



Section 1

The state of workplace benefits + employee engagement

Beyond the paycheck: How benefits shape employee confidence and organizational impact

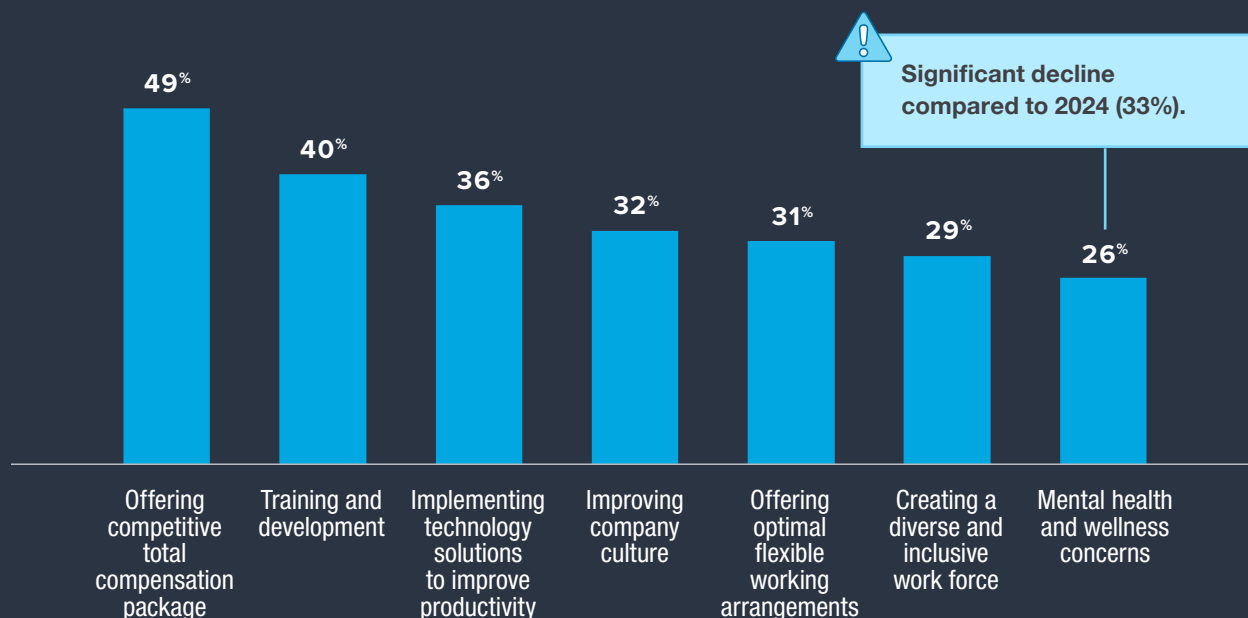
Organizations of all sizes continue to feel pressure to deliver compelling compensation packages amid rising costs and high employee expectations. The cost of providing benefits remains a top challenge for employers, and it's impacting not only how benefits are administered, but also how provider decisions are made. While employers are confident in their offerings, significant gaps persist in employee reporting on satisfaction, access and understanding. Most notably, digital accessibility and consistent communication are areas where many organizations are falling short, eroding employee confidence and amplifying risk around benefit underutilization.

Staying competitive on a budget: Employers walk a benefits tightrope

Rising health care and benefits costs are placing a financial strain on organizations of all sizes, a concern that is surprisingly consistent across all companies. Roughly 1 in 5 employers, regardless of size, cited these costs as a top concern when thinking about their organization's financial health over the next 12 months. This underscores a broader challenge: Even large organizations, which might be expected to have more negotiating power or budget flexibility, are not immune to the growing burden of benefits spending. With cost containment top of mind, many companies are finding it difficult to balance the need for competitive compensation packages when facing a constrained budget.



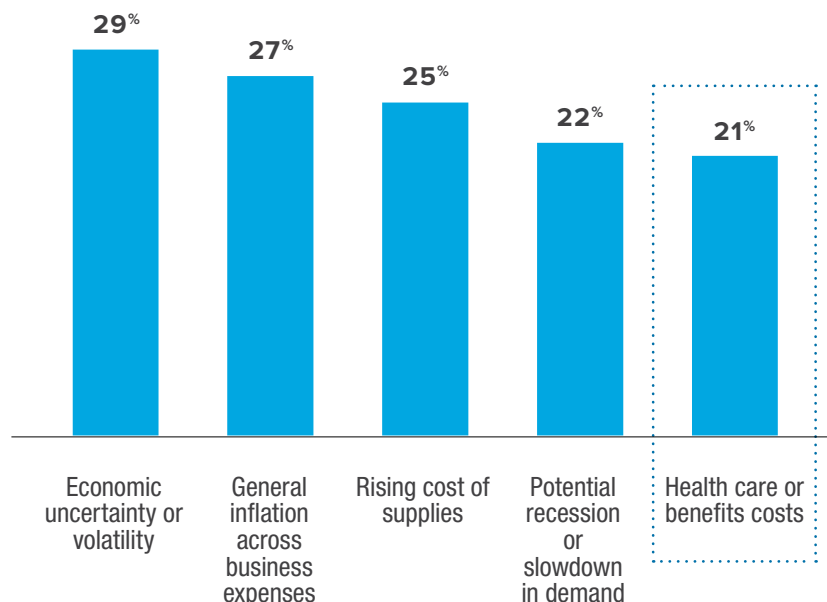
Nearly half (49%) of all employers stated that offering a competitive total compensation package is among their top challenges, a sentiment shared by small (45%), medium (53%) and large (50%) businesses alike.



Question: When it comes to employee engagement and satisfaction, what are your organization's biggest challenges?

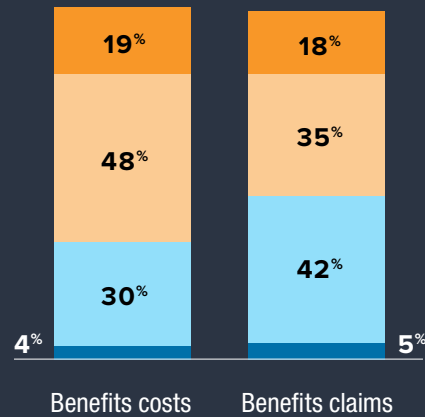
One in five employers (21%) cited health care or benefits costs as a key worry for the year ahead — just behind broader macroeconomic concerns like economic volatility, inflation and supply costs.

Question: What makes you worry about the financial health of your organization in the next 12 months? Please select up to 3.



Nearly two-thirds of employers said their benefits costs have grown over the past year. For many, this increase comes at the expense of other employee-facing investments. Organizations reported that these rising costs are limiting their ability to offer bonuses, improve coverage quality and expand their benefits portfolio. While employers continue to value robust benefits offerings, it's clear that cost containment is an urgent priority — one that could affect how companies attract and retain talent if not addressed strategically.

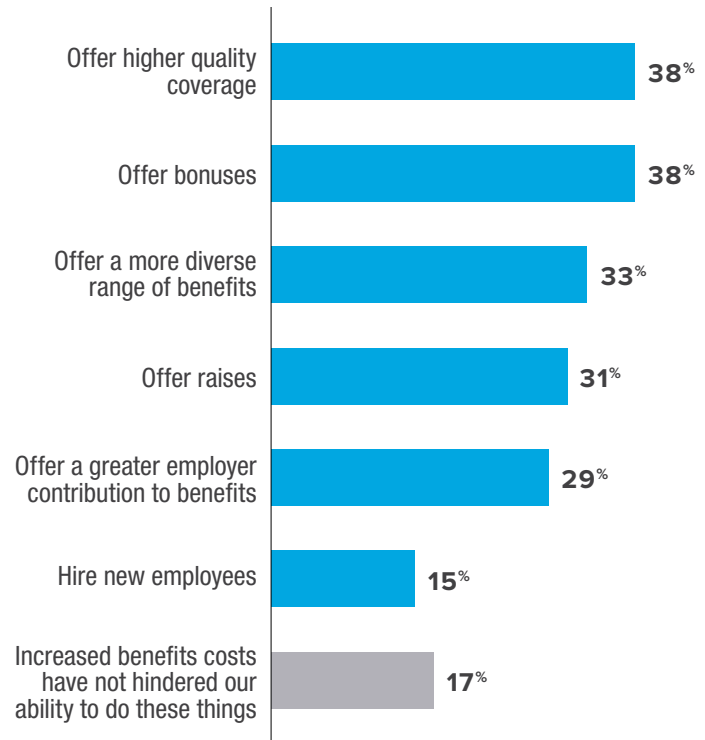
Two-thirds (66%) of employers said their benefits costs increased in the past year, with nearly 1 in 5 citing a significant jump.



- = Increased a lot
- = Increased moderately
- = Stayed the same
- = Decreased

Question: In the last year, would you say your organization's benefits costs have ...? In the last year, would you say your organization's benefits claims have ...?

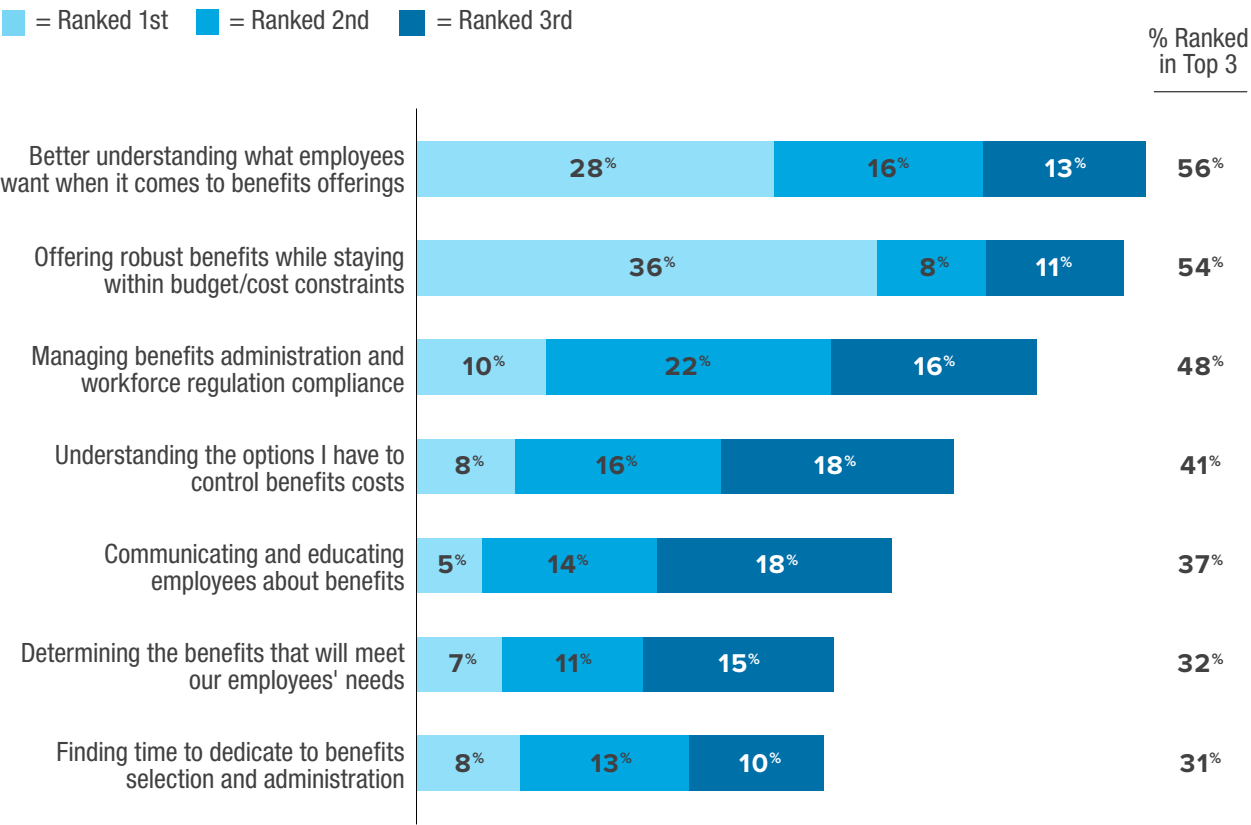
Benefits cost increases are limiting employers' ability to offer bonuses/raises, improve coverage and diversify benefits offerings.



Question: Have increased benefits costs hindered your organization's ability to do any of the following things that you otherwise would have done if benefits costs remained the same or decreased?



More than one-third (36%) of all employers ranked “offering robust benefits while staying within budget” as their top benefits-related challenge. More than half (54%) of all employers said it is among the top three challenges they face.



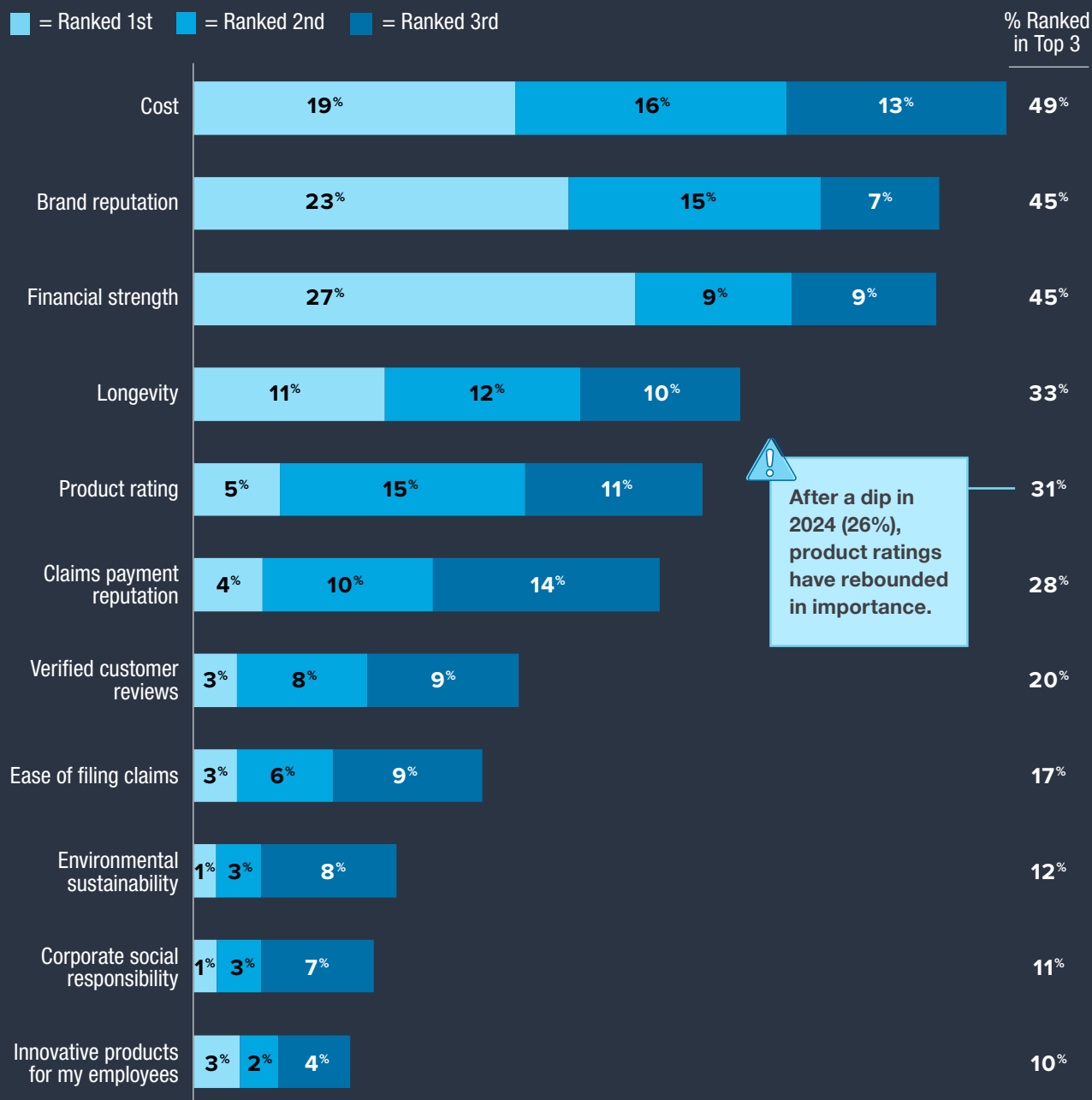
Question: Of the following challenges, which are the top challenges your organization faces when offering benefits?



Cost, reputation and solvency: How employers choose benefit providers

When selecting providers, employers prioritize cost effectiveness, brand reputation and financial strength. This reflects a desire for stability in a volatile environment but may limit innovation and digital advancement, which employees increasingly expect.

More employers place costs as a top three factor when selecting a benefits provider (49%), followed by brand reputation (45%) and financial strength (45%).



Question: Rank the following attributes by importance when choosing your organization's benefits provider(s)/ vendor(s) ...

Employers believe they're delivering on benefits offerings, but employees aren't so sure

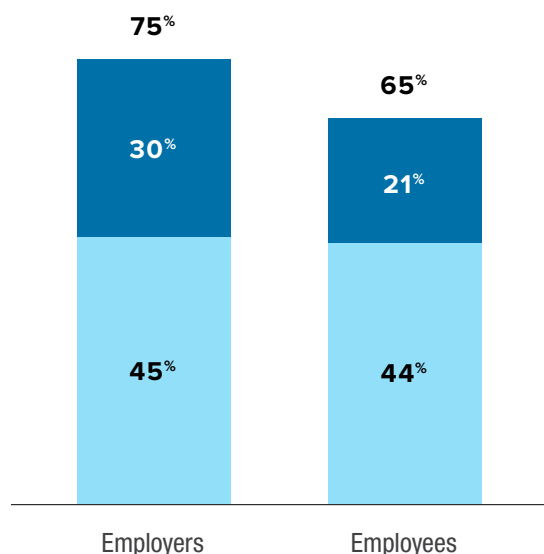
Three-quarters of employers believe their workforce is satisfied with the benefits they offer, yet only 65% of employees agree. While employees overall are satisfied, a 10-point gap indicates a potential disconnect in employer-employee perceptions. Satisfaction with benefits is strongly correlated with broader job satisfaction, which in turn affects retention, engagement and overall morale. In fact, employees who are satisfied with their benefits are significantly more likely to report being satisfied with their jobs overall. And the drop from “highly satisfied” to “somewhat satisfied” is more dramatic than one might expect.

Employees who are only “somewhat” satisfied with their benefits are nearly half as likely to report high job satisfaction as those who are highly satisfied, highlighting the importance of moving beyond “good enough.”

When employers misjudge how well their offerings are meeting employees' needs, they risk missing early warning signs of disengagement and attrition. Retention could be impacted in a job market that routinely includes hybrid and remote work, making job hopping easier. Addressing this gap requires more than assumptions. It requires proactive listening, regular feedback and a willingness to adjust to what employees say they truly value.

Employers overestimate employee satisfaction with their benefits options by 10 percentage points.

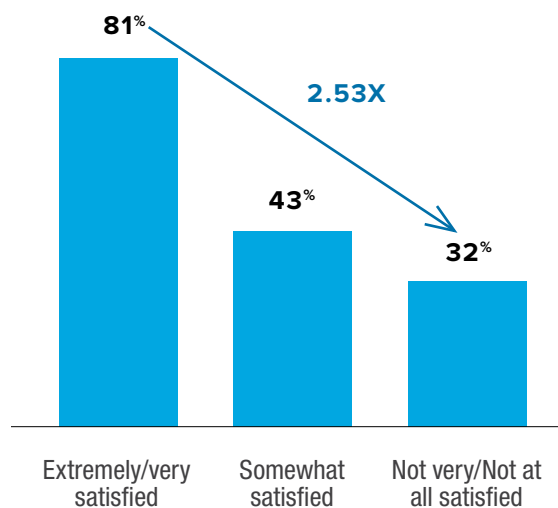
■ = Extremely satisfied ■ = Very satisfied



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?
// % Very/Extremely satisfied*

Those who are highly satisfied with their benefits package express significantly higher overall job satisfaction than their counterparts who are less happy with their benefits package.



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

Question: Overall, how satisfied are you with your job? // % Very/Extremely satisfied

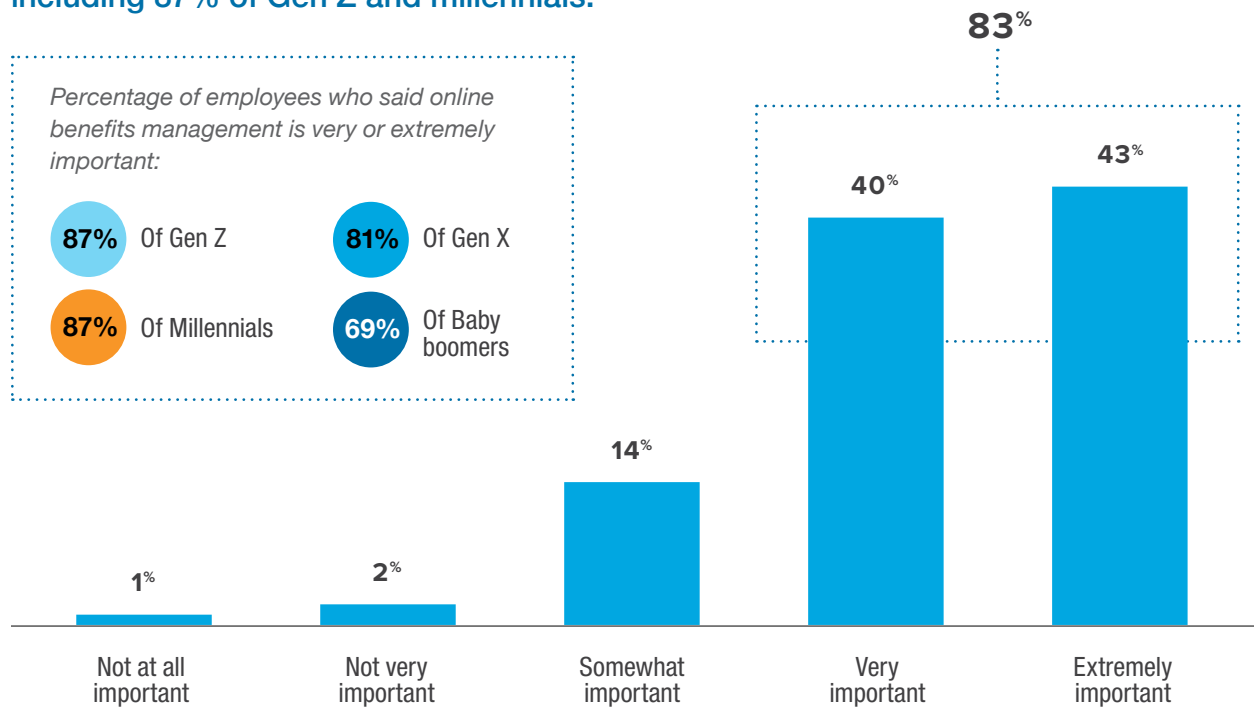


Still not offering digital access? That may be a deal-breaker

Despite ongoing digital transformation across industries, 3 in 10 employers still don't offer employees the ability to manage their benefits online, a gap that's increasingly at odds with modern workforce expectations. For younger employees especially, digital access isn't a "nice to have" but a baseline requirement. Gen Z and millennial workers are accustomed to seamless, mobile-first experiences in nearly every aspect of their lives, and for them, benefits offerings should be no exception.

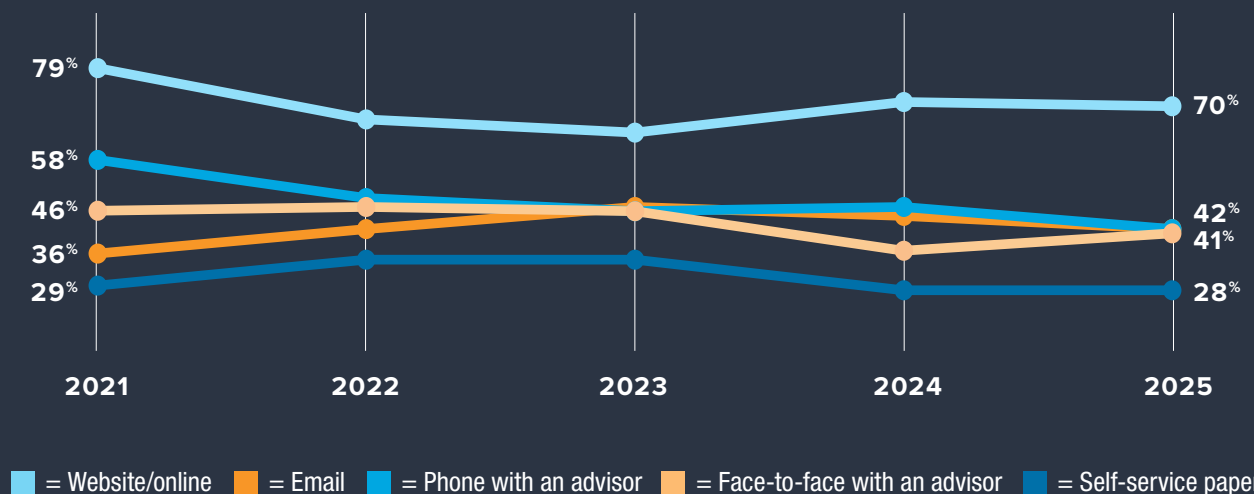
Organizations that fail to provide what are now considered standard tools may inadvertently send a signal that they are out of touch — or worse, that navigating benefits will be frustrating and opaque. As digital-native generations become a larger share of the workforce, online access will only grow in importance. Meeting employees where they are means offering the flexibility, accessibility and autonomy they've come to expect. Doing so is not just a tech upgrade but a critical part of the benefits enrollment experience.

Online benefits administration is non-negotiable for most employees, especially younger generations. More than 4 in 5 (83%) said it's very or extremely important, including 87% of Gen Z and millennials.



Question: How important is being able to manage your benefits online (for example, enroll in a policy, make changes and check coverage)?

Yet only 70% of organizations offer online benefits management, while 30% of employers require their employees to tackle benefits management through other means.



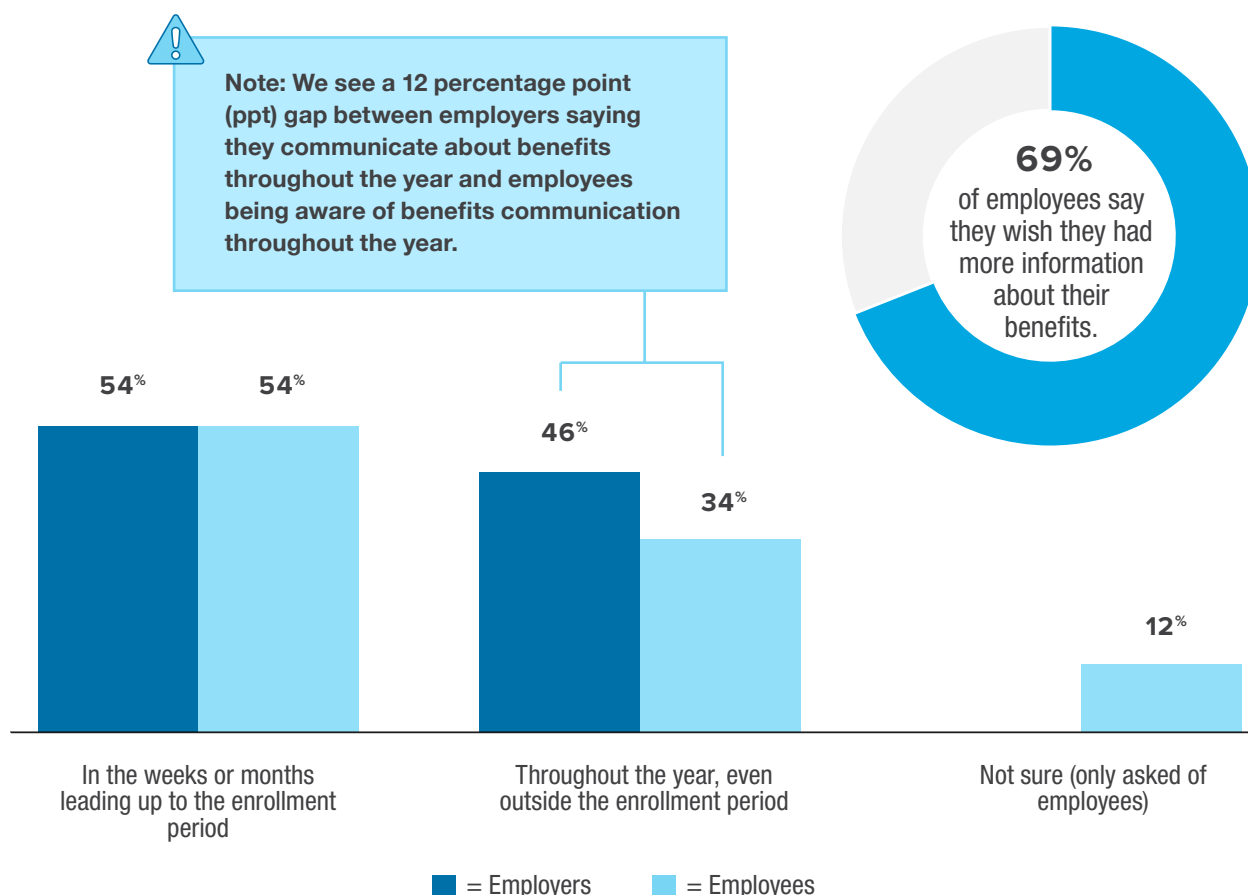
Question: In which ways can your employees manage their benefits (for example, enroll in a policy, make changes and check coverage)?

Inconsistent benefits communication undermines understanding with costly implications

When employees hear about their benefits only once a year, it's no surprise they feel unsure about what's available to them or how to make the most of it. Many employers believe they're communicating consistently, but employees aren't getting the message. This disconnect may be contributing to declining employee confidence in their benefits comprehension, a trend that should raise red flags for any organization concerned with engagement or satisfaction. The data shows that employee confidence grows with regular communication from the employer, reinforcing the need for a proactive, year-round approach to benefits education.

When it comes to benefits options, communication can't be a once-a-year event, but many organizations still treat it that way.

Fewer than half of (46%) employers said they communicate about benefits throughout the year, yet only a third (34%) of employees agree with that. Furthermore, the majority (69%) of employees said they want more information overall. Alarming, 2025 saw a 7-point decline in employee understanding of their benefits compared to 2024.



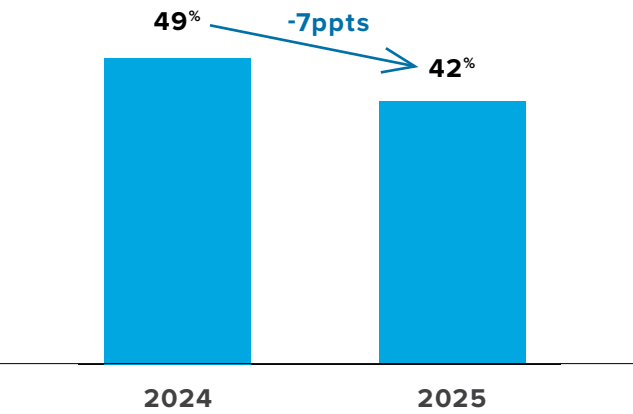
Employer Question: Which of the following best describes when your organization communicates with your employees about their benefits packages?

Employee Question: Which of the following best describes when your organization communicates with you and other employees about your benefits packages?

Employee Question: Do you want more or less information about your health care benefits from your organization?

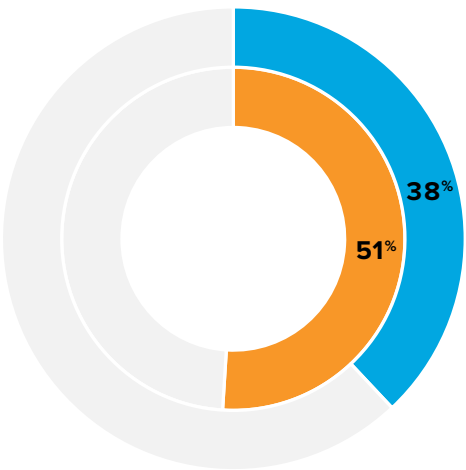


Employee understanding of their health care policies has declined 7 points year-over-year — from 49% in 2024 to 42% in 2025.



Question: Thinking about your current health insurance coverage, how well do you understand your overall policy, including things like deductibles, copays, providers in your network, etc.?

Employees who receive year-round benefits communication are far more likely to fully understand their policies (51%) than those who do not (38%).



- = Receive year-round comms
- = Do not receive year-round comms

Question: Thinking about your current health insurance coverage, how well do you understand your overall policy, including things like deductibles, copays, providers in your network, etc.?

Question: Which of the following best describes when your organization communicates with you and other employees about your benefits packages?

Lack of benefits understanding can have serious consequences — not only for the employee's financial and physical well-being, but also for how they perceive their benefits experience overall. Confusion around coverage is linked to lower satisfaction, higher stress and even delayed medical care. By contrast, employees who fully understand their policies feel more confident, better supported and more satisfied with the benefits their employers provide.

Employees who fully understand their health care policy tend to ...



Demonstrate higher levels of satisfaction with the benefits package overall (83% vs. 51%)



Confidently state that they did not overpay for health care expenses over the past year (71% vs. 55%)



Have greater confidence that their benefits package meets their family's needs (82% vs. 52%)



Express lower levels of anxiety about health care costs (48% vs. 56%)



Feel proud of the benefits package that is offered to them (88% vs. 69%)



Demonstrate confidence that their benefits will help cover them in the event of a serious illness (75% vs. 45%)



Report understanding their overall health care expenses (80% vs. 35%)



Report lower levels of delaying medical care in the past (38% vs. 53%)

Pro tip: Smarter benefits can be just as compelling as more benefits. Employees are looking for digital access, clear communication and benefits that meet their needs — not just more coverage. A bigger budget is not needed to offer better support. Focus on making existing offerings easier to understand, use and access. The payoff? Higher satisfaction, smarter decisions and a healthier workforce.

