

WORKPLACE THOUGHT LEADERSHIP

The Great Recalibration

How to transform your benefits strategy to meet employees' evolving needs

Experiences from the COVID-19 pandemic are dramatically shifting how society thinks about work. Extended periods of uncertainty, isolation, and grief provided an opportunity to pause fast-paced lives and reflect on what is most cherished in life.¹

Employees are re-evaluating what they want for their careers, including how and where they work, as well as, whom they work for and why. The relationship employees have with their jobs, their workplaces, and their employers are changing, ushering in the next generation of work. This collective shift in views and values about work are spurring some to leave the workforce, while others look for greener grass in a new role or at a new company. Rapid shifts in the workforce have led to a dynamic known as the "Great Resignation,"² a phenomena resulting in fewer available workers during a time of intense economic growth, but that is not the whole story.

Swiftly changing market conditions and employee expectations are challenging employers to adjust and adapt. To win the war for talent, employers are compelled to reimagine the workplace, improve company culture, and foster employee well-being. New employer and employee research from Fidelity suggests employers should approach benefits offerings more strategically to better attract, retain and engage their current and future workforce.

This article examines how drivers of the Great Resignation are challenging employers to rethink their benefits strategies to meet the unique challenges of the next generation workplace. Our insights will help employers understand employees' top workplace priorities to more effectively meet their needs now and in the future.



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Employee attitudes about work
are changing

What's going on with the workforce?³

Employees are voluntarily quitting their jobs at the highest rate in the past two decades. At the same time, job openings across the United States have continued to increase.

As of March 2022, 11 million jobs were unfilled.⁴

The circumstances are particularly challenging for employers, as companies try to do more with fewer resources. The dynamic has flipped the script on traditional hiring practices. In fact, **2 in 5 businesses say they are hiring candidates they otherwise would not consider for roles because they cannot find enough qualified applicants.**⁵ Hiring challenges are even more concerning for smaller businesses.⁶

More than 400,000 new jobs were added to the economy each month for the past 11 consecutive months.

This level of job growth has not occurred since 1939.⁷



This begs the question...

Where are all the workers?



The Great “Resigners” – who left the workforce?

Not everyone is leaving by choice. Millions of people have dropped out of the workforce since the beginning of the pandemic. Some feel excited and empowered to make this choice, while others feel like they may not have had a choice at all.

RETIREES



More than half of U.S. adults over the age of 55 are now retired.⁸ While many of these were scheduled retirements, an estimated 2.4 million Baby Boomers accelerated retirement timelines due to experiences during the pandemic.⁹ While retirement is a welcomed life event for many, those who did not plan for an early retirement (e.g. retired due to a health event or needing to care for a spouse or family member) may feel financial and other stressors.¹



WOMEN



Female participation in the U.S. workforce staggeringly decreased since the beginning of the pandemic. In fact, the number of women in the American workforce has declined to the same levels as the late 1980s.¹⁰



Research shows working women are significantly more burnt out than their male counterparts, likely due to the burdens of balancing work and home, including the responsibilities of caregiving for young children and/or aging family members, as women are more likely than men to be primarily caregivers, regardless of their participation in the paid workforce.¹



PARENTS OF COLOR



Working parents of color, especially mothers, are the demographic group slowest to return to work following the earliest months of the pandemic, and disproportionately lack a financial safety net.¹¹

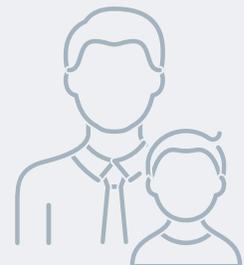


Mothers with lower levels of education are less likely to have access to benefits like paid leave, remote work, and affordable childcare options. Lacking flexibility to work and care for their families during the pandemic forced many parents of color to leave their jobs.¹¹



Non-traditional employment skyrocketed during the pandemic.

The desire for more flexibility and personal autonomy may be driving preferences for entrepreneurship (or freelancing, gig work, etc.), especially among groups who feel traditional employment constrains them to fewer quality options for work.¹²



Lack of caregiving support and safety nets for working parents and people of color **may drive further financial inequity among already underserved populations.**

The Great “Reshufflers” – where are workers going?

Not everyone is leaving the workforce. In fact, more people are remaining employed, but searching for something different at work.

YOUNG WORKERS



Younger workers, primarily Millennials and Gen Z, are **capitalizing on the hot job market and driving the trend of pursuing a new job** for a variety of reasons.



More than half of workplace participants under the age of 35 considered changing jobs in the past year, and more than one-third of participants took on a new role.¹



FRONTLINE WORKERS



Certain industries are struggling with the Great Reshuffle more than others, including frontline roles in retail, hospitality, health care, and customer service.

These roles generally are not remote-friendly, may not offer as competitive pay as other industries, have erratic schedules, may not allot paid time off (PTO) or other workplace benefits, and may not even be done while sitting—demanding some form of physical labor. These jobs account for 80% of the American workforce.¹³



"Departures from these industries and roles may also be the result of interpersonal challenges with customers and/or supervisors."¹⁴



KNOWLEDGE WORKERS



Highly skilled workers and knowledge-based workers are also reshuffling at historically high rates. These workers may have found it easier to reshuffle due to the remote-friendly nature of these jobs.



The Great “Wake Up Call” – employees prioritize well-being

Those making the choice to participate in the Great Resignation or Reshuffle often have something in common—they are prioritizing well-being. The events of recent years have led to reports of record high fatigue, stress, and burnout across the workforce—all of which adversely impact mental, emotional, and physical health.^{15 16}



The World Health Organization (WHO) defines **burnout** as a “syndrome conceptualized as resulting from chronic workplace stress that has not been successfully managed” and may lead to “feelings of energy depletion or exhaustion, increased mental distance from one’s job, feelings of negative[ity] or cynicism related to one’s job, or reduced professional efficacy.”¹⁷

Burnout was widespread before the pandemic

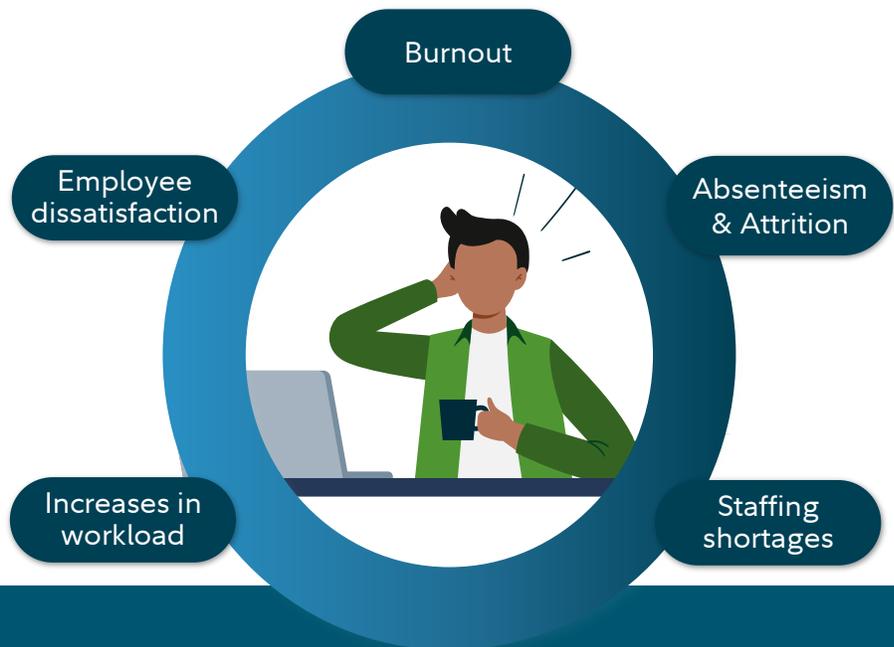


Nearly **8 in 10** full time employees reported feeling burned out at work at least sometimes¹⁸



Nearly **3 in 10** full time employees reported feeling burned out “very often” or “always”¹⁸

If most employees were already burned out in 2019, the pandemic’s cumulative stressors like health and financial uncertainty, long-term isolation, blurred professional and personal boundaries, and lack of caregiving support only compounded an already bleak situation. Indeed, some researchers suggest the workforce may be headed toward a Great “Burnout” as so many workers reshuffle jobs, and colleagues who choose to stay are often left carrying additional workloads.¹⁹ “With ‘burnout’ now officially recognized by the WHO, the **responsibility for managing it has shifted away from employees and toward employers,**” says Jennifer Moss, author of The Burnout Epidemic. “**Burnout is preventable.**”



EMPLOYER TIP

Don’t miss the lesson behind the movement. While the Great Resignation and Reshuffle have come to describe record levels of turnover, these trends signify a collective societal shift in what employees are willing to accept from their jobs and for their futures.

Understanding shifting employee priorities: a transition from “live to work” to “work to live”

Recent Fidelity research of workplace participants illustrates how experiences from the pandemic have accelerated already shifting mindsets about work. When asked if and how the experience of the pandemic had changed their views:¹



72%

of employees reported they have a **different outlook on work-life balance**



65%

reported that their **priorities have changed**



60%

reported that they are more focused on their **mental health**



“Life is too short not be happy and fulfilled. Instead of complaining and wasting time you should find [a] place that you can give your best and make a tangible contribution.”¹

Female, 55+



“COVID has affected how I see the world including my job. I feel burnt out... wasted, washed out, not very positive overall. I thought perhaps a new job might light a fire under me again.”¹

Male, 35-54

How do employees' shifting priorities change what they want from their employer?



What employees want at work

BENEFITS THAT RESONATE

Benefits that help employees address their most pressing priorities and challenges, no matter what they are

IMPROVED WELL-BEING

Roles that allow employees to prioritize their well-being in partnership with employers that provide mental, physical, and financial support



MORE FLEXIBILITY

Roles that provide opportunities for additional paid time off (PTO), remote or hybrid working arrangements, or other flexible scheduling

PURPOSEFUL WORK

Work that employees feel serve a higher purpose in life or align with their personal values

HIGHER COMPENSATION

More money to help offset the challenges of rising inflation, debt repayment, and other financial obstacles



Contrary to conventional wisdom, a higher salary is not the only factor that encourages employees to seek a new job. Our research indicates that no single factor is driving workers to leave their jobs and explore opportunities elsewhere. Rather, employees are changing jobs to improve many aspects of their overall well-being: from finances, to health, and to elements in both their personal and professional lives.¹

EMPLOYER TIP

Employees wanting something “more” across numerous components of work may be attributable to a breakdown in workplace culture. Consider how improving certain elements of work or the employee experience may signal a positive cultural shift.²⁰

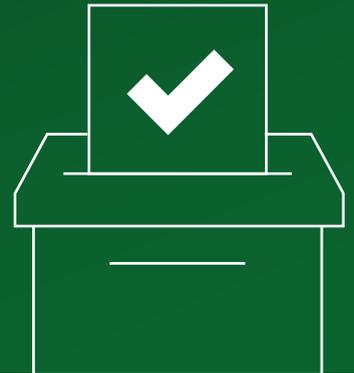


New insights help employers
create more effective
benefits strategies

Fidelity's latest value of benefits research

Employer survey of approximately 1,600 employers represented by human resources and benefits professionals involved in the design of benefits strategy and programs for their organization. Fielded in October 2021.²¹

Employee survey of approximately 13,000 defined contribution plan participants with Fidelity as the provider. Fielded in November 2021.²²



Key findings



Employers overwhelmingly value benefits based on **enrollment and utilization rates**.



Some benefits employers say are least valuable **are driving the outcomes employers want from benefits** (e.g. offering tuition reimbursement is linked to better attraction).



Overall, the benefits employees report valuing most are those that promote **well-being**, offer greater **flexibility**, and contribute to **professional growth**.

As employers struggle to keep their workforces staffed, engaged, and supported, employee benefits have perhaps never been more important as a tool to achieve these outcomes.

However, our new research shows employers generally do not exercise benefits as a tool to reach workforce goals and that additional employer education can help create more effective benefit strategies.

The new research spotlights which benefits employees want most and how employers can rethink determinants of value to align with specific talent goals. Employers should consider leveraging these insights to become more competitive in the existing war for talent, but also to evolve benefits offerings to meet the needs of the modern and next generation workforce.

** This article uses a broad definition of the term "benefits" to include working style and other preferences that may contribute to workplace culture.*



Coming up...



Forces at work - how shifting dynamics between employees and employers affects your workforce strategy



Benefit preferences differ among employers and employees



Benefits as a tool – certain offerings better attract, retain, engage & support employees

Forces at work - how shifting dynamics between employees and employers affects your workforce strategy

Employees are in the driver's seat and expect change

The labor market, what employees say they want, and attitudes about work are changing. In current market conditions, employees have the upper hand in how they shape demand. While that worker-led advantage is not expected to be permanent, our research suggests that employees will **continue to prioritize their well-being** and seek out employers that provide support in these areas (e.g., more workplace **flexibility**).

All of this change impacts your workforce goals. What's worked for employers in the past in terms of recruiting and retaining talent, may no longer be as effective. Your playbook for recruiting and retaining talent must change too. Benefits can play a key role in talent strategy, though most employers do not think of benefits as a means to boost workforce goals. **Fidelity's new research spotlights how employers can shift to tie benefit strategies to talent strategies.**



When benefits strategies are employee-centered and tied to talent, benefits can be used as a tool to better achieve talent goals, like attraction and retention.



EMPLOYER TIP

When it comes to workforce goals, **benefits should not be used as a panacea for poor workplace culture**. For example, offering a meditation app to improve mental health is not a sufficient fix if the workplace has ineffective management, unrealistic workload demands, a lack of staffing, or is not inclusive. However, thoughtful benefits strategies can be a piece of the puzzle and potentially even contribute to a more positive workplace culture.

Benefit preferences differ among employers and employees

Integrating talent and benefit strategies requires understanding what benefits employees really want, as well as which benefits significantly contribute to talent outcomes.

Here, employers and employees report the benefits they believe are (or would be) most valuable:

EMPLOYERS' TOP-VALUED BENEFITS

OVERALL



Defined contribution (DC) retirement plan



Health plan



Paid time off (PTO)



Sick leave



Flexible work arrangements

What are your organization's 5 most valuable benefits? Select up to 5. Top 5 for all employers, regardless of firm size, industry, firm type, or workforce composition.

The benefits employers say are valuable happen to be ones that are commonly offered. Specifically, employers say benefits that have **high enrollment and utilization rates** are the most valuable.

Employers value the **same five benefits** above, regardless of whether we asked about their value in general, or the benefits that matter most for attraction, retention, employee financial wellness, or employee health wellness. Valued benefits were also largely consistent regardless of employer size or industry.

EMPLOYEES' TOP-VALUED BENEFITS

FOR TAKING OR STAYING AT A JOB



Remote work*



Compressed 4-day work week*



Paid vacation time (10+ business days)



Flextime at work



Professional development*

*Certain benefits were only asked about in either the Employer or Employee survey. * Indicates only asked in Employee survey.*

When it comes to taking a job and staying at a job, employees have similar views on which benefits are most valuable. In these cases, employees consider **flexibility, paid leave options, and professional development as the benefits that matter most.**

It makes sense that employers and employees may not always see eye-to-eye on what they value most. But the lack of agreement is striking and can have implications:

- 1 **First**, employers may not be offering the most impactful benefits because decision-making is driven primarily by popularity (commonly offered and utilized benefits), rather than outcome.
- 2 **Second**, if employers are not aware of the benefits employees value most, they are missing an opportunity to build trust and strengthen the employee-employer relationship.
- 3 **Third**, employees that share certain identities may value unique benefits that don't stand out on the average. From an inclusivity perspective, employers may consider identifying and offering those benefits.

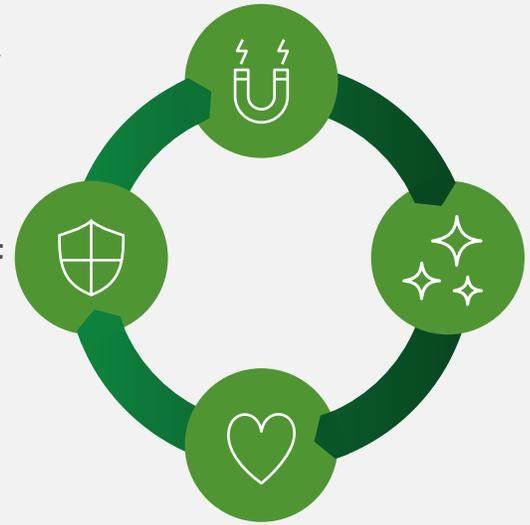
EMPLOYER TIP

Get to know your employees and the talent you want to recruit. Better understanding their needs and preferences can help you align benefits more effectively.

Benefits as a tool: certain offerings better attract, retain, engage & support employees

Although compensation is critical, our research indicates that a thoughtful benefits program may help employers **attract, retain, and engage** workforces, and **promote employee well-being**.

We shared the benefits employers and employees self-report as most valuable. However, we can also determine which **benefits provide significant value by assessing the benefits that predict the outcomes employers want**. In fact, our research uncovered **exceptional benefits that independently predict better talent outcomes**, such as attraction, retention, reduced absenteeism, and employee wellness at work, in order of popularity and/or impact:



	Improved attraction	Stronger retention	Reduced absenteeism	Wellness at work
Benefits employees say they want:	Remote work Compressed 4-day workweek Paid vacation Flextime Professional development	Remote work Paid vacation Flextime Compressed 4-day workweek Professional development	N/A	N/A
Benefits linked to better outcomes:	Dental Tuition reimbursement Meditation Fitness reimbursement Umbrella liability	Paid parental leave PTO Paid sick leave Retiree medical Paid maternity leave	PTO Long-term care insurance Student debt employer contributions + Volunteer days + FW program +	Professional development Critical illness & injury insurance Online health decision support Online financial decision support Remote work Compressed work week Leave of absence
Optimal number of benefits to offer:	More benefits are better	Some benefits are enough so long as they are the "right" ones	Some benefits are enough so long as they are the "right" ones	More benefits are better

Research note:

Combining self-reported employer and employee data (where available) with insights from our multiple regression model provides a unique perspective into which benefits employers should consider offering to better achieve their goals.



* These multiple regression analyses included as covariates all 66 benefits, firm characteristics (e.g., industry, size, revenue, US region), and workforce characteristics (e.g., % women, % with college degree)

** These multiple regression analyses included as covariates firm characteristics (e.g., industry, size, revenue, US region), and workforce characteristics (e.g., % women, % with college degree)

+ Indicates trended findings from both Fidelity's 2018 and 2021 Value of Benefits surveys.

This benefit did not reach statistical significance for 95% confidence interval but did for 90% confidence interval.

Certain benefits in the Employee survey were not included in the Employer survey (e.g., remote work, compressed 4-day workweek).

The pattern for optimal number of benefits offered is specific to larger employers (250+ employees).

Importantly, our research illustrates **how certain benefits that employers report as *least* valuable are actually driving better outcomes.**

For example, employers report that tuition reimbursement is one of the least valuable benefits, however our analysis indicates that employers that offer tuition reimbursement experience especially strong attraction rates. Similarly, few employers identify student debt repayment benefits among their most valuable, but our research indicates these benefits are a top driver of reducing absenteeism.

EMPLOYER TIP

To improve competitiveness during the Great Resignation & Reshuffle, consider offering benefits that employees report they want, and/or benefits that are shown to independently drive talent outcomes.

Research note:



Even when insights from employee and employer data don't perfectly align (e.g. benefits that are found to drive "attraction" in the Employer analysis are different from the benefits employees say would persuade them to take a new job), these joint perspectives help to paint the full picture of the "value" of benefits.

Psychologists distinguish between explicit and implicit processes that shape decisions. Explicit processes are ones that people are aware of, such as preferences, past choices, and goals. Whereas implicit processes are ones that people are not privy to and operate without conscious awareness, such as cultural influences or when attention is drawn to certain information before a decision (e.g., priming). If we only asked employees and employers what they value, we would identify those benefits that are explicitly valued, but we'd miss what else may be going on that is not visible to individuals. It's important to identify the benefits employees find valuable, as well as those that they (or employers) may not realize are driving behavior at a macro level (e.g., across employers and industries) to gain a holistic understanding.

Integrating findings from both surveys contribute to richer, more robust insights despite what could be quickly dismissed as competing evidence on how a benefit may be impacting employer or employee outcomes.

For example, the Employer study identifies benefits like tuition reimbursement and fitness reimbursement as top predictors of high attraction rates, while our Employee study suggests that employers that want to positively influence recruitment and retention rates should invest in their employees' independence and growth. Offering benefits like remote work (identified in Employee study) may help to contribute to an employees' ability to prioritize health and fitness (identified in Employer study) and a sense of independence. Further, offering professional development opportunities (identified in Employee study), perhaps through or with tuition reimbursement (identified in Employer study) may help to achieve employee growth goals.

Conclusion

The Great Recalibration has put employers in a difficult position to attract and retain employees and meet other workforce goals. Today, many employees are not influenced by higher compensation alone, but want their employer to support other aspects of their lives, too. From improving employee well-being, to offering greater flexibility, to creating a more purposeful workplace culture, employers have their work cut out for them. Rethinking benefits strategies, including offering benefits that contribute to employer goals, can be a productive first step to meet employees' evolving expectations for the next generation of work.

At a time when market conditions are constantly changing, there is no silver bullet or simple fix for employers. Organizations and their people are complex, and external factors like a smaller labor force and increasing diversity in the workforce, continue to move goalposts. But more information on what employees want and need at work, including emerging insights from Fidelity's latest value of benefits research, can help employers improve their workforce outcomes and better position themselves as work continues to evolve.

For more information on how Fidelity can support your workforce and employee benefits efforts, please contact your Fidelity Representative or request a review with Workplace Consulting.



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- ⁹ "Excess' Retirements during the COVID-19 Pandemic," Federal Reserve Bank of St. Louis, December 2021.
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- ¹¹ "Black and Hispanic women are still behind as jobs rebound," *The New York Times*, June 4, 2021; and "Why haven't U.S. mothers returned to work? The child-care infrastructure they need is still missing," *The Washington Post*, Nov. 8, 2021.
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- ¹³ U.S. Bureau of Labor Statistics, Employment by major industry sector, 2021.
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- ¹⁶ A group of researchers argue "burnout" is a form of workplace depression. "Is it time to consider the "burnout syndrome" a distinct illness?" Renzo Bianchi, Irvin Sam Schonfeld, and Eric Laurent.
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- ²² Fidelity's Employee Value of Benefits online survey of 13,000 plan participants from across the U.S., November 2021.

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