

# How Employee Benefits Will Shift in the Next 3 Years

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## What You Need to Know

Workplace coverage will be easier to move.

Individually underwritten worksite policies will be more common.

**Unusual benefits will be common.**

Starting in 2021, a movement known as the Great Resignation swept through the U.S. workforce, leading to millions of employees quitting their jobs and finding new employment at an unparalleled rate.

COVID-19, economic fluctuations, and declining job satisfaction all played a big part in this, with employees now displaying a far higher willingness to switch employers when their needs are not being met.

**As a result, employers have had to adjust their benefits offerings to attract and retain talent.**

Some of these benefits include more flexible work-from-home schedules, **increased access to voluntary benefits, and a greater focus on wellness programs.**

## What Your Peers are Reading

401(k) Catch-Up Rules About to Become Much More Complex | ThinkAdvisor

'The Fish Rots From the Head': Why Fixing Wells Fargo's Culture Is Taking So Long | ThinkAdvisor

Millennials and Gen Z Are Buying Insurance | ThinkAdvisor

However, while this shift is already under way, employers are already asking themselves where employee benefits will be in the next few years.

For life and health insurance agents, answering this question will be crucial for developing competitive insurance offerings both now and in the near future.

**Employers, as always, have a lot of options when deciding on a provider for their benefits packages and will be more inclined to choose one whose benefits align with the needs of their employees.**

With that in mind, here's a look at what employee benefits will look like in 2023 and beyond.

## Remote Work: Here to Stay

The COVID-19 pandemic and resulting lockdowns forced many businesses to place all or most of their employees on a remote model.

Now that the worst effects of the pandemic are in the rear-view mirror, many senior managers have displayed an eagerness to get everyone back in the office.

However, this return-to-the-office drive has been met with a lot of pushback from employees who have grown used to the benefits of working remotely.

As a result, employers have been forced to compromise by allowing for more flexible scheduling.

While some business leaders might dismiss this as a temporary measure, the reality is that remote work is likely here to stay.

To understand why, one need only look at the changing demographics in the workforce, which is now increasingly made up of Millennials and Gen-Z workers, who have shown the greatest willingness to vote with their feet when their desire for remote work is not met.

As such, businesses would do well to recognize remote work as a core part of their business strategy.

Doing so can have productivity benefits as workers will feel more satisfied with the ability to choose their own hours.

However, to gain those benefits, employers must make an effort to provide adequate support and training for their remote workers.

### **Portability**

For the longest time, most employee benefits programs have consisted of one-size-fits-all group policies for health and life insurance.

While such group policies are easy to put together, they often come with meager payouts and don't transfer when an employee switches jobs.

As a result, employees are increasingly demanding access to supplemental individual insurance policies.

This transition from group to individual policies will have two major implications for employee benefits.

The first implication is that **companies should offer a wider variety of policies for employees to choose from, including disability insurance, pet insurance, and supplemental life insurance.**

Each of these policy types can be fully customized to suit the needs of individual employees and can transfer with them when they switch employers.

### **Economy & Markets**

The second implication is that by offering individual policies, employees will begin paying for these benefits via direct deposits into benefits accounts rather than through payroll deductions.

For employers, this has the benefit of eliminating the hassle of having to conduct monthly reconciliation reviews.

### **Increased Access**

A large part of the reason why group policies have reigned supreme for so long was that they provided guaranteed coverage.

Employees had every reason to sign up for such policies since they didn't require a medical exam or and employees didn't have to answer any health questions to qualify.

By contrast, underwriting an individual policy can take months due to the vast amount of paperwork and examinations that were required.

Fortunately, increasing digitization has had a dramatic effect on the insurance landscape over the past few years.

Online portals powered through big data and AI mean it is now possible for policies to be fully underwritten in as little as 10 minutes.

Such speed and ease of access are certain to increase the number of individual policies that can be offered to an employee.

Better still, the use of digital payment mechanisms means that employers can increase their array of benefits without increasing their administrative burden.

### **Reallocation of Employer Funds**

As a side-effect of the shift to remote work, many employees have realized that they have a lot of power to choose a new employer if their current one is not fulfilling their needs.

This has put a lot of pressure on employers to devise new ways to find and retain talent, with wage increases being the preferred option.

While this worked well enough for a short amount of time, it's become harder to differentiate since wages are no longer stagnant.

At some point, money becomes less of a motivator, necessitating the need for other benefits to entice employees.

With that in mind, the future of benefits is likely to see a reallocation of employer funds away from wage increases and toward more modern and customizable benefits.

For instance, when asked about their benefits preferences, employees have repeatedly said that they would like to see more employers offering innovative programs like financial planning workshops, mental health courses and tuition assistance, to name just a few.

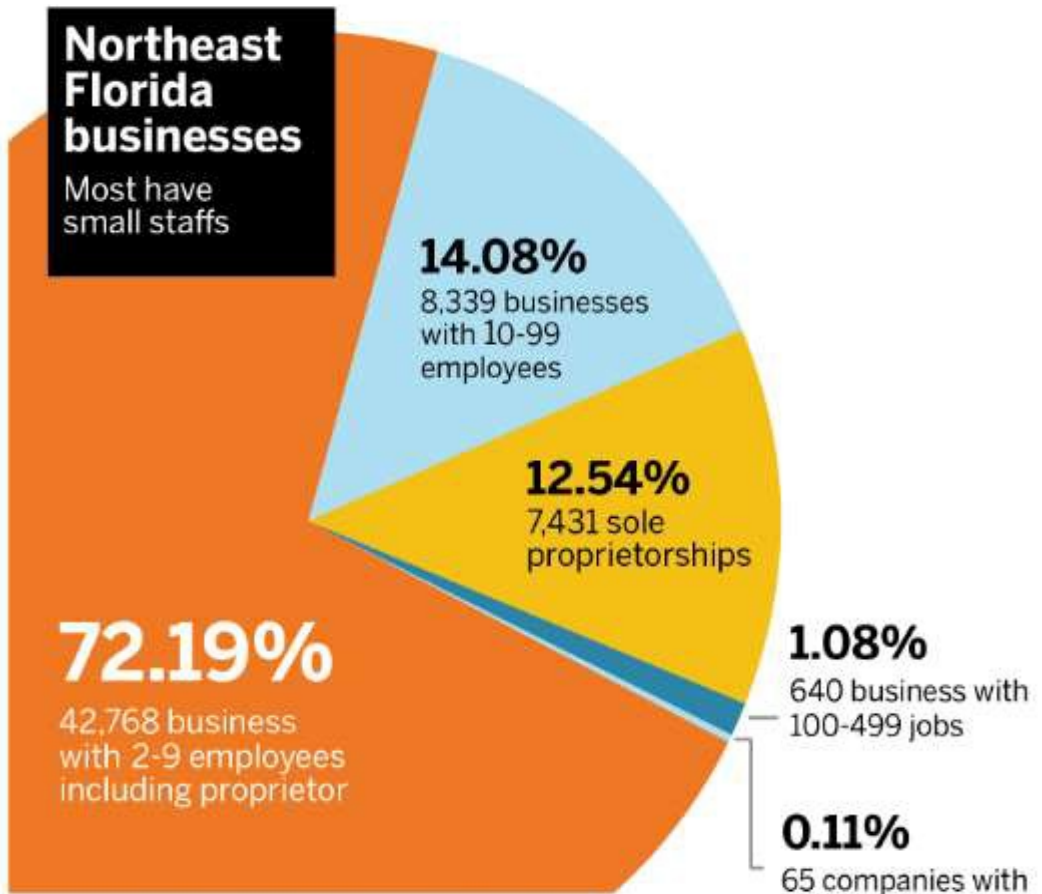
Unorthodox benefits programs such as these tend to be very popular with younger generations and will likely see exponential growth in the near future.

### **The Future**

In summary, the benefits landscape is heading for some dramatic changes in the coming years.

What's important to understand is that these trends are largely being driven by intense competition in the workforce as employees increasingly recognize that they hold a lot of negotiating power when deciding on an employer.

It will be up to HR managers to decide on competitive benefits offerings for enticing employees, as well as insurance agents when it comes to designing their services.



Source: 2021 survey by JAX Chamber/The Bridges Competitive Small Business Survey