THE HARTFORD'S 2021 FUTURE OF BENEFITS STUDY REPORT

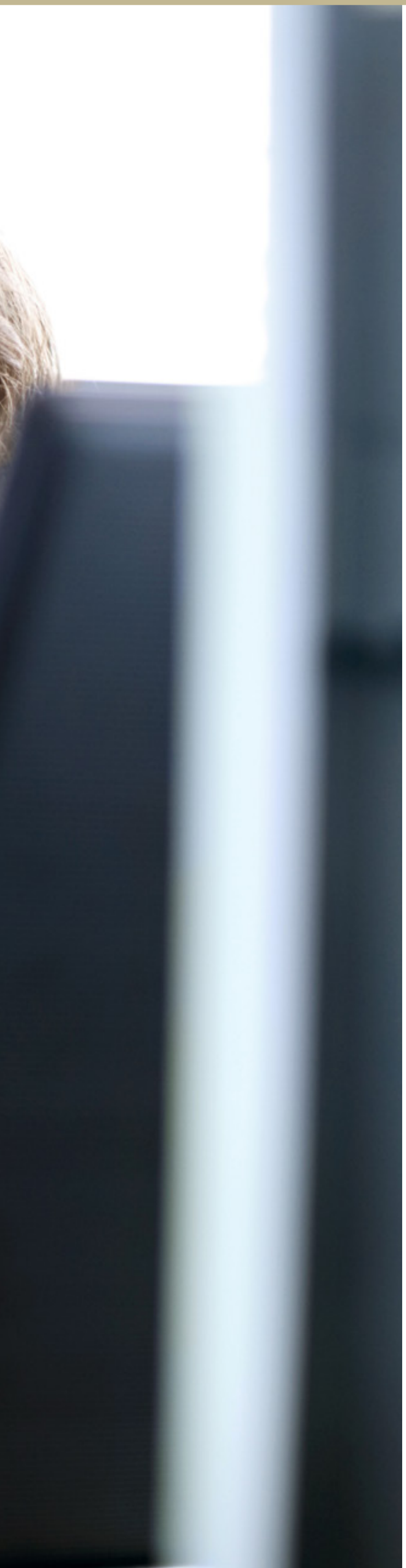
PANDEMIC ACCELERATED POSITIVE SHIFTS IN ATTITUDES ABOUT BENEFITS, WORKPLACE CULTURE AND MENTAL HEALTH

THE HARTFORD

FUTURE OF BENEFITS 2021

EXECUTIVE SUMMARY

REPORT



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INTRODUCTION AND KEY INSIGHTS

The silver linings of the pandemic and the future of benefits.

The COVID-19 crisis crystallized for employees and employers what is most important when it comes to the workplace and benefits. Before the pandemic, benefits were mainly viewed as a means of attracting and retaining talent – until we collectively faced an unimaginable year of grief and disruption that upended our usual ways of living and working. Now into our second year of the COVID-19 pandemic, the focus of employee benefits has shifted more to the realities of taking care of your workforce – who have faced illness and loss, blurred lines between work and home, caregiving challenges, and strain on their mental and physical health. Gone are the days when attracting new talent meant offering in-office perks like ping pong tables and nap rooms. The heart-break and unending stress of the past year have refocused our attention on the benefits that really matter.

Despite the challenges U.S. workers and employers experienced over the past year, our study found that the pandemic accelerated a positive shift in attitudes about benefits, workplace culture, mental health, and employee engagement. These unexpected 'silver linings' of the COVID-19 pandemic have emerged in four key areas – paid leave, bedrock benefits, mental health and well-being, and engagement and technology – as well as in how workers felt about their employer's response to the pandemic:

- **The new landscape of paid leave:** Our study found that 75% of employers reported making changes to increase the various types of paid time away from work they provide beyond state or federal requirements in the past year, responding to the needs of their workforce as the pandemic underscored the critical need for paid leave.

  However, our data also shows there is a perceived stigma associated with taking a leave of absence from work – 31% of U.S. workers say they are fearful of workplace repercussions, such as getting fired, laid off, skipped over for a promotion/raise or reduced hours, if they take leave.

- **Bedrock benefits, such as life and disability insurance, and voluntary benefits such as hospital indemnity and critical illness, take on renewed importance:** Overall, employees are now more bullish on benefits than they were before the pandemic, with 84% of U.S. workers now saying they value the insurance benefits their company offers them and 69% saying they trust their company is making the best decisions about the benefits they make available – both significant increases from last year.

- **Mental health and whole-person well-being:** The pandemic has accelerated the evolution of a more compassionate and inclusive workplace, with 59% of employees saying the culture of their company has been more accepting of mental health challenges this past year. Although progress has been made, strain to our mental health continues to significantly affect productivity and well-being, with 61% of workers saying that feelings of depression or anxiety impair their focus and concentration at work.

- **Employee engagement on benefits and the future of the workplace:** The adoption of flexible working arrangements and shift to virtual benefits enrollment accelerated in 2020. The increased reliance on technology will continue – 75% of employers say their company's open enrollment strategy will depend more strongly on online resources this year due to COVID-19. Fifty-five percent of U.S. workers overall want to work remotely full-time after the pandemic and employers expect to continue to offer flexibility in the future.

- **Employers' response to COVID-19:** Employees are satisfied with their employer's response to the pandemic – 78% percent of workers now say they approve of their company's response to the pandemic, up from 65% in June 2020. As companies took a range of actions over the past year to address the effects of the pandemic on their workers, most employees now feel that their employers genuinely care for their well-being.

> Today, the future of benefits is about a renewed focus on the bedrock benefits that keep employees healthy and productive, making permanent the increased workplace flexibility of the pandemic, and a more empathetic and inclusive workplace culture that supports conversations about mental health. We all have a role to play – employers, benefits providers and brokers – in continuing to accelerate these positive shifts and evolve our ways of business to meet the changing needs of today's workforce.

– Jonathan Bennett, Head of Group Benefits, The Hartford

THE NEW LANDSCAPE OF PAID LEAVE

Expanding and managing paid time away from work.

The pandemic accelerated the expansion of benefits that support paid time away from work, not only by state and the federal governments, but also by employers.

In May 2020, a survey[1] by JUST Capital and The Harris Poll found that 74% of U.S. workers wanted companies to implement paid sick leave. Our 2021 Future of Benefits study found that employers heeded this call and responded to the needs of their employees, with 75% of U.S. employers adding to the benefits that support paid time away from work, with the most common being medical leave and sick time.

75% **OF U.S. EMPLOYERS INCREASED THE TYPES OF PAID TIME AWAY FROM WORK THEY PROVIDE BEYOND STATE OR FEDERAL REQUIREMENTS IN THE PAST YEAR**

Employers enhanced/added:

Medical leave: **46%**

Sick time: **46%**

Family leave: **39%**

Parental leave: **30%**

PTO/vacation time: **30%**

The pandemic led to an increase in workers taking leave, reinforcing the value of paid leave and benefits to carry us through unexpected times. Of the 28% of U.S. workers who said they have taken a leave in the past five years to care for themselves or a family member, almost half (47%) said the leave was related to COVID-19.

KEY INSIGHTS

Employers have been working hard to adapt to COVID-19 and provide their employees with the benefits and support they need. The increased focus on and desire for paid time away from work is not going to diminish once the pandemic is over. Employers and brokers can lean on insurance carrier partners for help developing holistic leave strategies and navigating the growing complexities they face with the administration and management of the different types of leaves and new regulations.

STIGMA AROUND TAKING LEAVE PERSISTS

The effects of this positive evolution is seen in how employers have expanded their benefits and in the employees who said they took a leave. However, employers have more to do to address the perceived stigma around taking a leave of absence.

Amid the expansion of paid leave options, our data shows employees have concerns about taking a leave of absence.

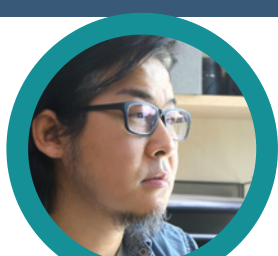
WORKPLACE STIGMA AROUND TAKING LEAVE

31% of U.S. workers say they are fearful of workplace repercussions, such as getting fired, laid off, skipped over for a promotion/raise or reduced hours, if they take leave

29% of U.S. workers think there is a negative perception associated with taking leave

By generation, **stigma is felt most acutely among younger workers** – a concern that subsides with age.

YOUNGER WORKERS HAVE THE MOST CONCERNS ABOUT TAKING LEAVE




	GEN Z/YOUNGER MILLENNIALS (1995-2002)	OLDER MILLENNIALS (1981-1994)	GEN X (1967-1980)	BABY BOOMERS (1955-1966)
Employees say they are **fearful of workplace repercussions** for taking leave by generation:	50%	41%	30%	16%
Employees think there is a **negative perception associated** with taking leave by generation:	43%	37%	30%	19%

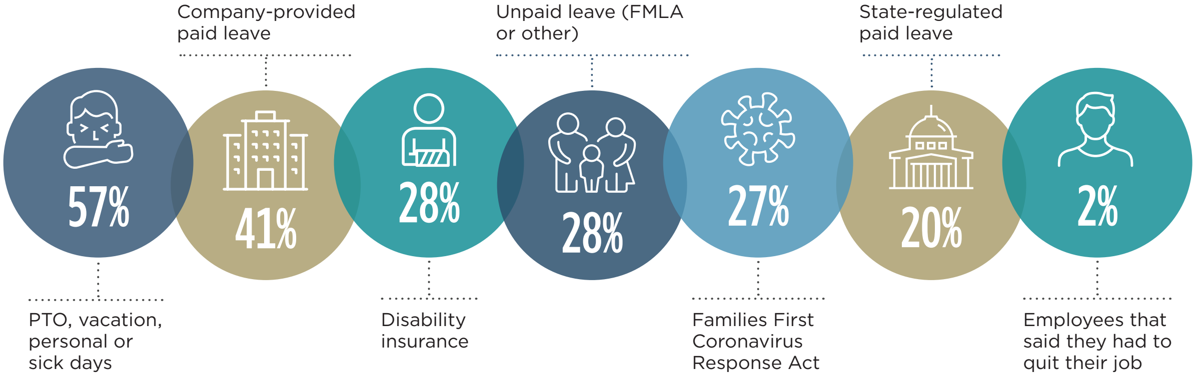
KEY INSIGHTS

Employers and managers should cultivate an open and supportive culture for taking leave, reassuring workers and demonstrating that taking a leave of absence when needed will not have repercussions on workers' careers. It is also important to be clear about which absences are job-protected.

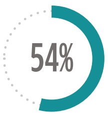
Complexity of leave management.

In addition to employers adding a variety of paid time off benefits on their own amid the pandemic, they also had to manage the temporary Families First Coronavirus Response Act (FFCRA) as well as new paid family and medical leave (PFML) programs that were already being implemented at the state level.

OF THE 28% OF WORKERS WHO TOOK A LEAVE IN THE PAST FIVE YEARS, THE MOST COMMON TYPES OF LEAVE TAKEN WERE:



With the advent of temporary federal paid leave laws related to COVID-19 and new state PFML programs that are being implemented – whether employers opt out of the state program to administer it themselves, work with a private insurer, or work with the state programs – employers continue to face the growing complexity of administration.



of employers say there is no easy way to track and manage all the different types of leave, up from 48% in March 2020

Partnering with insurance carriers like The Hartford that provide absence and leave administration can help employers simplify and integrate the new PFML requirements with their other leaves – which might include disability, FMLA, workers' comp, and paid parental, caregiving or other company leaves. This holistic approach to absence management can also mean a more streamlined claims and benefits experience for their employees.

– Katie Dunnington, Head of Absence Management for Group Benefits at The Hartford

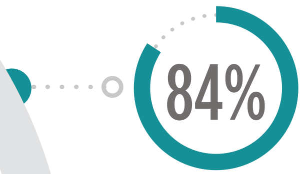
BEDROCK BENEFITS TAKE ON RENEWED IMPORTANCE

People see greater value in their employee benefits.

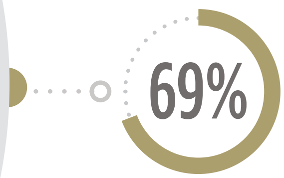
2020 was a historically trying year when many Americans faced financial challenges, sickness, and heart-breaking losses. People were faced with situations that many never thought would happen to them, which put greater focus on the employee benefits that can provide financial support when people need it the most.

Voluntary benefits such as critical illness, hospital indemnity and accident insurance, and foundational benefits such as life and disability insurance are being viewed with the greater context of the pandemic. Many workers became familiar with these benefits for the first time in 2020, as employees who had these benefits utilized them and learned how they worked, and others added these benefits during their recent enrollment period.

After a decline in June 2020, the pandemic accelerated a positive shift in employee attitudes about benefits. **Overall, workers are now more bullish on benefits than they were before the pandemic,** as the value they see in their benefits and their levels of trust in their company's benefits decisions increased above even pre-pandemic levels.



of employees overall say they value the insurance benefits their company offers to them, up from 73% in June 2020 and 80% in March 2020



of employees overall now say they trust their company is making the best decisions about the benefits they make available, up from 55% in June 2020 and 61% in March 2020

The future of benefits is about a renewed focus on the bedrock benefits that keep employees healthy and productive. These important insurance benefits are the foundation for how employers care for their employees and help them protect their paycheck when the unexpected strikes. They help fill in financial gaps often left by high deductible health insurance plans and the rising costs of medical care.

> Faced with unexpected situations, some Americans relied on their benefits for the first time this past year. In doing so, many came to realize the full magnitude of the importance of benefits and the peace of mind they provide.

– *Jonathan Bennett, Head of Group Benefits, The Hartford*

Employers add new benefits offerings.

Of the **employers** who added new employee insurance benefits during their open enrollment period this year, most said they added them in response to COVID-19. The top five newly added insurance benefits include:

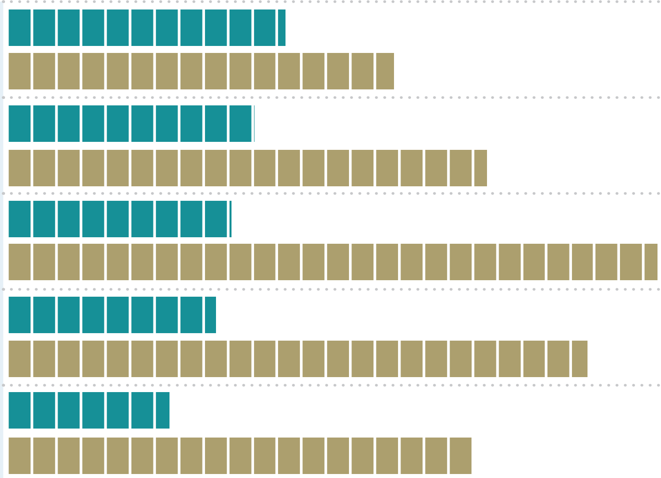
36% added accident insurance
50% of those added due to COVID-19

32% added hospital indemnity insurance
62% of those added due to COVID-19

29% added critical illness insurance
84% of those added due to COVID-19

27% added life insurance
75% of those added due to COVID-19

21% added long-term disability
60% of those added due to COVID-19



Among the benefits **employees** elected this year during their recent open enrollment period, many were new selections for them:

81% selected life insurance
21% of those said it was a new selection this year

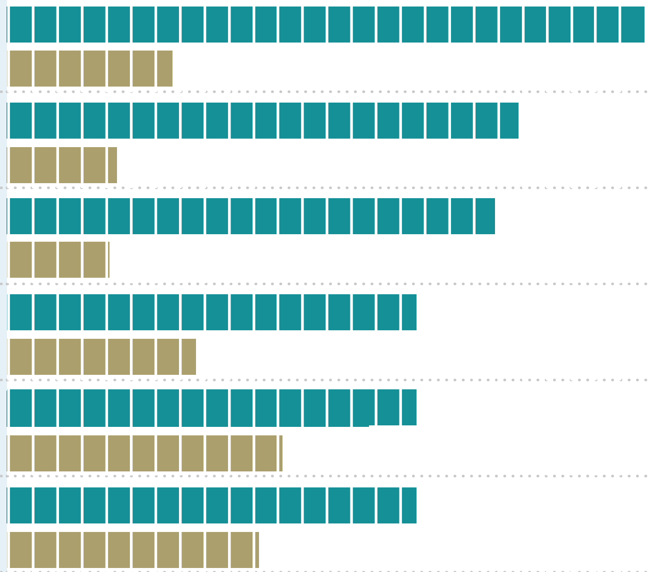
65% selected short-term disability
14% of those said it was a new selection this year

62% selected long-term disability
13% of those said it was a new selection this year

52% selected accident insurance
24% of those said it was a new selection this year

46% selected critical illness
35% of those said it was a new selection this year

46% selected hospital indemnity
32% of those said it was a new selection this year



KEY INSIGHTS

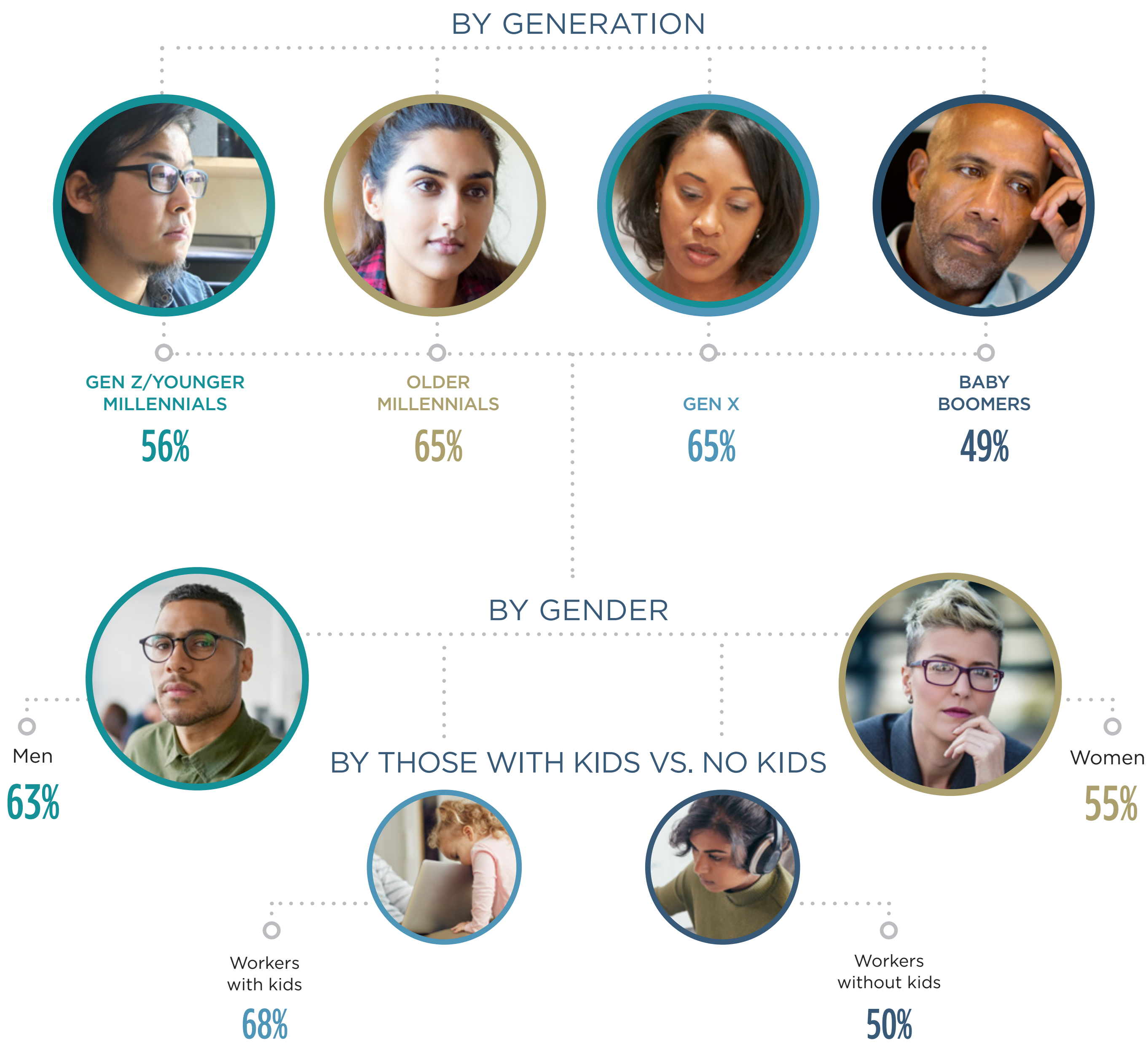
It is crucial now more than ever that employers offer benefits options that provide financial protection to their employees.

MENTAL HEALTH AND WHOLE-PERSON WELL-BEING

Workplace culture shifts.

The pandemic led to an acceleration toward a more compassionate and inclusive workplace, with **59% of workers saying the culture of their company has become more accepting of mental health challenges this past year**. Although progress has been made, strain to our mental health continues to significantly affect productivity and well-being.

WORKERS SAY COMPANY CULTURE IS NOW MORE ACCEPTING OF MENTAL HEALTH



52% OF EMPLOYEES SAY THEIR WORKPLACE HAS AN OPEN AND INCLUSIVE ENVIRONMENT THAT ENCOURAGES A DIALOGUE ABOUT MENTAL HEALTH, UP FROM 42% IN JUNE 2020.

BY GENERATION

GEN Z/YOUNGER MILLENNIALS	OLDER MILLENNIALS	GEN X	BABY BOOMERS
48%	61%	57%	37%

BY GENDER

Men	Women
58%	47%

BY THOSE WITH KIDS VS. NO KIDS

Workers with kids	Workers without kids
63%	42%

70% OF EMPLOYEES SAY THEIR MENTAL HEALTH IS JUST AS IMPORTANT TO THEIR EMPLOYER AS THEIR PHYSICAL HEALTH AND WELL-BEING

67% of employers say they feel prepared to deal with employee mental health issues, a positive trend increasing slightly from the previous surveys, up from **64%** in June 2020 and **61%** in March 2020.

A sign of this preparedness, **58%** of workers say their company provides them the schedule flexibility to get the mental health help they need. However, this confidence decreased among Gen Z/Younger Millennials, **50%** of whom now say their company provides flexibility to accommodate mental health compared to **65%** in March 2020.

> Mental health is a key component of helping people remain active and productive at work and return to work safely after an injury or illness. While the pandemic has brought greater attention to the mental health challenges many workers face, it has also shed light on the opportunities for employers to support their team members. We encourage employers to provide their employees with needed resources, help and education that addresses issues of wellness and mental health.

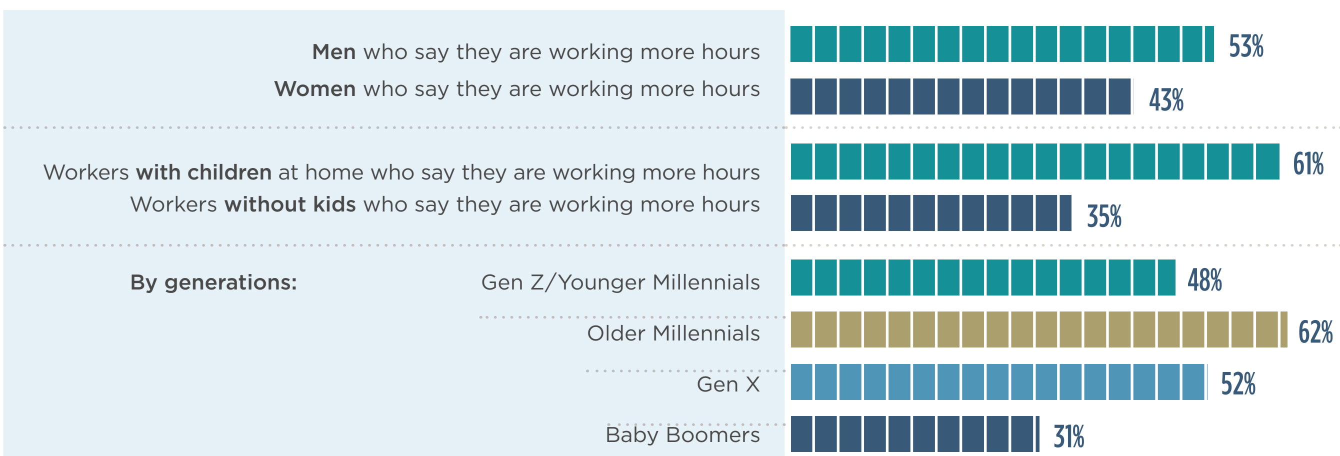
– Adele Spallone, Head of Clinical Operations for Workers' Compensation and Group Benefits, The Hartford

COVID-19 has tested the limits of mental health.

A McKinsey analysis[2] estimates that some 35 million people could develop a new behavioral health condition due to the COVID-19 pandemic. The Hartford's own research found that this dark predication has largely borne out, as employees report working more and their anxiety, depression and stress levels have increased from the first half of 2020.

Employers and employees agree: Workload and hours worked have increased amid the pandemic. Just about half (48%) of employees agree that they are working more hours during the pandemic. A majority (63%) of employers recognize that their workforce is working more hours due to the pandemic.

MEN, PARENTS AND OLDER MILLENNIALS MOST LIKELY TO SAY THEY ARE WORKING MORE HOURS AMID THE PANDEMIC



Work life/balance (**35%**) and workload (**30%**) remain the top stressors for workers. Job security rose as a stressor, up to **21%** from **15%** in June 2020.

The top six stressors for employees are:

- Work/life balance: **35%**
- Workload: **30%**
- Saving money for the future: **30%**
- Living paycheck to paycheck: **24%**
- Social/political climate: **24%**
- Job security: **21%**

27% of U.S. workers say they struggle with depression or anxiety most days or a few times a week, up from 20% in March 2020; employees also say their mental health affects their productivity at work.

37% of U.S. workers with children at home are now more likely to say they struggle with depression or anxiety most days or a few times a week, up from 30% in June 2020.

YOUNGER WORKERS ARE EXPERIENCING THE MOST FREQUENT FEELINGS OF DEPRESSION OR ANXIETY

- Gen Z/Younger Millennials: **52%**
- Older Millennials: **38%**
- Gen X: **26%**
- Baby Boomers: **10%**

70% of employers now recognize that employee mental health is a significant workplace issue – a significant increase from **59%** in June 2020.

We also cannot forget about the mental health of employers and managers, who in most cases have been doing everything they can to keep the business running and watch out for the best interests of their employees. Employers rating their stress level in a typical week as an 8 or above on a scale of 10 increased 46% since June 2020.

HOW STRAIN ON MENTAL HEALTH AFFECTS EMPLOYEE PRODUCTIVITY

KEY INSIGHTS

It is important to recognize the signs that someone might be struggling or burnt out. If not addressed, continued strain on mental health could lead to unexpected or more frequent work absences, injuries on the job, or filing leave or disability claims. Our nonprofit partner the National Alliance on Mental Illness (NAMI) suggests employers learn the facts about mental health conditions and use respectful language to talk about mental health conditions.

Potential warning signs:

- Changes in work performance
- Frequent absences or tardiness
- Becoming withdrawn or uncommunicative
- Confused thinking or problems concentrating/learning
- Prolonged or strong feelings of irritability or anger
- Difficulty understanding others

Employers have an important role to play in combating stigma around mental health in the workplace and encouraging employees to seek the help they need. NAMI also suggests having open and inclusive conversations on mental health:

- Use accurate and inclusive language including "mental health condition," "mental health vulnerability," "struggle"
- Avoid "suffer" or "disorder," or "afflicted"

Consider saying "treatment plan of my choice," "what works for me..." or "person with a mental health condition"

- Avoid stigmatizing language such as "mentally ill," naming specific medications, shaming those who take medications

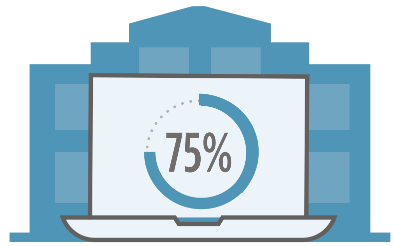
Employers who don't offer mental health resources such as an EAP, can refer employees to community resources, such as those offered by NAMI or to other community health and human services through the United Way's 211 network.

NAMI HelpLine can be reached Monday through Friday, 10 a.m.–8 p.m., ET.
800-950-NAMI (6264) or info@nami.org

EMPLOYEE ENGAGEMENT ON BENEFITS AND THE FUTURE OF THE WORKPLACE

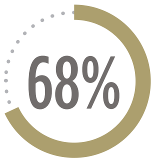
Technology and the future of benefits enrollment.

The shift to a virtual benefits enrollment was fast-tracked in 2020 as many employers wrestled with the shift to a remote workforce and how to provide benefits education to their in-person workforces. The increased reliance on technology will continue, as **75% of employers say their company's open enrollment strategy will depend more strongly on online resources this year due to COVID-19**.

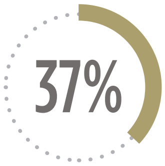


of **employers** say their company's open enrollment strategy will depend more strongly on online resources this year due to COVID-19

Even in the best of times, insurance benefits can be confusing to employees, and benefits education remains a challenge for employers.



of employers say educating their employees about benefits is a challenge



of employers say their employees do not understand enough about the value of the benefits to justify the cost

Moving forward, personalization will be the key to bridging the gap in an increasingly remote and tech-driven world. More than half of U.S. workers (58%) would like a personalized recommendation for what insurance benefits they should be buying. Seventy-six percent of employers are offering personalized benefit recommendations during open enrollment, up from 71% in June 2020 and 63% in March 2020.

Story-driven enrollment tools can offer an employee context. Presenting the material in a relatable way and tailoring the message based on an understanding of an individual's benefits needs, influences and life stages can help someone better evaluate whether a certain benefit is right for them.

Employers are increasingly comfortable with sharing data to help create these personalized experiences.

of employers are open to sharing basic employee information with insurance carriers to provide employees with personalized benefit recommendations at the time of open enrollment, up from 70% in June 2020

KEY INSIGHTS

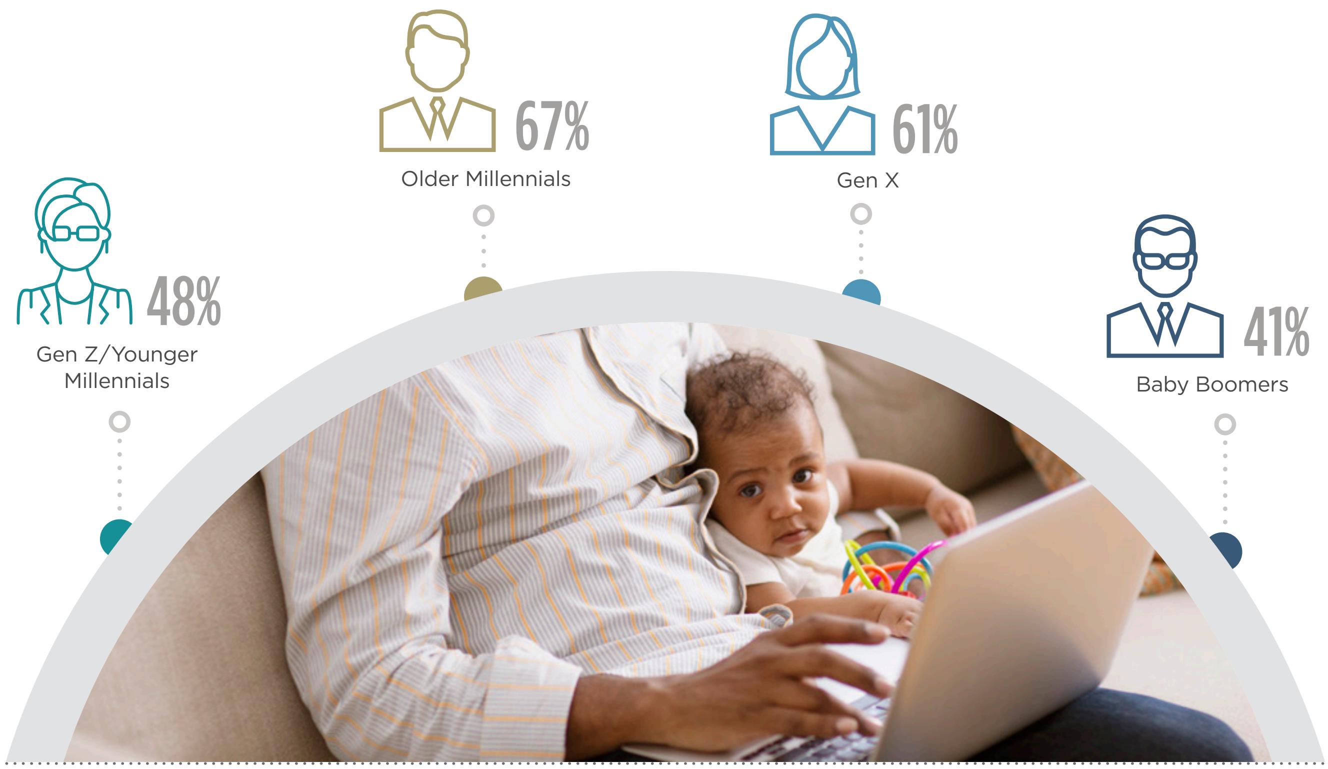
- An important next step is to evaluate which tools were the most effective in helping their workforce make informed benefits decisions and focus on those that had the greatest impact in driving benefits enrollment.
- Both employers and brokers should do more to educate workers about how to best use the benefits and what they cover – well before they are needed. Consider communicating about benefits year-round instead of just at enrollment time. This can also help employees make informed benefit choices tailored to their unique life circumstances during enrollment time and help them on how to access resources when they need them.

The future of work is flexibility.

In May 2020, JUST Capital and The Harris Poll found[3] that 82% of Americans agreed that companies should provide the flexibility to work from home in light of the public health emergency. Many employers that could stepped up to provide that flexibility, and many now say they will make this shift permanent or adopt a hybrid model of in-workplace and remote working.

The Hartford's data shows 55% of U.S. workers overall want to continue to work remotely full-time after the pandemic. In line with this shift, 76% of employers expect to continue to offer more flexibility in the future.

EMPLOYEE DESIRE TO WORK REMOTELY BY GENERATION



What workers are most looking forward to post-pandemic.

Although it will be a gradual return to the workplace for many, the No. 1 thing employees are looking forward to is not having to wear a mask/protective gear in the workplace.

When things do return to normal in the workplace, the top three things employees are looking forward to are:

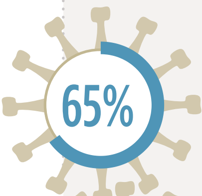
- No longer wearing a mask/protective gear: **41%**
- Getting back to their regular schedule: **23%**
- Tie between: Casual conversations with co-workers in the workplace: **22%**
  Being able to more freely interact with customers and co-workers face-to-face: **22%**

EMPLOYERS' RESPONSE TO COVID-19

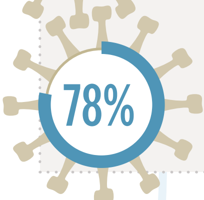
Most workers are satisfied with their employer's response to the pandemic.

In May 2020, a survey[4] by JUST Capital and The Harris Poll found that nine in 10 Americans agreed that the COVID-19 pandemic presented an opportunity for large companies to hit the "reset" button and focus on doing right by their workers and communities. As employers continued to provide flexibility and offer new benefits options to their employees, The Hartford's study found **78% of U.S. workers overall say they approve of their company's response to the pandemic**.

AMERICAN WORKERS' APPROVAL OF THEIR EMPLOYERS' RESPONSES TO THE PANDEMIC INCREASED OVER TIME



June 2020: The Hartford's 2020 Future of Benefits Study found that **65%** of U.S. employees believed their company's response to the pandemic was adequate



February 2021: The Hartford's 2021 Future of Benefits Study found that **78%** of U.S. employees now believe their employer's response to the pandemic has been adequate

METHODOLOGY

The Hartford's 2021 Future of Benefits Study was fielded from Jan. 11 – Feb. 19, 2021 and included 617 employers and 1,005 employees. The previous two waves of the research were fielded in 2020. The first wave was fielded from Feb. 27 – March 13, 2020, just before the pandemic escalated in the United States, and included 761 employers and 1,503 employees. The second wave was fielded from June 15 – June 30, 2020 and included 567 employers and 1,038 employees. The employers surveyed were HR professionals who manage/decide employee benefits and employees surveyed were actively employed. The margin of error is employer +/- 4% and employee +/-3% at a 95% confidence level.

RESPONDENT PROFILES

Employee Respondent Profile

Generation

Gen Z/Younger Millennials (1995-2002):	10%
Older Millennials (1981-1994):	34%
Gen X (1967-1980):	27%
Baby Boomers (1955-1966):	29%

Gender

Male:	48%
Female:	51%

Marital Status/Family

Married:	61%
Not married:	39%
Children at home:	49%
No children at home:	51%

Household Income

Under $50K	20%
$50K-$70K	18%
$70K - $100K	22%
$100K-$150K	23%
$150K or More:	17%

Company Size

Fewer than 500 Employees:	37%
501-5,000 Employees:	33%
More than 5,000 Employees:	31%

Industry

Agriculture/Forestry/Fishing/Hunting	1%
Utilities/Energy	2%
Construction	6%
Manufacturing	8%
Retail & Wholesale	7%
Transportation/Warehousing	4%
Information Management	7%
Telecommunications	5%
Finance/Insurance	7%
Real Estate	2%
Professional/Scientific/Technical	8%
Healthcare.	9%
Services	4%
Education	8%
Nonprofit	1%
Government.	9%
Other	12%

Employer Respondent Profile

Gender

Male:	59%
Female:	41%

Locations

Multinational (locations in multiple countries)	25%
National organization (40 or more U.S. locations)	21%
Multistate (multiple U.S. locations)	22%
Single state (only have a location in one state)	32%

Company Size

Fewer than 500 Employees:	48%
501-5,000 Employees:	35%
More than 5,000 Employees:	16%

Industry

Utilities/Energy	2%
Construction	6%
Manufacturing	11%
Retail & Wholesale	10%
Transportation/Warehousing	3%
Information Management	8%
Telecommunications	4%
Finance/Insurance	9%
Real Estate	3%
Professional/Scientific/Technical	9%
Healthcare.	11%
Services	4%
Education	8%
Association	1%
Nonprofit	2%
Government.	3%
Other	6%

Visit us for more insights at **TheHartford.com/FutureOfBenefits**

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Business Insurance
Employee Benefits
Auto
Home

[1,3,4] "SURVEY: What Americans Want from Corporate America During the Response, Reopening, and Reset Phases of the Coronavirus Crisis." JUST Capital, www.justcapital.com/reports/survey-what-americans-want-from-corporate-america-during-the-response-reopening-and-reset-phases-of-the-coronavirus-crisis/

[2] "Understanding the Hidden Costs of COVID-19's Potential Impact on U.S. Healthcare." McKinsey & Company, 8 Oct. 2020, www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/understanding-the-hidden-costs-of-covid-19s-potential-impact-on-us-healthcare.