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Benefits Trend for 2023

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Employee Benefits throughout 2022 have been a story of two halves. As the US emerged from Covid restrictions, benefits in Q1 and Q2 focused on return-to-work strategies, workplace safety, employee testing requirements, and the thorny issues of vaccination status. Strategies around office layouts, hybrid working, and post-Covid fallout due to increased mental health issues were very much at the top of the agenda. This was set against "The Great Resignation" and a labor shortage, meaning staff retention and engagement were at an absolute premium.

As we moved on from the pandemic, Benefits took on new importance for employees across all demographics. "Must haves" increased notably to include regular health screenings, gym memberships, onsite fitness facilities, and the emergence of LSAs (lifestyle spending accounts) across many organizations. LSAs now typify a sense of wide-reaching employee welfare as a funded benefit used for goods and services that are generally outside the scope of coverage under a group health plan, including fitness memberships, athletic equipment, home office expenses, health supplements, and more. For the first half of 2022, Benefits professionals were under extreme pressure to deliver more and add significant value to the employer brand proposition.

Fast forward to December 2022, and we have seen a large-scale u-turn in the messaging from business leaders, with "saving money" and scaling back the new mantra. With the collapse of the tech sector, several high-profile financial services organizations in retreat, and mass layoffs, we see a cutback in innovation and positivity across the profession. Many organizations that IPO'd over the last 12 months and have experienced a 50% or more drop in share price are now asking benefits professionals to increase employee contributions to lower costs. There is simply no positive way to spin this. With the market in temporary retreat, the volume of Benefits professionals changing companies has decreased notably in the last six months. We have seen a 34% drop year-over-year in benefits movement for individuals with 8 -15 years+ of experience, suggesting that job security is a priority. Benefits vacancies are also down significantly as a result, but this is not due to layoffs; we have noticed organizations holding off on backfilling open positions, perhaps until the new year.

So, where does this leave 2023? With a short, sharp recession predicted and US growth for 2023 still looking positive, we expect a more upbeat outlook for Benefits professionals. There is still an acute labor shortage in the US market, and while unemployment is growing, this will likely drop back from Q2 onward. Attracting and retaining talent will be a priority for many organizations in the new year, and we predict the focus on offering a broad and well-positioned benefits provision will remain important.

Trends to be aware of for 2023

Healthcare affordability - This is undoubtedly on the list every year, but we see some interesting trends in this space; healthcare provision will always be a key factor in decision-making when changing roles. This year we have spoken to more benefits professionals tasked with modeling salary-based contributions to offer health plan premiums to lower-paid employees. Currently, 17% of the top 3,000 public US employers use this model, with more considering it in the future, per a recent survey by MetLife.

Creating wellbeing centers – Mental health has seen a surge in public coverage since the pandemic began but offering support access isn't enough. Training employees to spot signs of behavioral changes and training managers to identify issues within their teams is a common step for many firms. Additionally, we see investment in anti-stigma and behavioral health campaigns increase and firms setting up internal 'wellbeing centers.' A key differentiator for many organizations is a top-down approach to employee welfare, with C-Suite and board executives encouraged to communicate issues and challenges they face rather than reserving these issues for the broader employee population.

Enhanced support for women's reproductive health – In the aftermath of the supreme court Dobbs v. Jackson ruling, organizations will increase support for employees across several areas in 2023, including high-risk pregnancy, post-partum, pregnancy loss, and menopause.

Tailoring benefit programs to encapsulate employee demographics – We have commented on this topic previously and continue to see growing popularity across larger-scale organizations in creating multiple package offerings to appeal to broader demographics. A notable large banking organization created 12 bespoke benefits packages that individuals can choose from that appeal to their situation more than a "standardized" corporate offering. We see elements such as 0% financing for tuition reimbursement programs, stock plans designed to pay student loans at vesting, LSA's per above, fraud protection, increasing the scope of PTO including mental health days, last minute "change of plan" days, and more.

Prepared by
Jamie Newton
MD - TRS

e: jamienewton@oakleaftrs.com
w: oakleaftrs.com

t: US: +1(0)212-381-9947
t: UK: +44(0)7711810998

Contact Us

2023 will be another busy year for Benefits professionals across the board. Market volatility will remain for the first quarter, but we expect the outlook to be more favorable than the current market anticipates. We expect benefits vacancies to increase as the year progresses, and market movement will be back on the agenda.

Please feel free to reach out to us for any inquiries or comments.

Jamie Newton
Managing Director

t: +1(0)212-381-9947
e: jamienewton@oakleaftrs.com

Charlotte Henney
Principal

t: +1(0)212-381-9947
e: charlottehenney@oakleaftrs.com

Jessica Phelan
Senior Consultant

t: +1(0)212-381-9947
e: jessicaphelan@oakleaftrs.com

Liza Park
Principal

t: +1(0)212-381-9947
e: lizapark@oakleaftrs.com

Prepared by
Jamie Newton
MD - TRS

e: jamienewton@oakleaftrs.com
w: oakleaftrs.com

t: US: +1(0)212-381-9947
t: UK: +44(0)7711810998