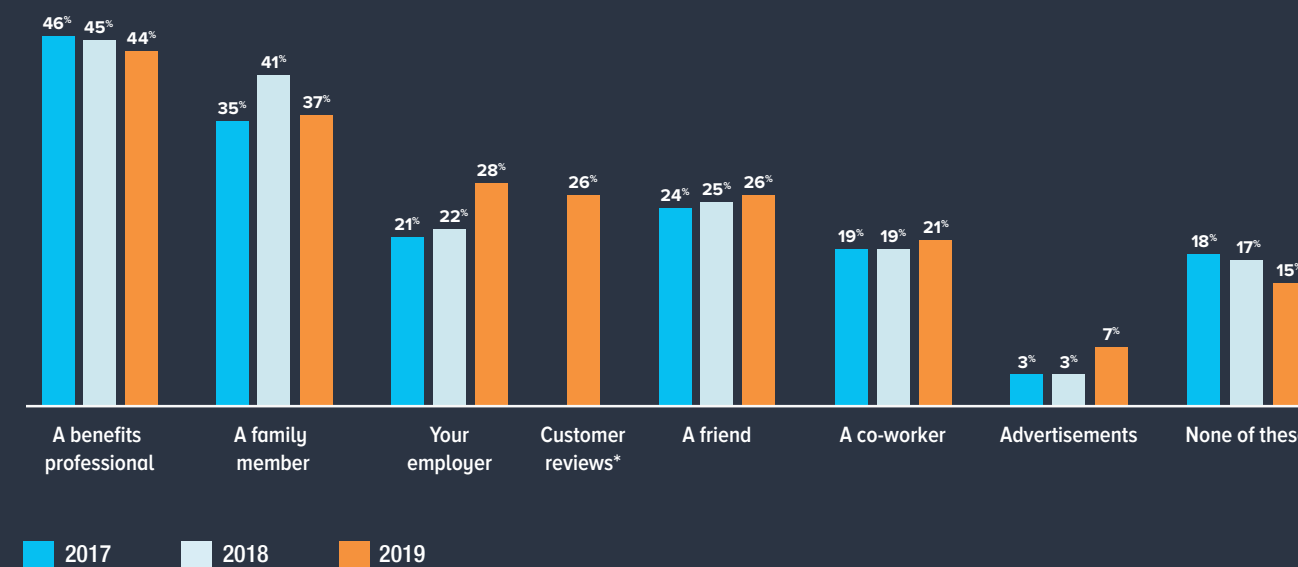


What's one thing you would like to change to improve the way you enroll in benefits?



Recommendations from benefits professionals continued to be the top choice for employees when looking to buy insurance. However, recommendations from their employer, friends and co-workers increased slightly in the last three years.

Would be more likely to buy insurance recommended by:



*Customer reviews included as a response to this question for the first time in 2019.

CONCLUSION



A strong benefits package continues to play a vital role for today's workforce. As our nation navigates a historic public health crisis, there's no doubt that these issues are even more complex and require sensitivity, creativity and innovation – arguably what successful businesses do best.

The ninth annual Aflac survey shows that strong benefits programs aren't confined to the amount an employer can spend or number of benefits options they provide. What matters most is the care and integrity that employers offer the individuals and families that make up the 21st century workforce.

ABOUT THE STUDY

The 2019-2020 Aflac WorkForces Report, conducted by Kantar, captured responses from 2,000 employees and 1,200 employers across the United States in various business sizes and industries.

The surveys were conducted between Sept. 25 and Oct. 17, 2019, prior to the COVID-19 crisis. At the time of the survey, all employee respondents were enrolled in health insurance benefits and played, or soon would play, some role in their health insurance and benefits coverage decision-making. Likewise, the employer respondents included benefits decision-makers and those who are part of group making benefits decisions at their business.

In 2018 and 2019, the survey included an expansion with a small sample of employers in small companies with 3-49 employees that didn't offer insurance benefits to their employees in order to understand a significant segment of small businesses.



For more information and to download the 2019-2020 Aflac Workforces Report, visit AflacWorkForcesReport.com

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