



## Benefits in Turbulent Times– PART 2

How Economic and Labor Market Pressures are Influencing Benefits



# Today's Speakers



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# Welcome

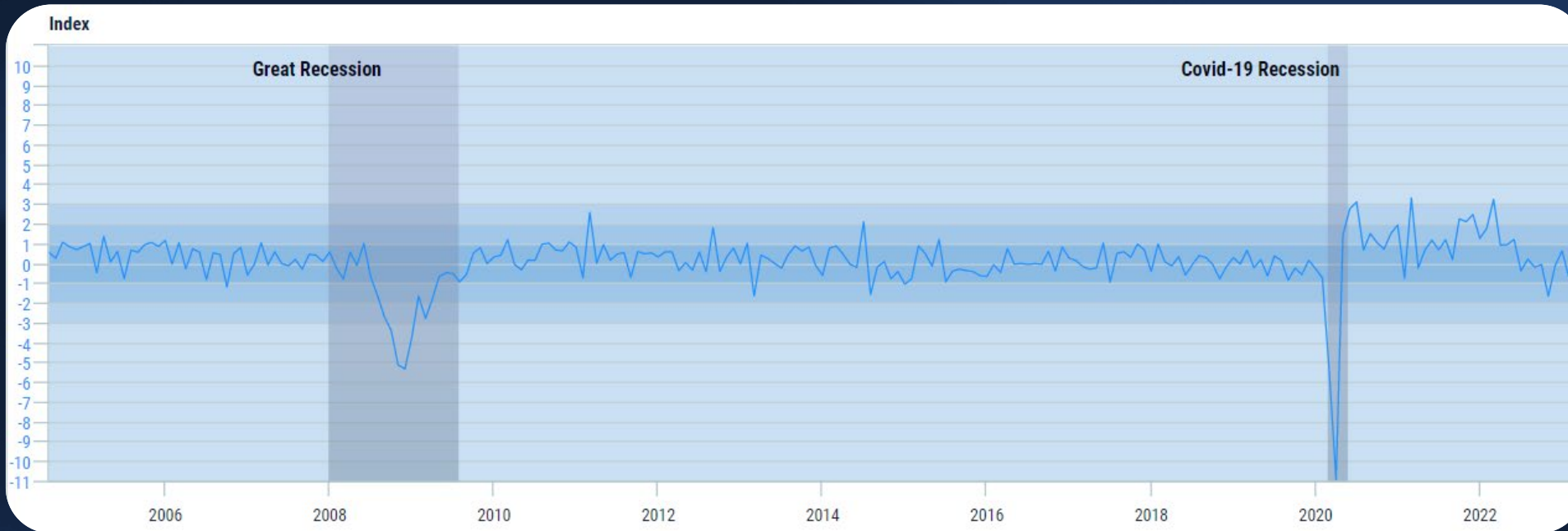
## Goals for this Session

1. Identify the economic trends affecting businesses (particularly benefits)
2. Actions employers can take in response to those trends.
3. Share your ideas, thoughts, successes.

# Overall US Economic Indicators

U.S. Census Bureau Index of Economic Activity

Aggregation of Census Bureau's primary economic data series to create an overall weighted average of economic performance and predications.



**Current  
Index  
Value**  
**-0.57**  
As of May 17, 2023

Advance Monthly Retail Sales	Business Formation	Monthly Wholesale Inventories	International Trade	Rental Vacancy Rate	Homeownership Rate
Manufacturers' Goods	Construction Spending	Advance Wholesale Inventories	Advance Report Durable Goods	Advance Retail Inventories	Advance International Goods
New Residential Sales	New Residential Construction	Business Inventories	Quarterly Profits - Retailers	Quarterly Profits - Mnfg.	Selected Services Rev.



# Top Economic Indicators Impacting Benefits



**Labor  
Market**

Indication of  
economic strength



**Consumer  
Spending**

Gauge of consumer  
health



**Inflation**

General rise in  
goods and  
services



**Interest  
Rates**

Influences business  
growth and  
purchasing power



# Labor Market: **The Trends**

## 1. Overall job growth remains strong



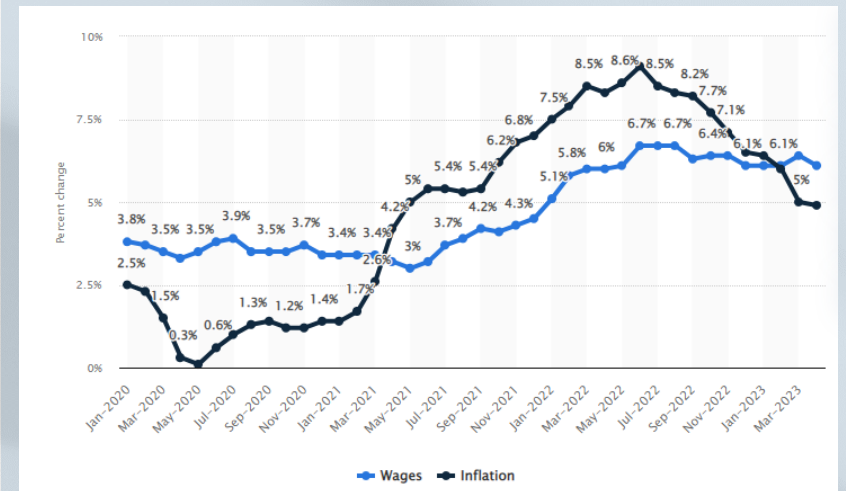
Employment continued to trend up in professional and business services, health care, leisure and hospitality, and social assistance.

## 2. Unemployment remains low



**Chart 1. Unemployment rate, seasonally adjusted, April 2021 – April 2023**

## 3. In recent months, wage growth has outpaced inflation. Wage growth rates are nearly 1.5-2x pre-pandemic levels.



Source: Statista Economy & Politics;  
<https://www.statista.com/statistics/1351276/wage-growth-vs-inflation-us>



# Labor Market: **Business Impact**



## 1. Tight candidate pools

*In 2022, CareerPlug found:*

- 48% interview to hire ratio
- 85 applicants to 1 hire
- Just 3% interview ratio

Source: Career Plug  
<https://www.careerplug.com/blog/recruiting-metrics-and-kpis/>



## 2. Longer time to hire

Hiring managers say it takes an average of 11 weeks to fill a vacant role in 2022, up from 7 weeks in 2021.

Source: HR Dive  
<https://www.hrdiver.com/news/hiring-recruiting-time-to-fill-hire/641744/>



## 3. Increase in burnout

Nearly Two-Thirds of Workers Say Staffing Shortages Fueling Employee Burnout

Source: Eagle Hill Consulting <https://www.prnewswire.com/news-releases/nearly-two-thirds-of-workers-say-staffing-shortages-fueling-employee-burnout-new-eagle-hill-consulting-research-finds-301533453.html>



# Labor Market: Opportunities

#1

Make sure employees have a strong 'why'.

Harvard Business Review on Improving Employee Engagement:

1. Connect what employees do to what they care about.
2. Make the work more meaningful.
3. Create time affluence.



# Labor Market: Opportunities

#2

## Promotion and Education of Benefits

A focus on what they need and want (but didn't realize they had)

### Possible Areas of Underutilized Benefits



- Ability to leverage a Dependent Care Account for eligible adult dependent care.
- Access to Mental Health Resources + Mental Health First Aid Training
- Wellness / well-being rewards
- Volunteer Days or Floating Holidays
- Emergency Savings Options through Retirement Funds
- Disease management programs

# Labor Market: Opportunities

#3

Use benefits to attract and retain employees.

*What is your “Total Rewards” package?*

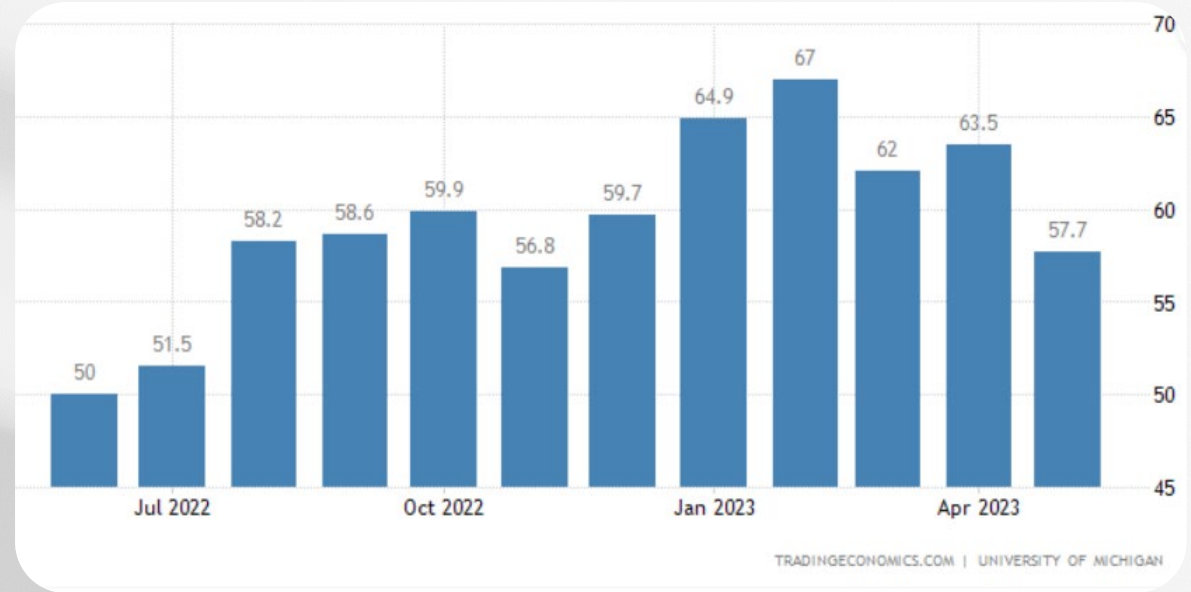
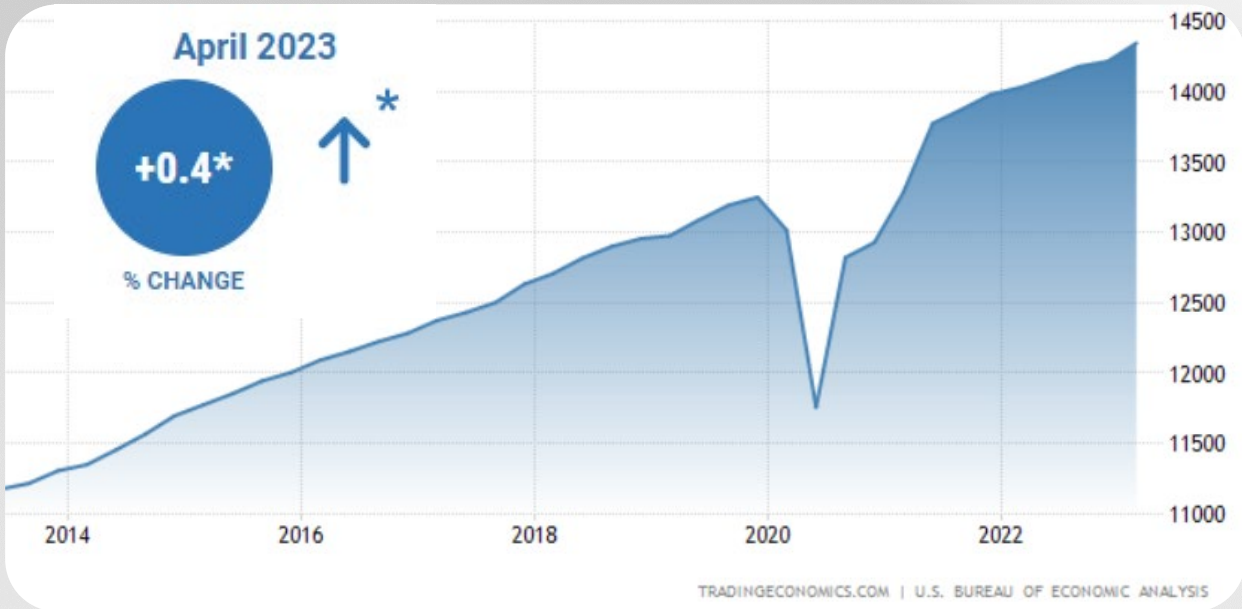
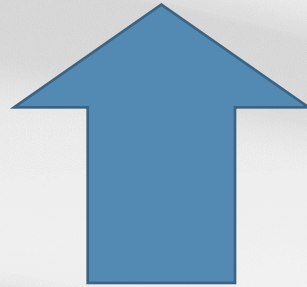
## Three Benefits to Watch

- 1. Specialty Reimbursement Accounts**  
According to Mercer Insights Survey in May 2022, “just under 10% of employers that responded said they have a benefit— but **70% of respondents** said that they are considering adding it”
- 2. Flexible Work Arrangements are Perceived as Benefits**  
**59% of respondents reported that “flexibility** is more important to them than salary or other benefits – HBR
- 3. Ability to Save (or pay down debt)**
  - Health Savings Accounts
  - Education Reimbursement Programs
  - Financial Education / Well-being Programs



# Consumer Spending: **The Trends**

Overall Consumer Spending continues to increase slowly



However, consumer confidence has been on the decline.



# Consumer Spending: **Business Impact**



1. Employees are more cost-conscious and likely to shift their buying habits.

2. Employees are likely to continue to buy the things they need, with some modest “splurges”.



3. Employees may struggle to pay expenses like groceries, gas, utilities, and rent/mortgage payments. 2 in 3 Americans unable to afford an emergency expense of \$400 or more.

Source: Bloomberg, Jan 2023



# Consumer Spending: Opportunities

#1

Promote cost-saving tools to make the most of healthcare dollars.

## Common Resources Employees Can Access:

- Carrier-provided Services
- Telehealth Services
- Pharmacy Discount Programs
- Claims review and negotiation services

# Consumer Spending: Opportunities

#2

Make sure employees are saving on the things they need.

**Employees save on average 20-30% when paying with pre-tax dollars.**

- Child Care
- Adult Dependent Care
- Health Care Expenses
- Transportation and Parking Expenses



# Consumer Spending: Opportunities

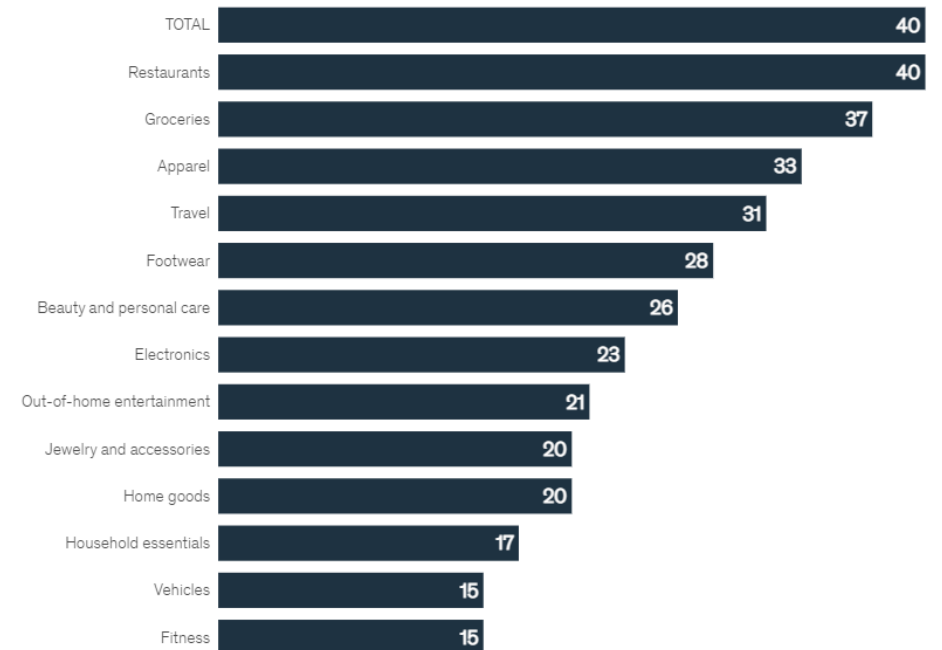
#3

Consider offering Specialty Accounts to give employees an opportunity for a little splurge.

**“Selective indulgence” is the mood of the moment.**  
– McKinser & Co.

The intent to splurge is particularly focused on food, apparel, and travel.

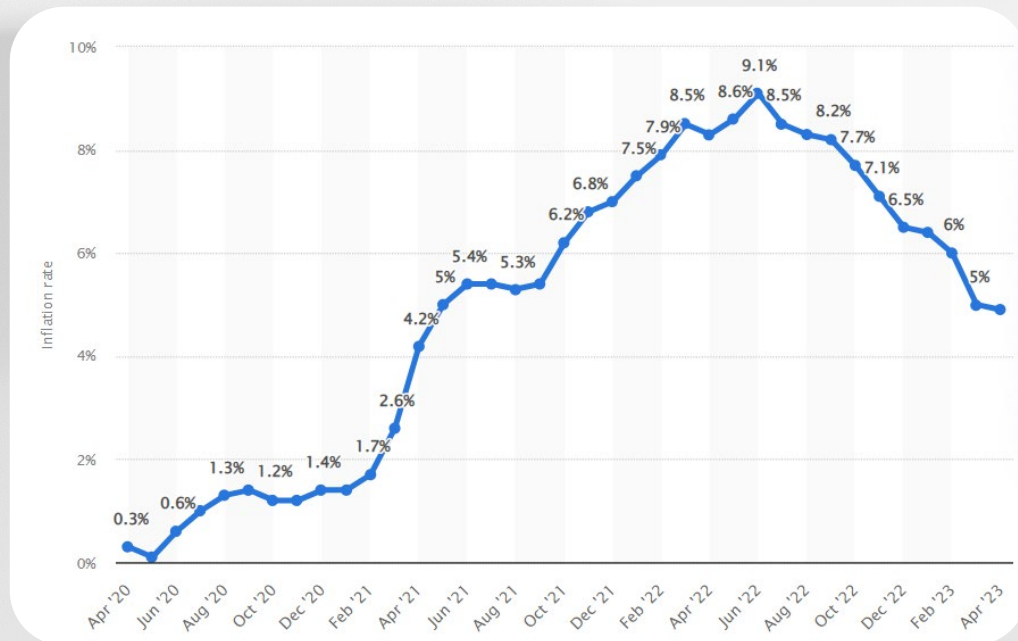
Share of respondents intending to splurge in 2023, by spending category, %



Source: McKinsey US Consumer Pulse Survey, Feb 24–Mar 1, 2023, n = 8,975, sampled and weighted to match the US general population aged 18+

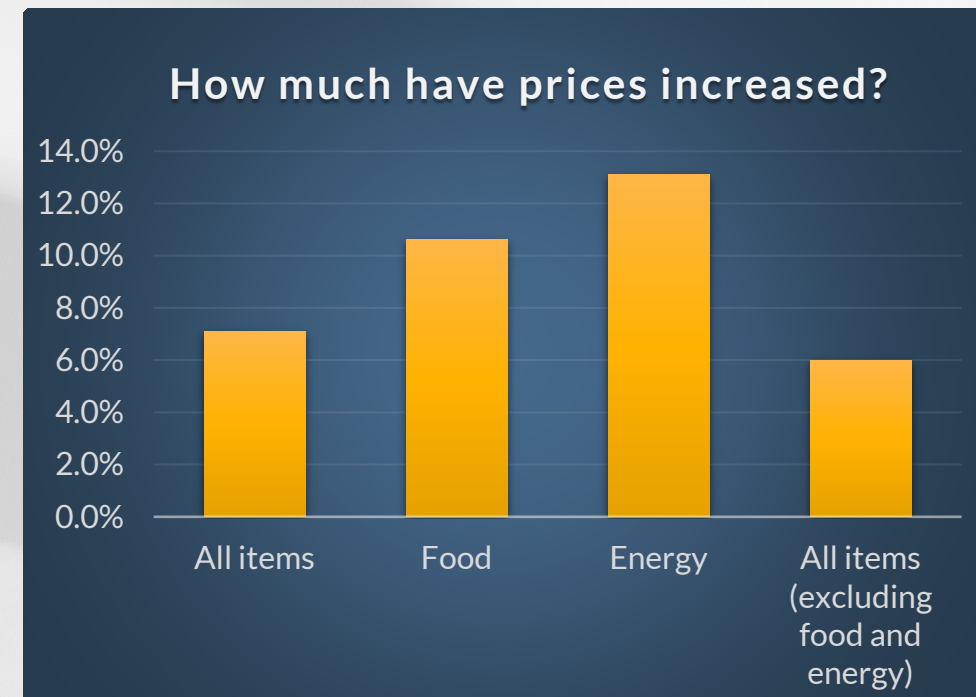
# Inflation: The Trends

Inflation is now below 5% for the first time in a year, but still far from the 2-3% desired pace



Sources: Statista; Monthly inflation rate U.S. 2023 | Statista

Prices have increased on just about everything with the largest increases coming from food and energy.



Source: World Economic Forum; How has inflation affected the prices of goods in the US? | World Economic Forum (weforum.org)



# Inflation: **Business Impacts**

## Employees

About 40% of employees plan to reduce the amount they spend on benefits in the coming year\*.

### A. May evaluate their spending decisions and be more focused on cost saving.

- Turn to private-label brands / generics
- Shop at more affordable retailers
- Leverage discounts /coupons

### B. **Employees may defer medical care.**

- Skip preventive care or recommended follow-up treatments.
- Stretch prescriptions through reduced or delayed doses.
- Avoid discretionary spending.



## Employers



**Cost-conscious. Taking a closer look at benefits.**

- Deductible levels / OOP limits
- Networks
- Employee Cost-sharing
- Ancillary benefits

# Inflation: Opportunities

#1

Great time to  
introduce Smart  
Solutions



## Smart Solutions to Consider:

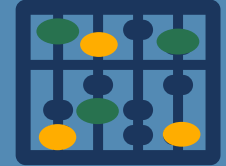
- HSA-compatible Health Plans & HSAs
- Price Transparency Resources
- Onsite Screenings
- Care Navigation / Disease Management Services
- Wellness Incentive Program



# Inflation: Opportunities

#2

Reduce administrative burden by consolidating underutilized benefits in favor of Specialty Accounts



**Specialty Accounts:**  
One program to administer.  
Many possibilities.

- Wellness
- Education
- Non-qualified transportation
- Home office
- Personal choice
- Pet Care
- Extended family care

# Inflation: Opportunities

#3

Understand the flexibility built into your benefits.

## KEY BENEFIT TIPS

- Not all benefits require a qualifying event to make changes.
  - HSAs & Commuter Benefits can change at any time for any reason
  - Dependent Care FSAs can allow changes for a change in the cost of care.
  - 401k / retirement contributions
- FSAs can be designed with rollover to avoid any risk for loss of funds



# Interest Rates: **The Trends**

The Federal Fund Rate has increased sharply from near 0% to over 5% in just over a year.



Source: TradingEconomics.com

30-year Mortgage

**6.25% - 6.75%**

Up from low of 2.5-3% in 2020



Purchasing power decreases by approximately \$20-25k per 1% rate increase.

# Interest Rates: **Business Impact**

**A. Banks competing for cash.**



**B. Business start-ups or expansion efforts might be challenging.**



**C. Employees may be hesitant to move or relocate.**





# Interest Rates: Opportunities

#1

Embrace the cost-saving options that a hybrid / remote workforce provide.

## AREAS OF CONSIDERATION

- Maximize office-related expenses
- Reconsider business travel & entertainment allocations
- Reduction in print and mail expenses
- Reduction in commuting-related expenses – Enables employees with a “long” commute to avoid relocation
- Realize increased productivity & decreased absenteeism

Companies that adopt a hybrid workplace stand to **save an estimated \$11,000 a year on each employee** who works remotely half of the time.

Kate Lister

President of Global Workplace Analytics

# Interest Rates: Opportunities

#2

## Education on cost-saving solutions

### Cost-Saving Opportunities

- Price Transparency

- Govt. / State Resources

- Free Tools  Healthcare Bluebook.

- Carrier/employer-driven solutions



- Pharmacy Savings



- Health / Cost Advocate





# Interest Rates: Opportunities

#3

Reconsider benefits of the past  
(and plan for the future)

## A. Dust Off Benefits of the Past

- Defined contribution / 'cafeteria-style' benefits
- Relocation packages
- Negotiated discount programs
- Retirement and personal financial reviews
- Alternative financial incentives (i.e. employee stock purchase plans, pension programs)

## B. New/Expanded Benefits for the Times

- Personal Services (i.e. food delivery, cleaning, streaming)
- Mental Health & Wellbeing
- Additional Emergency Savings and Student Loan Payments (permitted by Secure 2.0)

...WHAT'S NEXT?

Don't Forget...

# Benefits are a Tool



1. **Identify your business goal,** objective or challenge.



2. **Leverage your benefit toolkit** to proactively address concerns or objections for business goals.



# You are invited to share your ideas.



**In the Questions panel,  
please share:**

- **Ideas** to combat economic and labor market challenges.
- **Successes** you have had.
- **Questions** for us.

# Request a quote or schedule a plan review

FSA | HRA | HRA VEBA | HSA | COMMUTER BENEFITS | SPECIALTY/LIFESTYLE ACCOUNTS | COBRA | DIRECT BILLING

- 1) Reach out to your **assigned BRI representative**.
- 2) Complete the **post-event survey** and request a reach out.
- 3) Send an email to **[info@BenefitResource.com](mailto:info@BenefitResource.com)**.



# Join Us

## Benefits in Turbulent Times

**Part 1: Impact of End of Pandemic**

Tuesday, May 9 at 1:00 ET

**Part 2: Economic and Labor Market Pressures**

Tuesday, May 23 at 1:00 ET

**Part 3: How AI and Technology are Disrupting Benefits**

Thursday, June 1 at 1:00 ET

**Watch your email for webinar recording and registration link.**



Thank You!

ANY QUESTIONS?