



Workplace benefits trends

EMPLOYEE FINANCIAL INSTABILITY

2022-2023



The economic downturn is putting greater financial stress on employees, especially younger generations

Every day brings another headline about inflation, the rising costs of consumer goods or the lingering effects of a global pandemic. These aren't just headlines, but concerns that have a measurable impact on employees' financial well-being. Younger generations are approaching questions about benefits differently than their parents did. Rather than trying to play "catch up," they're finding new ways to protect themselves in terms of both their physical and mental health, which is influencing the benefits they both expect and select. Younger generations today have already experienced more trauma than their parents did in their entire lives — multiple recessions, a global pandemic and sweeping technological changes that have dramatically altered their jobs and personal lives. These events have made them bold in charting a new course and when it comes to the benefits they need, they are looking for ways to both insulate themselves from change and recover quickly when it does negatively impact them.

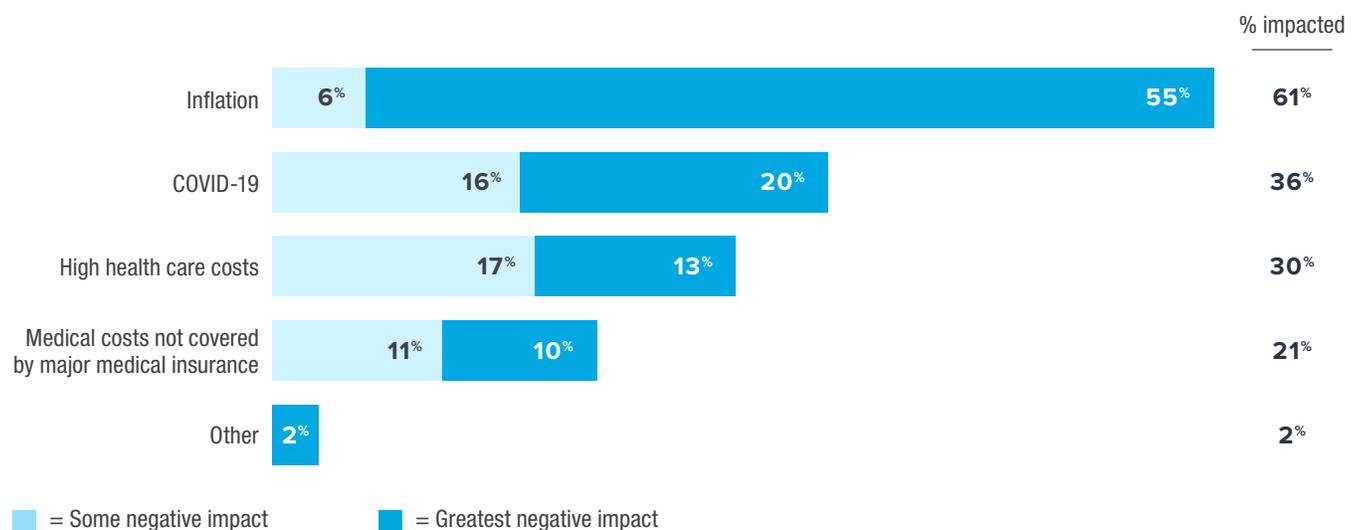
The economic downturn has made nearly everyone struggle more than usual, making them more vulnerable than ever to the effects of an unexpected medical event. Younger workers, women, Hispanics and those working multiple jobs are, unsurprisingly, the most financially fragile.

Millennials and Gen Z (roughly anyone under the age of 42) who graduated high school, college or graduate school about 10 to 15 years ago entered the workforce during the worst recession since the Great Depression. Additionally, they've had to endure the worst global pandemic since the Spanish Flu of 1918. As a result, they own a mere 6% of the country's wealth, compared to nearly 48% held by baby boomers when they were at the same age, according to the Federal Reserve. To get back on track, they are forging a new way and helping protect themselves from the unexpected, because accidents and illness will happen. They need access to financial education and support, benefits packages that offer comprehensive care, and greater empathy, compassion and help from the companies for which they work.

Most workers have seen a negative financial impact from inflation, and a meaningful proportion also have been specifically affected by high health care costs and medical costs not covered by insurance.

Question: What, if anything, affected your finances negatively in the past 12 months?

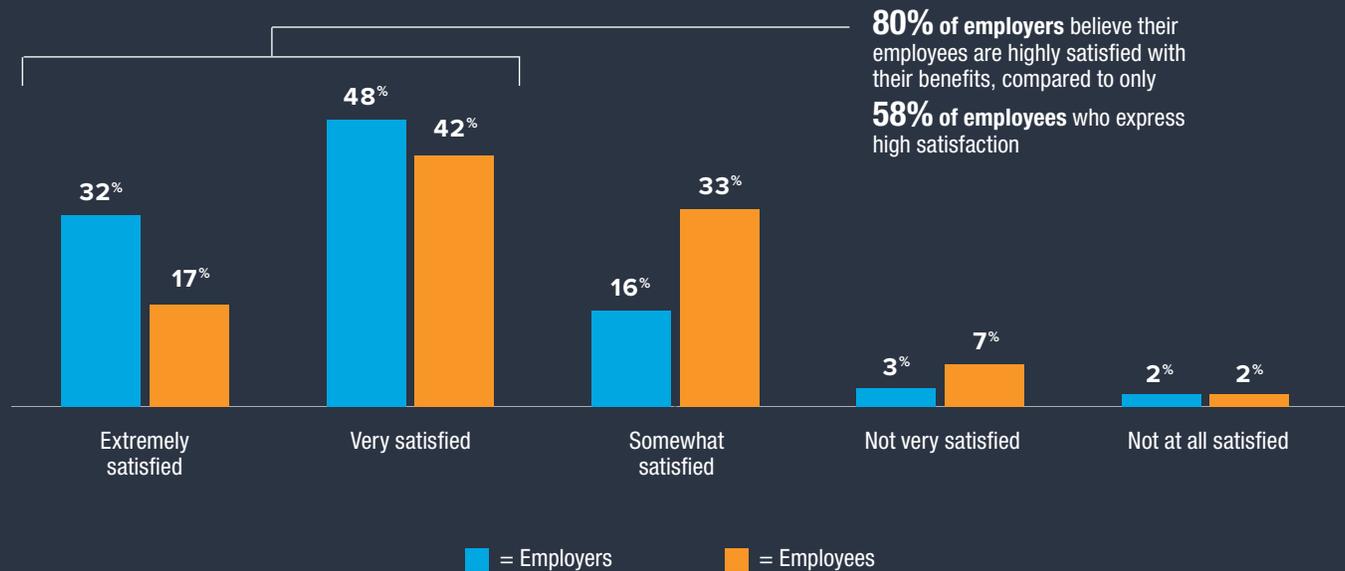
Question: Which of the following have had the greatest negative effect on your finances?



Employers are confident in their employees' satisfaction with the benefits offered. There is a significant gap between employers' beliefs about their employees' satisfaction with their overall benefits package and employees' actual self-reported satisfaction.

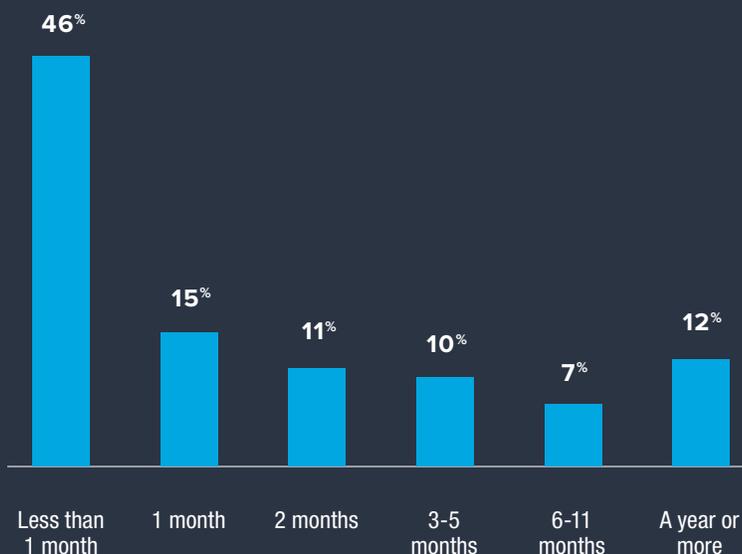
Employer Question: How satisfied do you think your employees are with the overall benefits package your organization offers them at this time?

Employee Question: How satisfied are you with the overall benefits package offered to you at this time?



Nearly half (46%) could not survive for more than one month without a paycheck, a 10% increase over last year (36%), with a high degree of financial fragility.

Question: How long could you go without a paycheck?



This financial fragility is, unsurprisingly, most common among Gen Z and millennials, though it represents a struggle for Gen X as well.

Percent who could not go more than one month without a paycheck:



Myths about employees' financial well-being persist among their employers

Most employers said they believed their employees had enough resources to cover their health care needs, yet more than half of employees surveyed said they couldn't cover an out-of-pocket expense of \$1,000 or more. Of significant concern is the year-over-year increase in the number of employees who could not cover \$1,000 or more in unexpected expenses (an alarming 12% increase compared to 2021). With consumer prices and inflation rising, employees have less cash on hand to cover such an expense. Employees this year are far less likely to be able to rely on cash reserves and more likely than last year to borrow from a friend or family member, withdraw money from a retirement account or get a second job to cover an unexpected expense.

Nearly 4 in 5 employers are confident their workforce would be able to meet any financial health care obligations ...

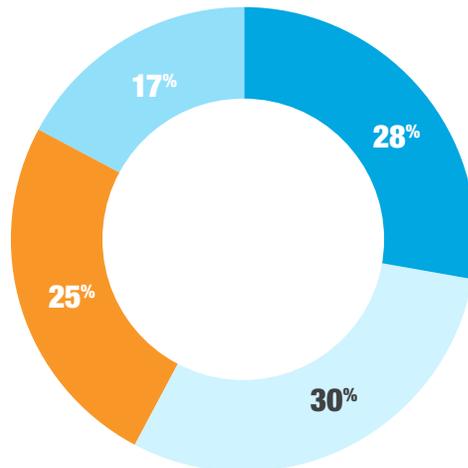
Question: Do you believe your organization's employees have enough options readily available to help them meet their health care financial obligations (funded HSAs, adequate personal savings)?



Yet, more than half of all employees indicate they would not be able to cover out-of-pocket expenses more than \$1,000.

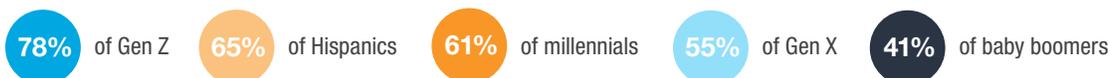
Question: How much would you be able to pay for out-of-pocket expenses if an unexpected serious illness or accident occurred today?

- = Less than \$500
- = Between \$500 and \$900
- = Between \$1,000 and \$4,999
- = \$5,000 or more



Financial risk is highest for the younger generations who have faced roadblocks in building up sufficient savings for an emergency.

Percent who cannot afford \$1,000 in out-of-pocket expenses:





In 2022, employees were less likely to be able to pull from checking, savings or investment accounts to cover high medical costs, and they are more likely to indicate they would have to resort to measures that can alter their current and future security by withdrawing money from their retirement accounts, borrowing from friends and family and working a second job.

Question: How would you pay for high out-of-pocket expenses associated with an unexpected serious illness or accident?

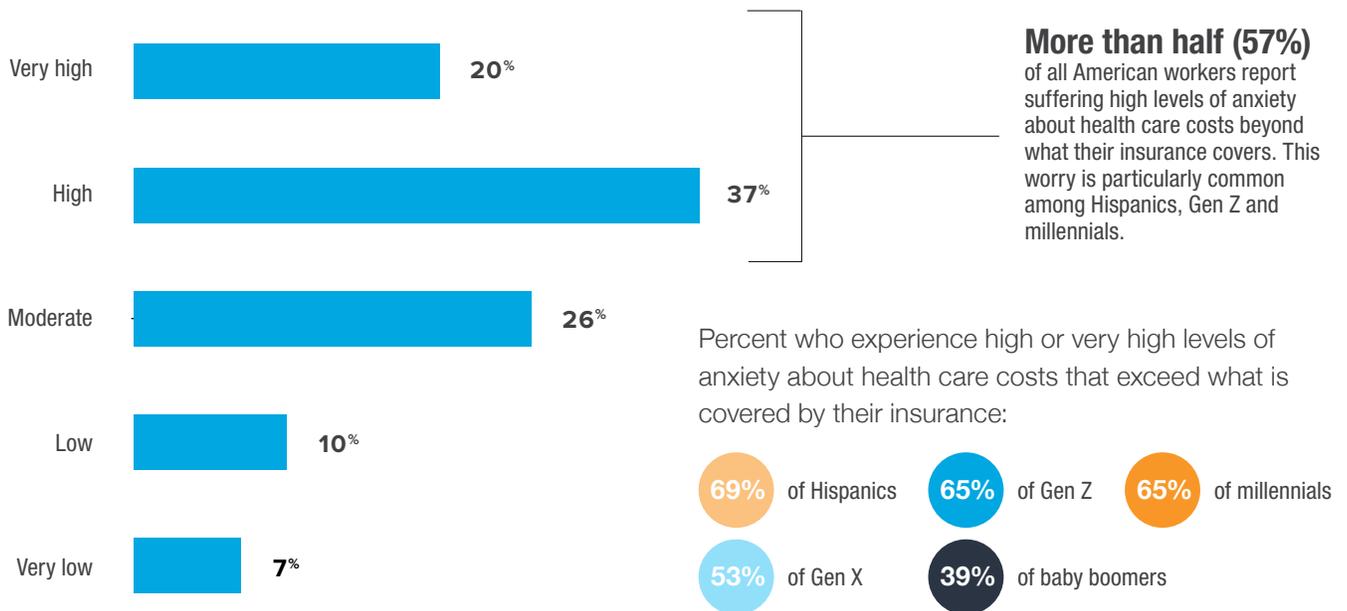
↓	54%	45%	Pull from checking or savings account
=	40%	40%	Put it on a credit card
↑	22%	27%	Borrow from friends and family
↓	22%	19%	Pull from an investment account/ sell stocks or bonds
↓	21%	20%	HSA, FSA or HRA
↑	18%	22%	Withdraw money from my 401(k) or other retirement account
↑	17%	20%	Get a second job
=	9%	9%	Set up a crowdfunding page
↑	8%	9%	Take out a second mortgage/home equity loan
=	7%	7%	Not sure how I would pay for out- of-pocket expenses

■ = 2021 employees ■ = 2022 employees

Cost increases have a financial and emotional effect on employees, as well as their employers

Rising health care costs, confusion about health insurance policies and growing health care needs have contributed to employees' anxieties about their insurance coverage. Also, the link between financial stability and health care decisions is undeniable: A majority of American workers report their financial situation deteriorated due to high medical costs, and many have avoided medical care they needed due to the cost. Hispanics and younger generations are particularly hard-hit by these anxieties because they tend to earn less income and have less savings than their older counterparts.

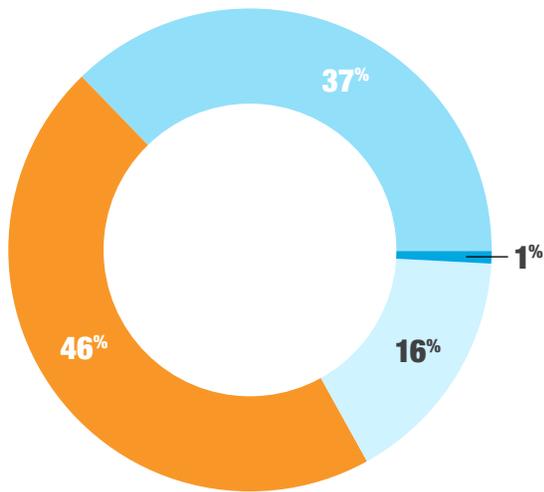
Question: How much anxiety do you feel about health care costs beyond what is covered by your health insurance?



Helping employees cope with financial stress is a win-win for businesses

Employers strongly believe that financial stability is a key contributor to job performance. As health care costs continue to rise and more employees experience financial vulnerability, employers have a key role to play in supporting the physical, emotional and financial well-being of their workforce.

Employer perceptions of the degree of influence of an employee's financial security on job performance:



- = Not influential
- = Somewhat influential
- = Very influential
- = Extremely influential

No matter where they are in their careers, employees everywhere are dealing with some kind of financial stress right now. But employers are not empty-handed when it comes to helping them cope. The study finds employers can help employees cope in trying times by:

1. Offering seamless digital benefits solutions for benefits enrollment.
2. Empowering employees to understand the tools, resources and professionals available when making their benefits decisions.
3. Giving employees access to comprehensive benefits options, including core and supplemental benefits that can help cover the costs of an unexpected accident, illness and injury.
4. Recognizing mental and emotional health are core components to overall health and integrate benefits, flexible working strategies and paid time off to help employees navigate the complexities of the current economic and workplace conditions.



About the study

The 2022-2023 Aflac WorkForces Report is the 12th annual Aflac employee study examining benefits trends and attitudes. Conducted by Kantar on behalf of Aflac, the employee survey took place online between Aug. 31, 2022, and Sept. 20, 2022, and the employer survey took place online between Sept. 7, 2022, and Sept. 22, 2022. Throughout this report, some percentages may not add up to 100% due to rounding. The surveys captured responses from 1,200 employers and 2,001 employees across the United States.

For more information, visit aflacworkforcesreport.com.

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