Magazine Extra: Adapting Benefits to Today's Multigenerational, Postpandemic Workforce

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The pandemic escalated change within the workforce and has caused employers to take an even deeper look at what they offer to employees. Employers should already realize the necessity of being in tune with the individual needs of their multigenerational employees since it's clear what works for Baby Boomers may not fit for Generation Z.

An individual's age and stage of life continue to impact their needs, but it's not that straightforward. Designing a valued benefits program has become more complicated than just focusing on multigenerational needs. Targeted benefits that also support an employee's physical, mental and financial health are critical.

Today, workplace flexibility and a comprehensive benefits package are universally expected, but what else motivates employees in different stages of life to value their employer relationship? To determine what they value, employers should evaluate employee demographics and survey employees. Surveying employees does not have to be limited to once a year; many employers find that shorter, more frequent surveys glean important feedback.

Employers should then update their benefits program so that it is meaningful and motivational to all generations while staying within budget. Finally, as the program is designed and managed, it is important to ensure compliance with workplace laws and benefit regulations that require equity.

Catering Benefits to Employee Life Cycles

While health, retirement and leave benefits are the cornerstone of benefit packages and important to every employee, these needs look different depending on an employee's stage of life. Customizing these core benefits to a multigenerational workforce maximizes how meaningful the benefits are to employees.

Generation Z

Generation Z, the youngest employees and newest to the workforce, wants a corporate culture and mission that align with their values. This group values a sense of inclusive community, supportive leadership, work-life balance and workforce diversity.

Benefit options that this group may value include:

- **Financial:** Student loan repayment, tuition reimbursement, and basic financial education
- **Health:** Health savings accounts virtual care options, and wellness/mental health apps
- **Career and mission:** Mentoring program, volunteer opportunities, and corporate matching programs
- **Other:** Pet insurance and workplace social events.

Millennials

Millennials, those born between the early 1980s and late 1990s, are focused on developing their careers, starting and raising families, and paying down debt. Flexibility and work-life balance are key components in employee satisfaction. Following are benefits that may fit the needs of Millennials.

- **Family-related:** Paid family leave, dependent care flexible spending accounts (FSAs), back-up child care, advanced fertility coverage, surrogacy benefits, adoption assistance programs, employee assistance programs (EAPs), and children's learning and development aids

- **Work-life balance:** Flexible and remote working arrangements

- **Financial:** Will preparation, debt management, funding for education, tuition reimbursement, student loan repayment assistance, and voluntary life insurance

Baby Boomers and Gen Xers

Older employees, including Baby Boomers and Gen-Xers, are further along in their careers and closer to retirement. Baby Boomers generally do not require much more than what they have today and are appreciative of comprehensive traditional benefits and supportive leadership. Providing avenues for part-time work with continued benefits and programs such as sabbaticals is of interest to many in these generations as they phase out of their careers.

Other benefits that appeal to these generations include the following.

- **Financial:** Retirement planning and Medicare education

- **Health:** Health savings accounts as a retirement savings vehicle, critical illness, and hospital indemnity plans

- **Family-related:** Paid family leave and expanded traditional, caregiver, and parental leave policies

Rethinking the Cornerstone of Benefits

As employers look to support employees with physical, mental and financial health, they should also consider bolstering traditional benefits to make them more attractive and equitable to employees across generations who are facing different challenges. The sidebar "Compliance Implications" identifies some of the top concerns that may come with customizing benefits by generation.

To provide more equity in benefits to address the needs and challenges of all, employers may consider adding or increasing coverage to provide greater access and resources. These benefits may support specific needs such as bariatric surgery, gender affirmation services and behavioral health services.

Many employers are also considering travel reimbursement plans to cover expenses for employees to receive reproductive care or other health services that are not available where the employee resides. Some health insurance carriers and administrators can now include travel benefits within health plans. There are also specialized third-party vendors that assist with the administration and legal requirements of these new benefits.

To enhance traditional leave benefits, employers may consider unlimited paid time off (PTO). Paid parental leave for both parents and caregiver leave to support aging parents are also excellent ways to promote equity across generations.

Traditional employer wellness benefits likely will need to evolve to meet the needs of a remote or hybrid workforce. For example, on-site health fairs and wellness services have largely been replaced with virtual and digital resources.

Health plans are adding online tools and resources to mitigate the challenges of the shortage of mental health providers and increased demand. These include virtual and telephonic therapy, expanded EAP services, cognitive behavioral health applications, coaching and text peer support. Employers are moving away from basic EAPs and looking for more robust services tailored to their population's needs. Employers are also directly contracting with specialized mental health vendors to provide additional employee support, as well as training leaders to identify employees who may be in crisis.

Another modern way to enhance the employee experience is to offer lifestyle spending accounts. These taxable accounts provide stipends for employees to spend on products and services that they choose to support their physical, financial and/or mental health. For example, the account may reimburse for gym memberships, yoga classes, fitness equipment, home office furniture or even home delivery meals. The employer determines the available benefits and sets the dollar limits. Instead of offering to all employees, these accounts can be limited to a rewards and incentives program.

While offering enhanced benefits may lead to higher costs, employers can keep changes budget-neutral by redirecting the benefit spend from plans that are underutilized or not appreciated by most employees. To start, employers should review programs that were offered pre-COVID and identify which benefits need review. Employee surveys are an effective way to identify benefits that are critical to engagement and employee satisfaction. Benchmarking against what other similar employers offer is another tool to effectively redesign plan offerings. Armed with the appropriate data, employers can then determine how to reallocate their benefit spend to address the changing needs of the diverse, multigenerational workforce.

COMPLIANCE IMPLICATIONS

As employers look to customize benefits to reach employees in different stages of life, it's critical that they adhere to workplace benefit laws and regulations and avoid favoring one age group over another. Most tax codes and regulations related to employer-sponsored benefits include nondiscrimination rules to ensure that they are offered equitably, even though some workers may have little or no need for a particular benefit. The following major compliance issues require attention.

Highly Compensated Employees

Plans that provide tax-advantaged benefits usually must comply with Internal Revenue Service (IRS) nondiscrimination rules to discourage employers from providing more generous benefits to executives and management staff, which include highly compensated employees. Some benefits to pay attention to include options within cafeteria plans, self-insured health coverage (including health reimbursement arrangements) and tuition reimbursement plans. If the plan fails the nondiscrimination tests, the benefits become taxable to the highly compensated employees.

Benefit plans fall under different tax codes with varying definitions of a highly compensated employee, so it is important to understand the differences. For example, the top 25% paid of all employees are considered highly compensated for self-insured health plans, while the cafeteria plan definition is based on an indexed compensation threshold for the preceding calendar year (use the 2022 threshold of $135,000 when testing in 2023) and owner/officer status. While the employer may be able to pass nondiscrimination testing for cafeteria plans, it could easily fail the self-insured health plan testing.

In general, older employees are higher paid due to longer employment, so benefits that are designed based on tenure will likely cause a discrimination issue. For example, self-insured health plans that offer more generous eligibility or a higher reimbursement based on years of service will fail nondiscrimination testing because the majority of those employees are highly compensated.

Tuition reimbursement plans use the same definition of highly compensated employee as cafeteria plans. These plans will pass testing as long as eligibility is open to all employees and eligible benefits do not favor executives or management staff. For example, limiting reimbursement to graduate level courses only may cause an issue by excluding lower paid employees.

In short, the employer should avoid designing tax-advantaged benefits by generation that results in enhanced eligibility, more reimbursement, shorter waiting periods or lower contributions for highly compensated employees compared with other employees.

Health Status or Age Discrimination

Federal laws focus on other types of discrimination in benefits. While benefit plans can be geared to meet certain needs by generation of employee, the eligibility and coverage provisions should never be limited based on the employee's health status or age.

Older workers may be more likely to have a chronic condition, but employers cannot charge employees more for health plan coverage based on a health factor unless the employer implements a wellness program in compliance with the Health Insurance Portability and Accountability Act (HIPAA). The wellness program must include a "reasonable alternative standard" to achieve any reward built into the health plan (such as lower contributions). For example, if employees have to meet certain biometric screening or exercise criteria, the wellness program would offer the alternative of attending relevant educational seminars, at no cost to the employee. This alternative standard can avoid discrimination against older or unhealthier employees.

In terms of age, certain benefits cannot favor younger employees under the Age Discrimination in Employment Act (ADEA). ADEA specifically prohibits discrimination in employment practices and policies, including employee benefit plans, against workers aged 40 and over. For example, if Baby Boomers have to pay a greater proportion towards coverage than younger generations, it would result in an ADEA violation. It is permissible for older employees to pay a larger dollar amount when billed rates are based on age, such as for voluntary life insurance or small group medical rates, as long as the employer is contributing the same percentage of the cost to all employees.

Some benefits may be used more by certain generations, but that does not necessarily result in discrimination. As an example, tuition reimbursement plans often favor younger generations, but there are no age discrimination issues as long as the plan's eligibility is not specifically limited to employees under age 40. Other employee benefit plans, such as life insurance and disability, should also be reviewed to ensure nondiscrimination based on age.

Medicare Secondary Payer (MSP) rules prevent employers with at least 20 employees from excluding Medicare-eligible individuals from the health plan or offering working employees incentives to enroll in Medicare instead of the group health plan. Therefore, most employers cannot require that older working employees drop coverage in favor of Medicare or reimburse active employees for Medicare premiums. It is permissible to provide cash back for waiving medical coverage to Medicare-eligible working employees, as long as the cash-back option is provided to all benefit-eligible employees.

Leave

There are separate compliance issues, beyond the federal Family and Medical Leave Act (FMLA), for employers to consider when expanding leave benefits. For example, the Equal Employment Opportunity Commission (EEOC) has issued guidance that bonding leave must be offered to all new parents on equal terms, regardless of gender. Therefore, parental leave policies should be carefully crafted and offered separately from disability benefits for employees who are recovering from giving birth.

In addition, since today's postpandemic workforce often includes remote workers located across the country, employers need to continually track state paid family leave and disability laws. Existing leave policies should be updated accordingly, with coordination between employer-provided and mandated leave benefits. This is a difficult task for larger employers to track on their own, even with assistance from their payroll vendor and online HR tools with state law content. Larger multistate employers may want to consider engaging with a specialized leave vendor to maintain compliance.

The Importance of Adaptation

There's significant movement in the workforce following the pandemic, and employees are in the driver's seat. Employees are retiring early, changing careers and temporarily leaving the workforce due to lack of employer adaptation. The risk of not adapting the benefits program to the new workforce will likely result in greater loss of retention and difficulties in recruitment at a critical time.

In this employee-centric time, employers should consider taking a step back and evaluating what their employees most want and determine the best use of their limited benefit dollars. Employers that offer a tailored benefits program that resonates with employees, addresses multigenerational needs and provides a culture that aligns with employee values will have the most success in today's complex workforce environment.

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