



Workplace benefits trends

EXECUTIVE SUMMARY

2021-2022



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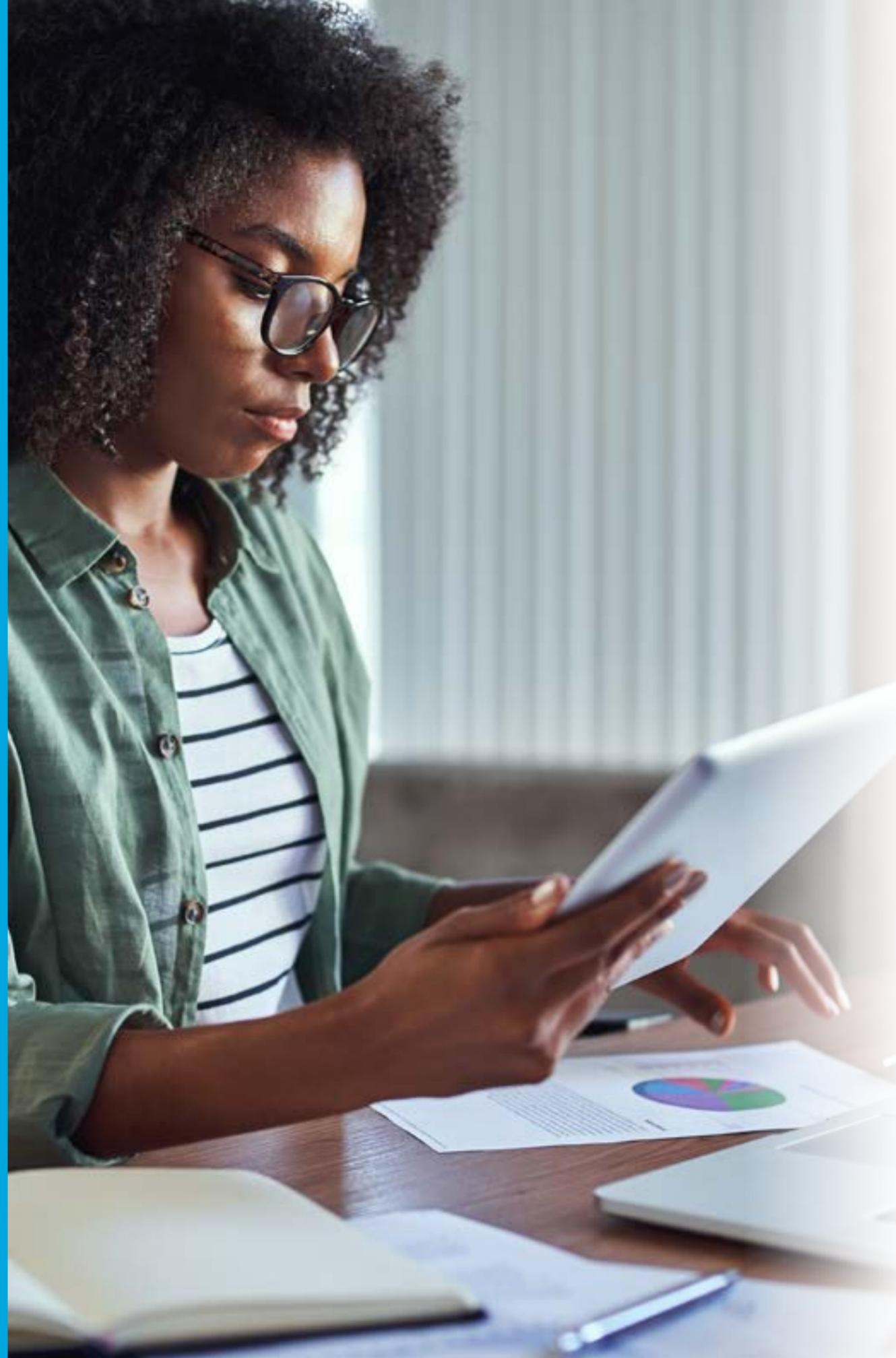
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“We know the post-pandemic world will feel and look differently. The challenge is we’re not entirely sure how that world will look and we must be prepared to embrace change head-on.”

– Teresa White, president, Aflac U.S.

Introduction:

When the Aflac WorkForces Report began over 10 years ago, no one could have guessed the twists and turns of the health care landscape. Today, the American workforce is feeling the impact from more than a year of uncertainty related to the COVID-19 pandemic. Workers are aware of the limitations of their health insurance and dealing with stress, mental health and financial concerns – some of these stressors affect key populations more than others. Businesses are also not immune to the far-reaching effects of the past year and continue to face challenges as they strive to take good care of their workforces.

This year, several disconnects emerged between employer and employee perceptions of their workplace benefits – which are helpful results. Missing a blind spot would mean not fully understanding the challenges ahead. These insights help with business concerns like turnover and workforce engagement and help unearth what “being covered” really means when it comes to workplace benefits.

Aflac continues to care about this research for the betterment of our industry. This year, more than ever, we’re hopeful that the findings help bridge divides related to workplace benefits and contribute to improving the health and prosperity of the American workforce.

Section 1

The state of workplace benefits



The COVID-19 pandemic continues to have a meaningful impact on how 3 in 5 workers approach their benefits decisions – especially millennials.

Almost half of employees – and 63% of millennials – purchased at least one new benefit as a result of the pandemic, with life, critical illness and mental health resources topping the list. Millennials are also more likely to say the pandemic made them rethink their benefits, with most saying it made them more aware of the costs or made them wish they had more coverage or options available. Fortunately, most American workers are confident that their insurance will cover them in the event of a COVID-19 diagnosis, but they also believe that the expansion of coverage, telemedicine and supplemental insurance is more important now because of the pandemic.

Almost half of all employees purchased at least one new benefit as a result of the COVID-19 pandemic.

Question: Has the COVID-19 pandemic influenced you to purchase any of the following benefits during the last enrollment season?

Life insurance was the most commonly purchased product, selected by over 1 in 5 employees.

22%	34%	Life insurance
16%	23%	Critical illness insurance
14%	21%	Mental health resources
14%	21%	Hospital insurance
14%	19%	Telehealth services
12%	19%	Accident insurance
10%	16%	Disability insurance
5%	5%	Identity theft protection
4%	6%	Cancer insurance
3%	3%	Pet insurance
56%	37%	None of these

■ = Total ■ = Millennials

3 in 5 workers approach their benefits decisions differently because of the pandemic.

Question: How has the COVID-19 pandemic affected your approach when deciding on health care benefits?

29%	33%	It has made me more aware of the costs associated with health care
23%	30%	It has made me wish I had better options to choose from
21%	28%	It has made me wish I had more options to choose from
16%	22%	It has caused me to seek out more coverage
15%	20%	It has caused me to change the types of benefits I am interested in
41%	26%	It has not changed my approach to health benefits

■ = Total ■ = Millennials

A third of employees believe supplemental insurance is more important now than they did before the pandemic.

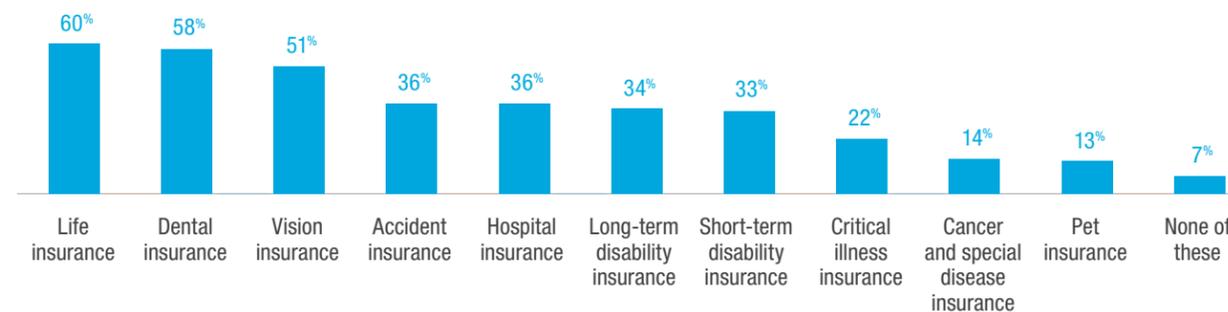
Anxieties over the past year brought questions about health coverage – especially about whether current coverage is enough for workers and their families. The survey found that employees sought ways to help offset the financial burdens they experienced, including through supplemental insurance.

- 1/3 of employees** say supplemental insurance is more important now due to the pandemic.
- More than half, 51%, of all American workers** view supplemental benefits as a core component of a comprehensive benefits program.
- 9 in 10 employees** believe the need for supplemental insurance is increasing.
- Nearly half of employees – and 63% of millennials** – are highly interested in purchasing supplemental insurance to help cover the financial costs related to COVID-19 or other pandemics.
- The most commonly selected supplemental benefits are **life, dental, vision and accident insurance**.
- 70% of employers** believe supplemental insurance helps them recruit employees and **75%** say it helps with retention.

Pro tip: The primary barrier to enrolling in supplemental coverage is that employees believe they already have enough coverage to meet their needs, which may mean employees need more information and education around the expenses that health insurance wasn't designed to cover. One way employers can align with their employees is choosing supplemental policies that fit workforce need and demand. Surveying employees can help employers take stock of the options that employees need.

Life, dental and vision insurance are the most commonly selected supplemental benefits.

Question: Which of the following supplemental benefits are you enrolled in through your employer?



Note: This question was asked of those who indicated they have access to supplemental benefits at work. With approximately 1 in 3 employees (36%) having access to supplemental benefits through their employers, this translates to 38% of all employees enrolling in supplemental life, 37% enrolling in supplemental dental and 32% enrolling in supplemental vision.

Employers have a rosier picture of the support they provided during the pandemic than what employees said they experienced.

Unsurprisingly, the COVID-19 pandemic had a significant impact on employers' operations, as well as on employees across the country. Most employers provided extra support for their employees to grapple with the pandemic, often through additional time off, but they may have a rosier picture of the support they provided than the reality that their employees experienced. The study finds a significant difference between employee and employer sentiments:

-  Employers are **20% more satisfied** with their COVID-19 response than employees are with their organization's responses.
-  **About 1 in 5 employees** state they are likely to look for a new job as a result of their employer's COVID-19 response.

One way that employers can meet the needs of their workforce is through managing and, when possible, meeting employee expectations. In particular, when asked to return to the worksite, social distancing, the availability of sanitary stations and paid sick time are the most important safety protocols employees expect their employers to put in place.

Additionally, employees view benefits as critically important to their overall health. Over 70% of American employees say benefits are highly important to overall physical health, financial health, job satisfaction and mental and emotional health. Yet, employers also have an inflated sense of employee satisfaction with their benefits packages – there's a 14 percentage point gap between employers' perceptions of employee satisfaction, 76%, and employees' self-reported satisfaction, 62%.

 **Pro tip:** It is important for employers to understand the value their workforce places on safety measures and their benefits for their overall well-being – especially as many employees face burnout and say their mental health is having a negative influence on their productivity. These gaps in understanding are critical for benefits advisors and employers to be sure they are better equipped to meet their employees' needs and demands.



Even as they indicate plans to invest more in their workforces over the next 12 months, companies struggle with offering robust benefits within their budgets.

Employers made a number of tough decisions over the past 12 months to reduce or maintain their operating costs, such as cutting back on hiring, eliminating or delaying raises, and reducing or eliminating bonuses. However, as the economy continues to bounce back, employers plan on reversing course slightly and investing more in their workforces by increasing hiring of both full- and part-time employees, as well as offering larger raises.

Benefits costs may put a slight damper on these plans, however:

- Offering robust benefits while staying within budget is the top challenge employers face.

 **Most employers, 60%**, indicate that they have observed an increase in benefits costs over the past year. These increased costs will negatively impact their operating plans, including improving the quality of their benefits programs, offering bonuses and offering raises.

- Cost is also cited above all else as the top barrier for employers who do not currently offer benefits to their workforces.

Despite these rising costs, employers plan on keeping their existing coverage. In fact, employers are 70% more likely to offer more types of benefit options than they are to say they will reduce the benefit options that are available to their employees.

The majority of both employers and employees express satisfaction with their organization's COVID-19 responses.



83% of employers are highly satisfied with their organization's COVID-19 response,



compared to only **67%** of employees.



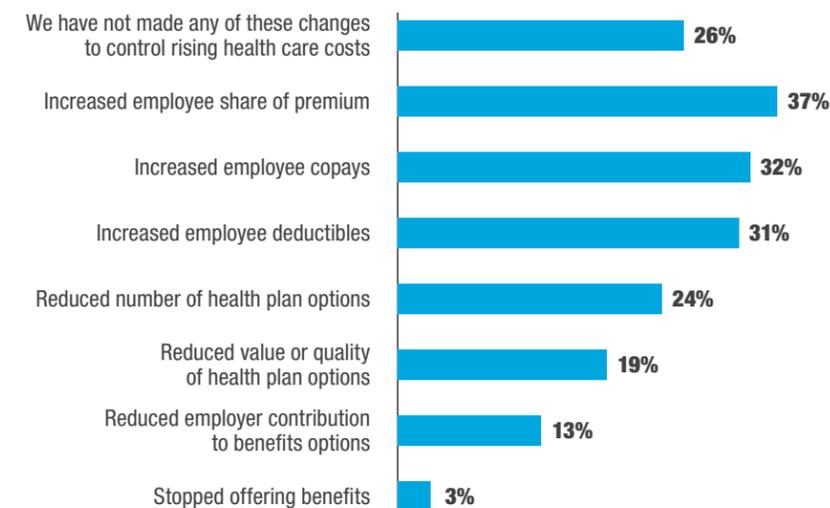
76% of employers believe their employees are highly satisfied with their benefits,



compared to only **62%** of employees who express high satisfaction.

Employers have a slightly inflated sense of employees' satisfaction with their overall benefits packages.

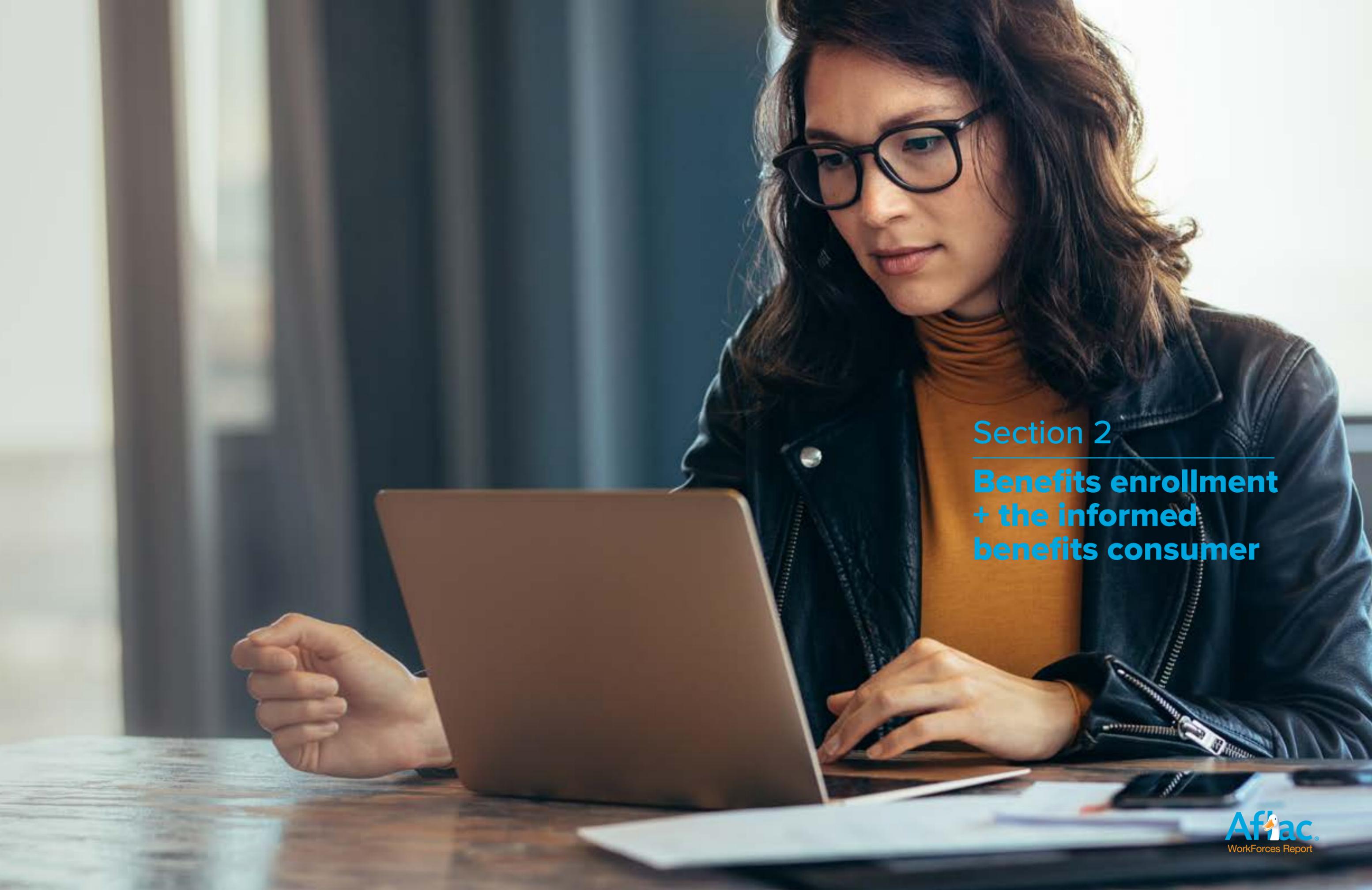
Most employers made operating changes because of rising health care costs.



Question: Have you done any of the following to control rising health care costs that you otherwise would NOT have done if benefits costs remained the same or decreased?

Percent that made changes:

- 62%** of employers with less than 100 employees.
- 78%** of employers with 100 to 499 employees.
- 77%** of employers with 500 or more employees.



Section 2

**Benefits enrollment
+ the informed
benefits consumer**

Employers believe employees have a better understanding of their total health care costs than they actually do.

Fortunately, employers and employees are in sync when it comes to understanding the content of their health care policies. An overwhelming majority indicate they understand their health care policies, including deductibles, copays and networks. What's more – this understanding has grown significantly over the past five years.

Unfortunately, there is a disconnect when making sense of their health care costs – 72% of employers think employees understand costs, while just 59% of employees say that they do.

There is a clear opportunity to better educate employees, by arming them with the information they need to make informed health care and benefits decisions. But the biggest challenge could be in changing age-old benefits-decision habits and helping employees to be better informed and engaged in their benefits decisions:

- The overwhelming majority of employees choose the same benefits year after year, which could explain why they spend such little time researching their benefits – most spend less than 30 minutes.
- Meanwhile 4 out of 5 say they understand what they signed up for during their last enrollment period.

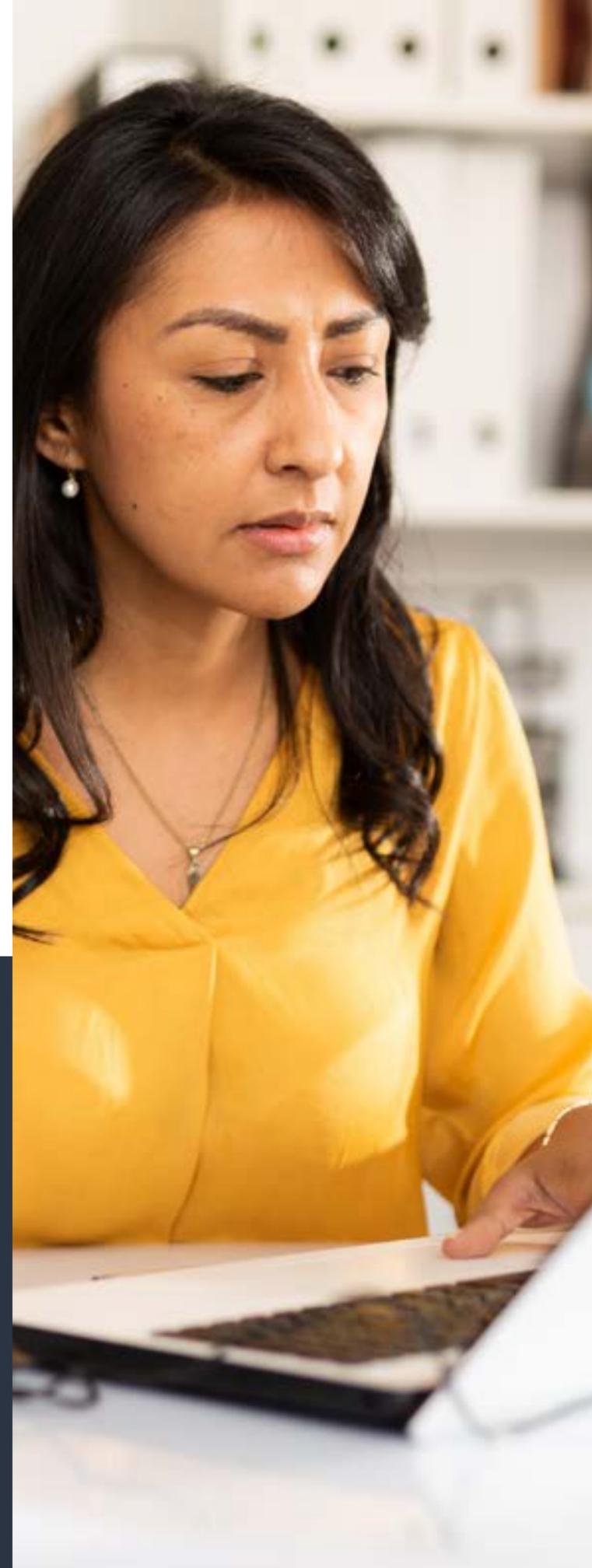
Engaging cruise control on benefits decisions suggests that employees might not be aware of what may be available to them. Especially because the small minority of employees who make changes to their benefits say a key driver is realizing they need more protection or having new options available to them.



Pro tip: Highlight new available options and personal checklists to help employees identify where they have enough coverage and where they could use additional protection.

Triggers that made a small percentage of employees make adjustments to their benefits elections during enrollment.

- 46%** I realized I needed more protection.
- 45%** I had new options available.
- 30%** Life events.
- 18%** Change in job status.
- 9%** I realized I didn't need as much protection.
- 8%** Other.



Fine-tuning hybrid enrollment options is vital to successfully lead in benefits tech.

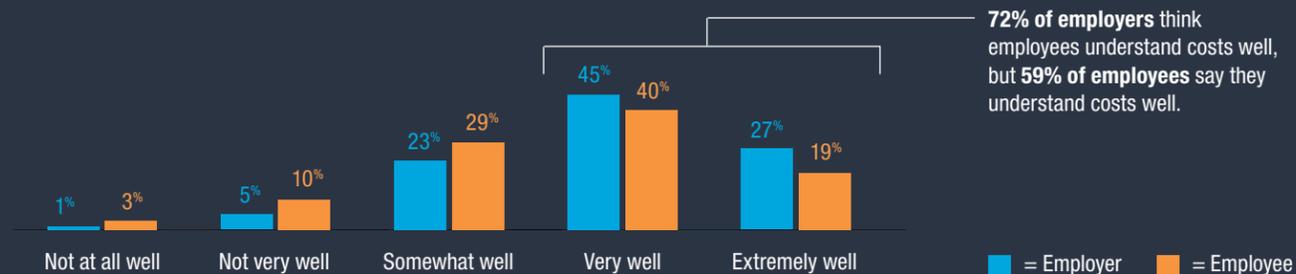
On average, employers report that about 40% of their workforces are working remotely today, and almost half of all employees enrolled in their benefits from their home this past year. Looking ahead, most employers plan on having a remote office in the future, with about a quarter, 27%, planning on a fully remote workforce in the next 12 months. For the benefits landscape, naturally this means that more employees are researching and enrolling in their benefits at home than ever before. And instead of working face to face with an HR or benefits professional, many worked virtually or over the phone. In fact, trending data finds that phone enrollment options steadily increased over the past five years. Additionally:

- **81%** say it is highly important for their insurer to lead in digital innovation.
- While employees are comfortable with and expect to manage their benefits online, more cite a preference for working with a benefits advisor in person, especially millennials. A full **53%** prefer talking to an advisor in person, compared to those who prefer a video meeting, **31%**, or online chat, **30%**.
- Since employees prefer to work with their benefits advisor in person, those working remotely may have been at a disadvantage because – compared to those who enrolled while in the office – they are **30%** less likely to have worked with a benefits advisor during the enrollment period.

Leading in digital technology in the benefits space will most likely look like a hybrid approach – balancing high-tech with human experience and expertise. Supporting an increasingly remote and hybrid workforce will mean helping benefits enrollment and consultation move to high-tech options, with the choice to meet in person with a consultant while also improving comfort around working with advisors online and over the phone.

Employer question: Thinking about health care-related expenses, how well do you think your employees understand their total annual costs for health care?

Employee question: Thinking about all of your health care-related expenses for you and your family, how well do you understand your total annual costs for health care?

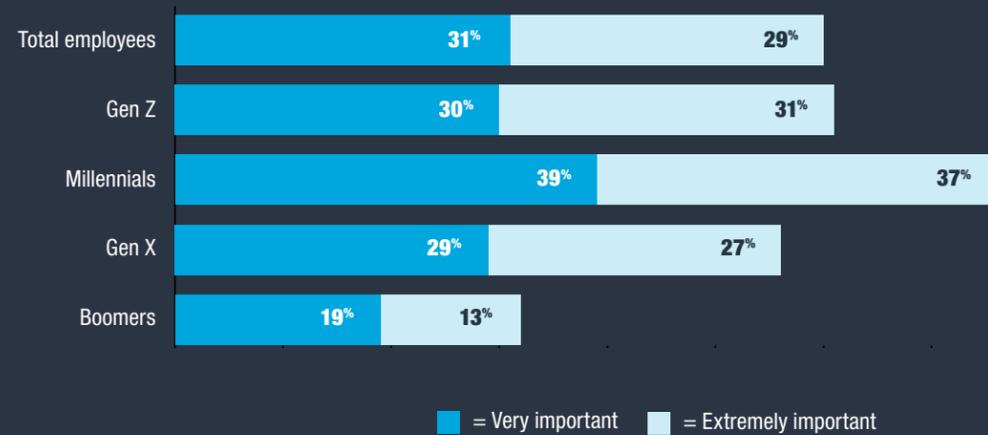




Pro tip: Make the introduction of a benefits consultant (in person or virtually) prior to benefits enrollment season. That way, employees become familiar with this resource and can be more comfortable asking the questions that will inevitably arise during enrollment and throughout the year.

Compared to other generations, millennials are most likely to want to work with a benefits advisor.

Question: How important is it that you have access to a benefits advisor when making your benefits selections?



Despite only 2 in 3 employers offering online enrollment, the majority agrees it is important that their providers be leaders in digital innovation – especially millennials and Gen Z decision-makers.

Question: How important is it for your benefits provider to be innovative by leading in digital technologies?



Feelings of stress are high for workers performing key benefits-related activities, particularly negotiating billing.

Benefits are critically important to employees' overall physical health, financial health and emotional health. Unfortunately, there are several pain points that employees experience when navigating health care and benefits that only elevate stress levels. In particular, over half of all employees indicate that negotiating medical billing is fairly stressful. This is followed closely by trying to understand what insurance or benefits are needed.

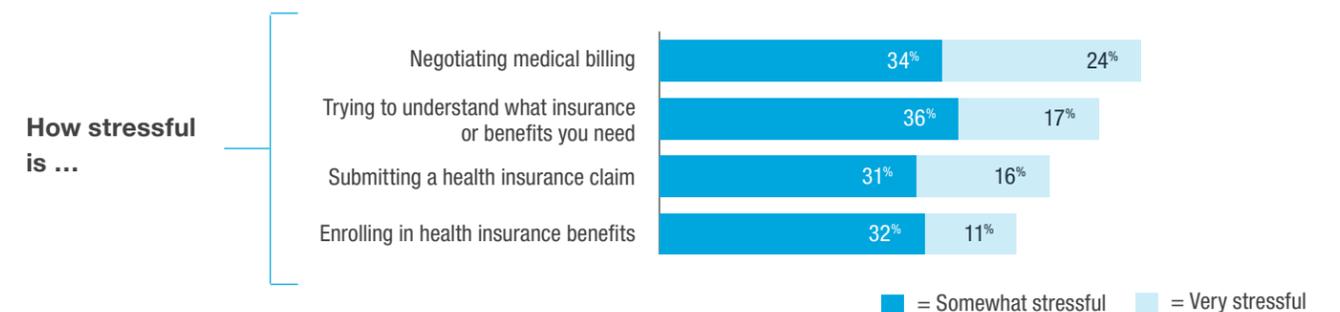
A smaller but still sizeable group also experiences

stress when submitting a health insurance claim or enrolling in their health care benefits.



Pro tip: Having access to benefits consultants and education designed to help employees navigate the billing process and understand the types of insurance benefits are most critical for employees. Making online options available could go a long way with helping employees navigate stressful benefits tasks.

Key benefits activities are stressful for about half of all employees – especially negotiating medical billing.



Employers and employees agree it is important that benefits companies show they care – and it is more important to Gen Z and millennial employees, meaning it will become increasingly important over time.

With cost being the top challenge for employers when offering benefits, it is unsurprising to see that cost is the top consideration for employers as they evaluate benefits providers. Cost is followed closely by brand reputation and financial strength. Sustainability and corporate social responsibility rank at the bottom of the list in terms of importance when choosing providers. Still, they clearly hold weight, with the majority of both employers, 88%, and employees, 79%, saying it is important that benefits companies show they care about employees.

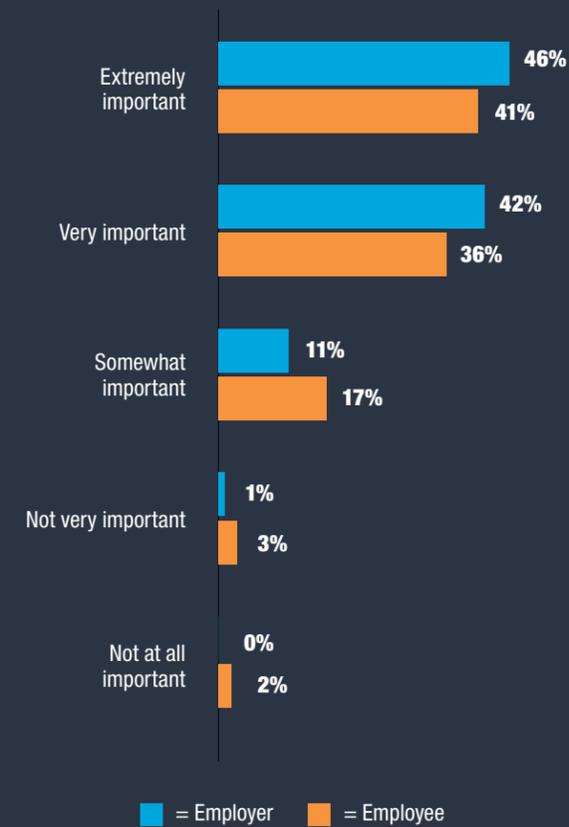
Most believe that benefits providers did a good job in 2020 of showing that they cared, though employers are far more likely to believe benefits providers were successful at this than are employees – 84% employers; 65% employees.

- **87% of employers** say the reputation of their supplemental insurance provider is extremely or very important.
- **65% of employees** say their benefits provider cares about them and their families.

Pro tip: The majority of the American workforce, 79%, is at least somewhat interested in reminders from their health care provider when it may be time to file a claim or receive a benefit. Personalized outreach that is rooted in giving can go a long way – especially as the importance of showing genuine care grows with millennials and Gen Z.



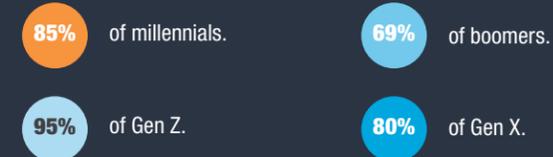
It is important that benefits companies show they care.



88% of employers say it is important for benefits companies to show they care about employees.

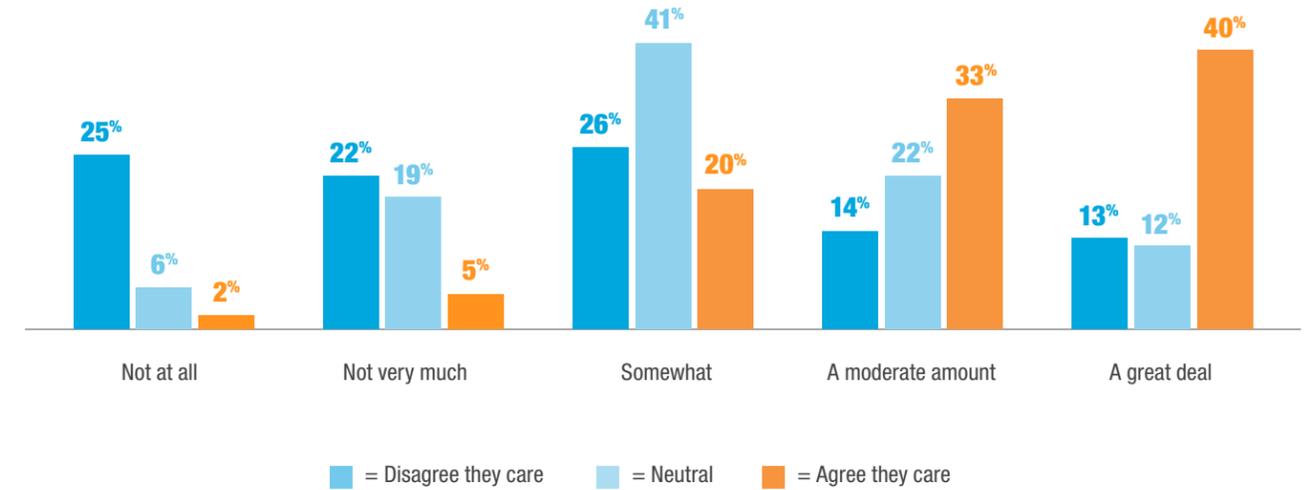
77% of employees say it is important for benefits companies to show they care about them.

Gen Z and millennial employees care the most out of the generations listed below, meaning it will become increasingly important over time.

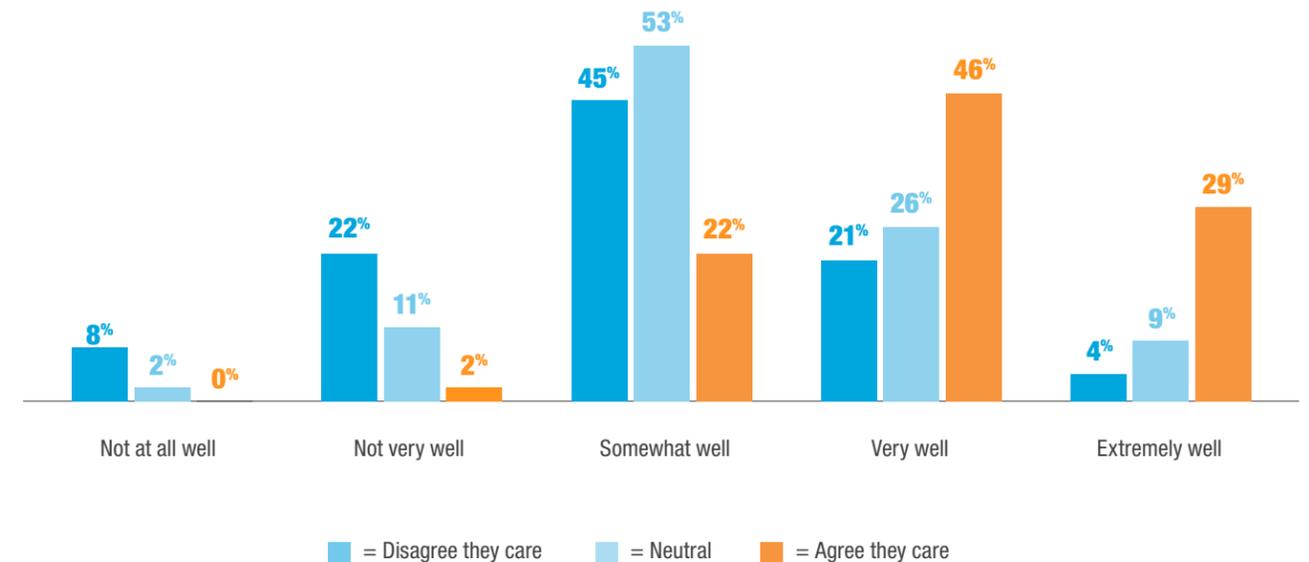


Employees who believe their benefits providers care about them are also more confident in both their coverage and the extent to which their employers also care about them.

Extent to which employees believe their employer cares about them
(based on the belief that their benefits provider cares).



Extent to which employees believe they will be covered
(based on the belief that their benefits provider cares).





Section 3

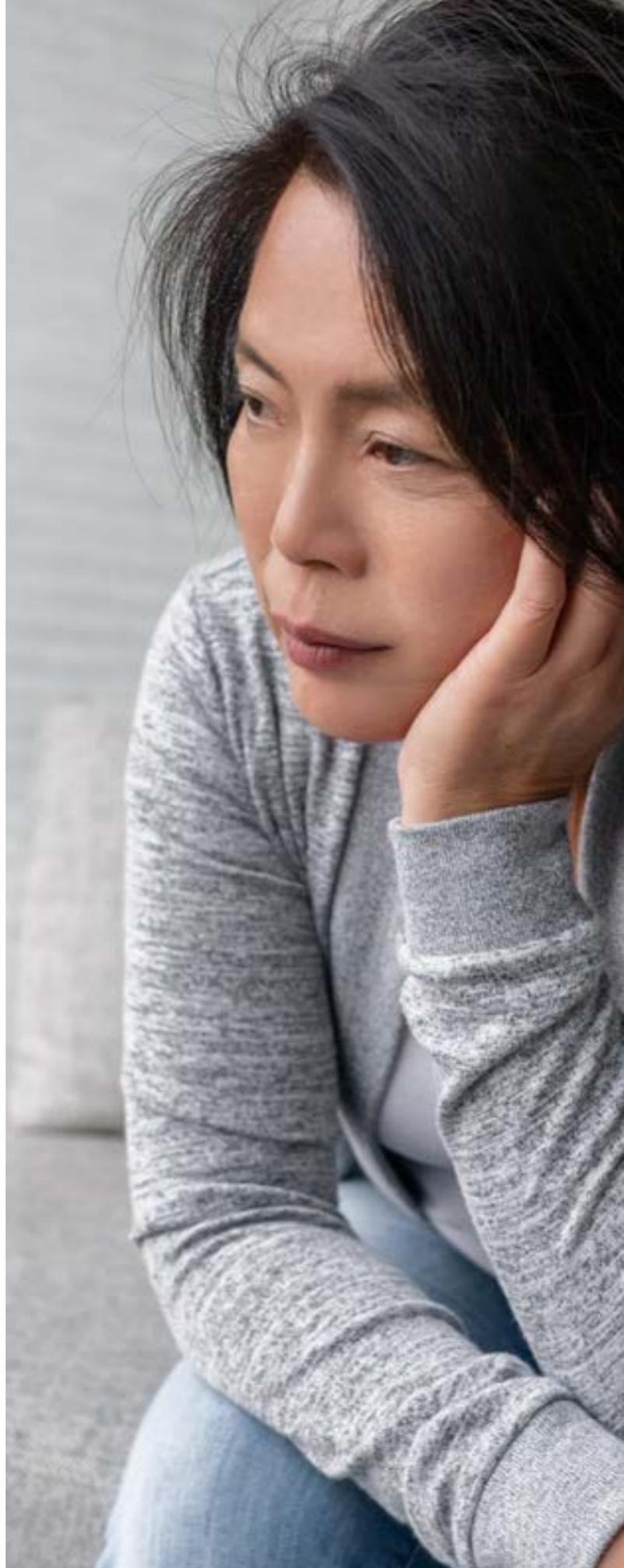
Health, wellness + the power of benefits

Personal mental health negatively affected the job performance of a third of the U.S. workforce over the past year.

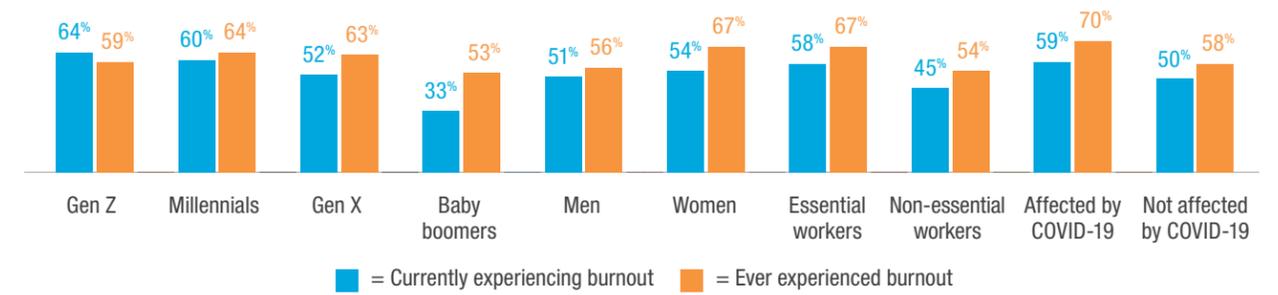
About half of all American workers are currently experiencing at least moderate levels of burnout, including depleted energy, exhaustion, negativity, cynicism and reduced productivity. Burnout is, unsurprisingly, experienced at different levels based on key demographic characteristics. Specifically, younger workers, essential workers and those who have been personally affected by a COVID-19 diagnosis currently are more likely to be experiencing burnout. Also, women are more likely than men to ever have experienced burnout. These groups likely need more support from both their employers and their benefits providers.

Key areas in which employers can provide additional support for their employees are in providing flexible scheduling and additional paid time off. Especially of note, those employees who had additional paid time off available to them in the event of a COVID-19 diagnosis are more likely to believe that their employers care a great deal about their mental and physical health. There is also an opportunity to better educate employees about existing resources and employee assistance programs that organizations may offer.

Pro tip: Mental health challenges can have a negative impact on productivity and lead to burnout. Employers can encourage behaviors to support well-being and mental health by offering wearable tech products, promoting or providing telehealth options and supporting virtual exercise programs through paid memberships, stipends or other incentives.

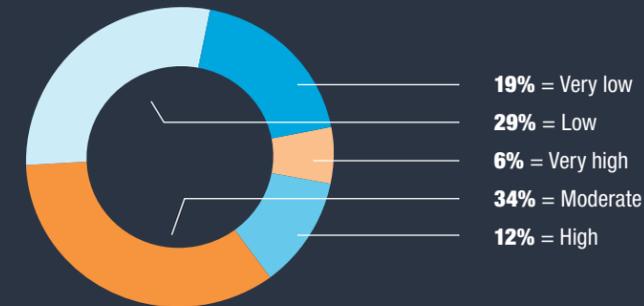


Employees experiencing burnout vary considerably based on key demographic characteristics:

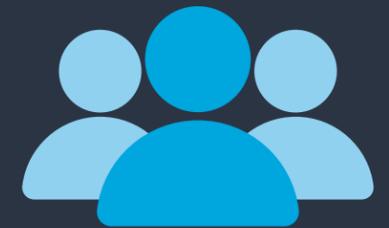


About half of all American workers are currently experiencing at least some level of burnout.

Question: How would you rate your current level of burnout?

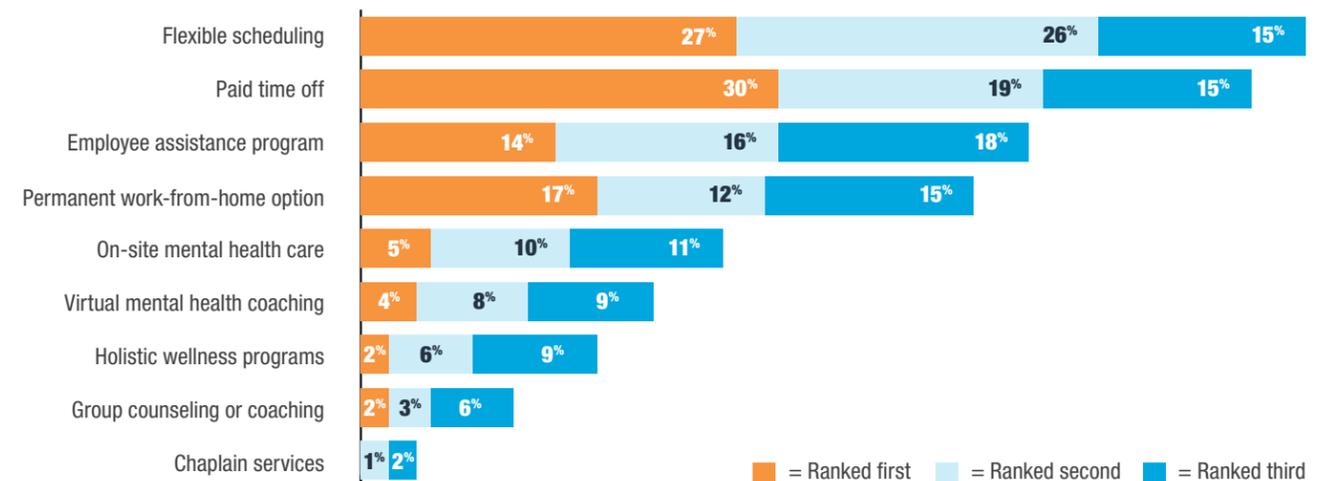


1 in 3 American workers state their personal mental health negatively impacted their productivity in the past year.



Whether it comes from flexibility or paid time off, employees facing burnout are looking for more time.

Question: How helpful would each of these be in helping you deal with burnout? Please rank from most to least helpful.



Positive perceptions of paid leave are linked to employees' beliefs that their employer cares for them.

With school closures for children and the elderly being a more vulnerable population, families and caregivers are some of the most hard-hit working groups. So it comes as no surprise that employees facing burnout are looking for more time – including a flexible schedule and paid time off. Both employers and employees generally agree that businesses provided adequate time and flexibility over the past year for workers to manage their home and personal responsibilities. There is a disconnect, however, with what employers think they are providing and what employees are actually experiencing.

- Most employees report having access to Family Medical Leave, with **42% saying** it is a paid benefit.
- **89% of employers** believe they provided adequate time and flexibility to employees, while **72% of employees** believe they receive the support that they need.
- Employees that had additional PTO available to them in the event of a COVID-19 diagnosis are **more likely to believe their employer cares about their mental and physical health.**
- **Half of employees** say taking PTO is viewed as positive at their company while just 39% say taking a leave of absence is viewed in a positive light.
- Employee perception of how PTO and leave of absences are viewed at their company are also strongly correlated to the **belief that their employer cares about their health.**



Pro tip: Employees are far more likely to say they don't know if their company offers additional PTO if they or a close family member receives a COVID-19 diagnosis. This presents an important education opportunity for employers to outline their PTO and leave of absence policies and to go the extra mile with communicating about policies related to COVID-19.

Personal time off is perceived as more positive at work than taking a leave of absence.

Employees who had additional PTO available to them in the event of a COVID-19 diagnosis are more likely to believe that their employers care a great deal about their mental and physical health.

Belief that employer cares about mental and physical health by availability of additional PTO due to COVID-19 diagnosis.

40%	27%	A great deal
31%	26%	A moderate amount
19%	29%	Somewhat
7%	13%	Not very much
3%	6%	Not at all

■ = Employer offered additional PTO
 ■ = Employer did not offer additional PTO

Belief that their employer cares about their health is highly correlated with the perception of taking time off at work.

2%	4%	22%	Not at all
4%	12%	29%	Not very much
18%	35%	31%	Somewhat
14%	28%	33%	A moderate amount
43%	21%	4%	A great deal

■ = PTO viewed positively
 ■ = PTO viewed neutrally
 ■ = PTO viewed negatively



Most employers believe their workforce is financially able to meet their health care obligations, while many employees would struggle.

Yet again, we see a gap in employers' perceptions of their workforces' financial resilience and employees' actual financial stability. While the overwhelming majority of employers, 81%, believe that their employees can financially meet their health care obligations, almost half of all employees, 46%, indicate that they would not be able to pay more than \$1,000 in out-of-pocket medical costs. Yet, this does represent an improvement over past trends – in 2017, 57% of employees stated that they would not be able to afford \$1,000 in out-of-pocket expenses. It is clear that the overall decrease in consumer spending and saving trends observed during COVID-19 have helped employees better prepare for future medical emergencies.

The overwhelming majority of employers believe an employee's financial stability is a critical component of job performance. This leads to employers knowing it is critical to understand their workforces' financial fragility and financial anxieties to support their mental health, well-being, productivity and job performance.



Pro tip: These factors combined represent a significant opportunity to provide supplemental insurance coverage. This coverage would help workers with their out-of-pocket costs and mitigate some of their anxieties, while also giving employers the confidence that their employees are financially stable and able to handle unexpected medical expenses.

Most employers believe their workforce is able to financially meet their health care obligations.



■ = Employers say yes ■ = Employers say no

And yet, **almost half (46%) of all employees** indicate that they **would not be able to pay more than \$1,000 in out-of-pocket costs** for an unexpected illness or injury.



■ = \$5,000 or more ■ = \$1,000 to \$4,999
 ■ = \$500 to \$999 ■ = Less than \$500

Only 1 in 4 employees report having more than one job.



■ = Employees say yes ■ = Employees say no

Among those who do, there are five leading reasons to hold multiple jobs:

- **63%** - Help make ends meet.
- **32%** - Pay for health care benefits and related expenses.
- **30%** - Have a flexible schedule
- **28%** - Have a sense of fulfillment
- **25%** - Have access to employer health care benefits.

80% of employers believe that the impact of an employee's financial health is very or extremely influential on the employee's job performance.

Half of all American workers have high anxiety about health care costs beyond what their insurance covers.

Unsurprisingly, this anxiety is highest among the younger generations, who report higher levels of financial fragility.

Among those employers who have noticed increased health care costs, most have had to make operating changes to manage these expenses. The primary change has been to increase their employees' share of the premium – which could contribute to employees' reported financial anxieties as they relate to health care and medical costs.

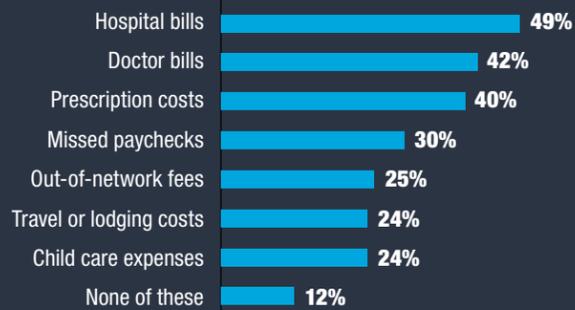
Only 3 in 5 American workers are confident they will be covered in the event of a serious illness – even more shocking, only 1 in 5 believe they will be covered extremely well.

Employee confidence in their health insurance coverage is stronger among those in the private sector versus the public sector, as well as among those working at large companies.



About a quarter of employees have faced a major medical event in the past year (either themselves or a family member)

Question: What unexpected costs have employees faced during a major medical event in the past 12 months?



A shocking 88% have faced unexpected costs – most commonly medical-related costs such as hospital, doctor or prescription bills.

24% of employees have been impacted (personally or family) by a major medical event in the past 12 months.

54% of employees said they have missed a paycheck this year.

62% of employees say they took a leave of absence this year.



Pro tip: Health insurance isn't designed to cover all of the expected and unexpected expenses related to overall health care. This presents a unique opportunity to provide education and consultation about the actual costs that health insurance plans do cover and, therefore, the costs that the individual or family can expect to bear. Taking some of the guesswork out of health care costs may help alleviate stress and help to empower employees to be in the driver seat with their finances.

Half of all American workers have high anxiety about health care costs beyond what their insurance covers.



The younger generations are particularly hard hit by these anxieties; **65% of Gen Z and 58% of millennials.**



About the study

The 2021-2022 Aflac WorkForces Report is the 11th annual Aflac employee study examining benefits trends and attitudes. The survey was conducted by Kantar on behalf of Aflac. The employer survey took place online between June 28-July 14, 2021, and the employee survey took place online between June 28-July 16, 2021. The survey captured responses from 1,200 employers and 2,000 employees across the United States in various industries.

For more information visit aflac.com/awr.

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