Employee Benefits Report

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Benefits Solutions

Boost Productivity, Reduce Turnover, and Attract Top Talent by Easing Employee Money Worries

Employee financial stress has reached a decade-high, with less than half (42%) of U.S. workers rating their financial health as good or excellent, according to a recent Bank of America study. With high inflation, lackluster raises, mounting student debt burdens, and household debt now topping $17.5 trillion, money worries are increasingly distracting employees and impacting businesses.

The toll is substantial. A 2023 PwC survey found that nearly 45% of financially insecure employees admit their money concerns distracted them on the job. A much smaller portion of those feeling financially stable envision a promising future with their current employer. Compounding matters, cash-strapped workers are twice as likely to look for new employment.

Alleviating this financial stress is critical for keeping workers focused, engaged, and in their roles long-term. However, recent efforts by employers haven't eased the burden for most employees.

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Pay Failing to Keep Pace

Experts agree the primary drivers of financial strain are high inflation coupled with compensation that hasn't kept up. Despite some recent progress, over half of workers still feel their paychecks aren't keeping up with the rising cost of living, according to a survey by the American Staffing Association.

This Just In ...

Using Employee Feedback to Optimize Benefits Packages

As employers look to reduce spending, many are slashing essential worker benefits like 401(k) plans, health insurance, and tuition assistance. However, experts warn against indiscriminately axing the costliest perks employees rely on. A better strategy, they say, is identifying underutilized offerings to cut and reallocating those dollars toward in-demand benefits.

Soliciting Employee Input is Crucial

The key to crafting an optimized benefits package is actively gathering and incorporating employee feedback, say human resources experts. This data allows companies to invest resources in the most impactful benefits.

Experts advise that robust communication channels like training, webinars, and benefits fairs should be leveraged not just to share information but also to solicit worker insights on needs and preferences. It's critical to give employees a voice in determining what's working, what's not, and what they require, and then focus spending on solving those most pressing issues.

One-Size-Fits-All Approach Obsolete

With today's multi-generational, diverse workforces at varying life and career stages, a one-size-fits-all benefits approach falls short. Employee feedback illuminates differing priorities across demographics.

At one large Miami healthcare employer, worker input revealed $200 million in total stu-

One workforce expert cautioned that while inflation is slowing, prices and interest rates won't instantly plummet, meaning financial challenges will linger.

Government data indicates inflation cooled to 3.1% annually in January after peaking at over 9% last summer. However, the impacts linger, with the latest Consumer Price Index showing Americans are spending over 11% of disposable income on food - the highest percentage since 1991.

Meanwhile, raises haven't kept pace for years. Nearly 60% of employees felt their salaries lagged inflation in 2022, up from 41% in 2021, per PwC's findings. 2024 salary budgets remain modest despite a slight reprieve.

The Costs of Financial Insecurity

When money problems distract and demoralize staff, the consequences for employers are severe. Attrition looms as a major risk, with low-income cohorts and younger generations bearing the brunt of financial pressures.

Roughly one-third of those 18-29 have student loans, according to the Education Data Initiative nonprofit. While six-figure earners also feel the sting, low-wage workers remain disproportionately impacted after years of stagnant pay.

One skeptical economist argued that personal finance education initiatives miss the mark, saying most workers simply need higher pay to make ends meet. This economist suggested that lower-income individuals are already skilled at budgeting by necessity.

The costs extend beyond turnover. Financially stressed employees are less productive, provide worse customer service, and have higher absenteeism and healthcare costs. Employers bear these and other detrimental impacts on benefit programs such as increased loan requests against retirement plans.

A Comprehensive Solution

To boost productivity, retain talent, and maintain a competitive edge in recruitment, experts advise a multipronged approach to ease worker financial insecurity:

Compensation

Regularly benchmarking and adjusting pay remains foundational. One pay equity strategist stated employers should prioritize keeping pay increases strong and making market adjustments to deter turnover.

Financial Wellness Benefits

Over half of employers now offer financial education, tools, and counseling. Early adopters focused on budgeting classes and credit monitoring, while newer offerings include:

- Emergency savings accounts (matched by some employers)
- Access to earnings on-demand before payday
- Low-interest loan options
- Student loan repayment assistance
- One-on-one financial coaching

Benefits Integration

Seamlessly bundling and marketing these financial wellness perks is key for driving utilization, according to experts. Accordingly, it's critical to ensure employees understand what tools are available.

Targeted Outreach

Segmenting communication by demographics like gender, income level, debt burdens, and caregiving status can boost engagement. For instance, sharing loan assistance and surrogacy/adoption cost info in parents' resource groups.

Personalized Guidance

Analyzing data like early 401(k) withdrawals and wage garnishments allows employers to customize offerings rather than create blanket solutions. As one financial leader put it, having robust data allows employers to support employees in targeted ways that build trust.

dent loan debt. The company responded by contributing toward monthly loan payments, freeing up worker income for expenses like housing and transportation.

Utilization Data Can Spotlight Underused Perks

Just as feedback highlights benefits gaps, it can also expose offerings no longer valued or used. One employer nixed an underutilized pandemic-era backup childcare benefit after learning it was no longer needed.

Experts stress analyzing utilization metrics along with gathering qualitative feedback to pinpoint areas to cut.

Balance Broad and Tailored Offerings

While investing in standard benefits like health coverage and retirement remains important, experts recommend a balanced approach, allocating some dollars toward specific needs identified through employee insights.

A Miami healthcare provider, for example, boosted minimum wages and implemented tiered health plan contributions to support lower-wage staff — a need surfaced via feedback.

Leading the Way

Many major employers have pioneered comprehensive financial wellness initiatives tying together education, counseling, savings tools, and more:

When Reid Health noticed staff tapping retirement funds during the pandemic, the healthcare system launched low-interest loan access, on-demand pay, and budgeting classes. According to their benefits manager, this aims to boost productivity, happiness, and retention by improving financial wellness.

UPS found a third of staff struggled with high credit card balances and payments. The company revamped an existing payroll-deducted savings plan, automatically enrolling employees while allowing them to self-direct contributions. UPS began matching funds, driving $10 million in new annual savings.

Engineering firm Kimley-Horn began allowing retirement match dollars to apply toward student debt repayment instead of only toward 401(k) contributions, providing versatility. This benefit, the firm believes, will also be an effective recruiting and retention tool.

New CDC Guidelines and Disability Lawsuits: Navigating Long COVID's Impact on the Workplace

The Centers for Disease Control and Prevention (CDC) issued new guidelines that relax isolation requirements for most people testing positive. However, this move coincides with mounting legal battles over whether insurers must cover long COVID disabilities under employee benefits plans.

The New Normal

Under the updated CDC recommendations, individuals with improving COVID symptoms who have been fever-free for 24 hours without medication can return to work, school, or public settings. This guidance acknowledges the evolving landscape, including waning severity due to vaccines, treatments, and growing immunity levels. Experts estimate 98% of the U.S. population now has some COVID immunity from vaccination or prior infection.

Yet respiratory viruses remain a threat, particularly for older adults, those with weakened immune systems and individuals with chronic conditions. While annual COVID-19 deaths declined from 245,000 in 2022 to 76,000 last year, influenza still causes up to 51,000 U.S. deaths annually.

Long COVID Challenges

As COVID case rates persist and societal risk tolerance shifts, another serious issue has emerged, namely long COVID disabilities. The CDC estimates that 18 million Americans currently suffer or have suffered from long-term COVID-19, defined as symptoms lasting three months or more after infection. These can include debilitating fatigue, cognitive impairment, heart issues, and mobility problems.

A Brookings Institution analysis suggests around 500,000 workers were out of the labor force due to long COVID in 2022 alone. Legal experts warn this emerging phenomenon could significantly strain workforce productivity and employee benefits in the years ahead.

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Legal Battles Over Coverage

Lawsuits are mounting as some insurers deny long COVID disability claims, deeming it an unforeseen risk outside existing contracts with employers. In one high-profile case, an attorney represents a client whose long-time disability insurer rejected her claim after a COVID infection caused seizures, memory loss, and digestive issues.

The insurer allegedly based the denial on flawed third-party medical reviews containing obvious errors like incorrect patient details. Legal experts contend some insurers are disputing long COVID disability recognition to avoid increased claims costs they failed to anticipate when developing premiums for existing policies.

Legal professionals argue insurers are trying to curb rising long COVID claims that disrupted standard risk-assessment practices used when originally drafting employer contracts. COVID's emergence as an unexpected event upended typical tactics for evaluating potential disabilities and associated costs.

Proving Long COVID Impact

For employees with lingering COVID-19 effects, experts recommend proactively documenting infection histories. Obtaining blood tests confirming the presence of the virus, even after negative diagnostic results, can help substantiate later disability claims.

With long COVID's full scope still unfolding, a key question is whether current health plans and disability policies will adequately cover associated chronic illnesses and workforce impacts. Employers are urged to examine insurers' history of claims handling and be cautious of carriers denying seemingly valid long COVID disability cases.

Legal professionals advise employers to examine if their insurers have a track record of disallowing what turn out to be legitimate disability claims. Using an insurer with a poor claims history could disadvantage workers seeking long COVID disability coverage.

Adapting Employee Benefits

The CDC's evolving recommendations allowing more COVID-positive individuals to return to workplaces aim to balance health protections with restoring economic activities. However, implementing such policies requires proactive measures from employers.

Experts advise providing flexible paid leave, remote work options, and COVID testing resources to support employees recovering from infections. Masking, distancing, and hygiene protocols should be implemented for workers returning after positive tests to limit viral transmission risks.

The relaxed CDC stance underscores COVID's transition from an acute emergency to an endemic health issue requiring ongoing management strategies akin to influenza. As risks evolve, maintaining updated vaccination coverage will be crucial for employees.

Preventing Burnout in Working Parents Helps Employers

For companies aiming to elevate productivity, engagement, and loyalty in the workforce, prioritizing support for working parents may be a wise investment. Experts agree the stress of balancing professional and family obligations extracts a significant toll, frequently culminating in burnout — and businesses bear the brunt of the consequences.

The Burnout Epidemic

A sobering Ohio State University study revealed that 66% of working parents currently grapple with burnout. The ramifications are substantial—subpar work performance, struggles with concentration, increased absenteeism, and, ultimately, heightened employee turnover. When employees are overwhelmed juggling workplace and home fronts, employers are left shouldering the costs.

Authorities in the employee benefits sphere say that people's professional and personal lives are inextricably intertwined, vying for the same finite resources of attention, time, and energy.

The burdens are particularly onerous for working mothers, as highlighted in the 2023 Mothers Overcome More (M.O.M) report by the University of Phoenix and Motherly. It underscores how low-income mothers confront monumental adversity amid inadequate assistance.

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One expert highlighted how employers often lack provision of four critical components: "accessible child care, paid time off, the recognition of skills acquired through motherhood, and opportunities to build one's skills."

Virtual Assistants Offer Valuable Support

One compelling solution gaining traction is virtual personal assistant services that can take tedious tasks and chores off working parents' plates. Services like Yohana supply users with a team of real assistants to handle up to three recurring items simultaneously — from meal planning to research to gift shopping. Experts indicate users save up to eight hours per month.

Authorities at Yohana explain their aim is to help relieve members of burdens that clutter the mind and precipitate burnout and stress. By having assistants available to cross items off the endless family to-do list, parents' mental loads are meaningfully lightened.

Furthermore, 30% of Yohana's users stated they reinvest the reclaimed hours back into their careers. However, even those who choose family time see valuable impacts. Yohana experts noted that when employees have more free hours in their week, they are far less likely to experience lethargy or apathy on the job.

Offering the Right Support

While the pandemic brought immense hardship, it also opened working parents' eyes to the potential for greater flexibility and equilibrium between professional and domestic responsibilities. Now, as companies urge return-to-office policies, experts caution against discarding those lessons.

HR specialists advise employers to consult with staff and gather their perspectives, as return-to-work directives should reflect the needs of those in the organization.

Creative Solutions for Obtaining Childcare

One of the most persistent pain points is access to affordable, quality childcare. With shortages of childcare workers, the expiration of pandemic-era funding, and overall exorbitant costs, working parents face a crisis on this front.

Some leading employers are getting innovative, forming partnerships with platforms like Cariloop's care coaching services and UrbanSitter's caregiver listings. These extend guidance for employees' caregiving needs while facilitating access to vetted childcare providers.

For occasional care gaps, forward-thinking companies like accounting firm Optima Office have adopted family-friendly policies. One such policy permits employees to bring children to the office when regular child care falls through, creating a win-win for productivity and work-life balance.

Flexible Scheduling

Sometimes, simply rethinking rigid 9-to-5 schedules can afford working parents the latitude needed to tend to responsibilities at home. Arrangements like 4-day work weeks, compressed hours, or employee-selected in-office days can provide families with the flexibility they need.

These types of policies convey understanding and support rather than discrimination. As the M.O.M. report findings summarize, furnishing family-friendly components like paid time off and schedule control can "set moms up for success."

The Game-Changing Benefit You've Been Overlooking: SECURE 2.0's Student Loan Matching

A key provision in the SECURE 2.0 Act that took effect January 1 could be a game-changer for employers looking to assist workers with student debt while also bolstering retirement savings.

However, the benefit seems to have been largely overlooked so far by many companies.

The new legislation permits employers to match employees' student loan payments with contributions to company-sponsored retirement accounts like 401(k) plans.

According to experts, this creative approach simultaneously tackles two major financial challenges facing many workers today – sizeable outstanding student debt and inadequate retirement savings.

Win-Win for Companies and Workers

The provision benefits both employers and employees by contributing matching funds to a worker's retirement plan instead of paying down their student loans directly.

Workers make progress paying off student debt while also receiving retirement contributions and tax advantages. For companies, it can boost costly but low retirement plan participation rates.

Experts suggest this could be an extremely effective retention tool for companies struggling with turnover, especially among younger talent saddled with college debt.

Clearing Up Misconceptions

As with any new policy, there are some misunderstandings about exactly how the student loan retirement matching works:

Misconception 1: Matching Funds Go Towards Student Loans

Experts clarify the match does not pay down an employee's student loan balance directly. The provision allows employers to contribute a match to the worker's retirement plan account based on their student loan payment amount.

Misconception 2: Workers Must Choose Loan or Retirement Match

Employees can receive matching contributions from their employer for both retirement plan deferrals and student loan payments, maximizing the benefit according to consultants.

Misconception 3: Implementation Is Too Complex

While a new offering, experts say integrating student loan matching with existing retirement plan operations is straightforward. Technology providers have developed ways to automate setup to mirror processes for traditional retirement matches. One stated it is just an extension aligned with current procedures as intended by the legislative guidance.