

# Outlook 2025

# Employee Benefits

To keep benefits affordable, vital and resilient, organizations will seek new perspectives and innovative strategies.



# What to Expect in 2025

Canadian organizations will rely on data analytics to strengthen their benefits programs, attract and retain talent and improve resiliency. Analytics will help personalize benefits, which will increase engagement, as well as combat rising benefits costs and high turnover.

Organizations that strengthen retirement planning and financial wellbeing will be attractive employers to a population worried about their financial futures.

## 31%

*of Canadian job seekers are looking for better benefits in a new employer.<sup>1</sup>*

1. Robert Half, "[Many Workers Planning to Change Jobs While Demand for Skilled Talent Continues](#)," February 6, 2024.

## Rising costs will lead to greater caution when choosing coverages.

Canadian enterprises will focus on cost containment for benefits — especially medical benefits. According to the HUB International 2025 Outlook Executive Survey,<sup>2</sup> two-thirds of Canadian companies say dealing with the cost of medical benefits will be a major priority in the following year.

Organizations will need a structured benefits strategy to keep costs down, especially when it comes to prescription drugs: Pharmaceutical prices in Canada are now the third highest among Organisation for Economic Co-operation and Development (OECD) countries,<sup>3</sup> often due to expensive treatments such as biologics and specialty drugs.<sup>4</sup>

Medications have become so expensive that 22% of Canadians say they're skipping doses or not filling prescriptions at all, with 10% ending up in the emergency room because they couldn't afford drugs to treat chronic conditions.<sup>5</sup>

Employers will find alternative solutions like data analytics and clinical informatics to help stay ahead of rising drug costs. These solutions can identify areas for savings, whether it's formularies or contracts with drug plan administrators.

The cost of disability insurance is also pressuring employers. Regulations require insurers to have a large reserve fund to cover disability claims. High interest rates generate income to pay for disability claims without touching the reserve fund itself. However, with interest rates falling, insurers will pay for some claims directly from the reserve itself, resulting in higher premiums.<sup>6</sup>

Working with an experienced benefits broker can help find disability coverage that can fulfill your needs without breaking the bank.

2. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.
3. Government of Canada, "[Prescription Drug Pricing and Costs](#)," accessed October 25, 2024.
4. Telus Health, "[2024 Drug Data Trends & National Benchmarks](#)," April 23, 2024.
5. Canadian Cancer Society, "[National poll finds nearly 1 in 4 people in Canada report measures such as skipping doses, splitting pills, not filling prescriptions due to cost](#)," February 14, 2024.
6. Benefits by Design, "[Addressing the Troubling Trend of Rising Disability Claims in Canada](#)," June 20, 2022.



# Personalized benefits can tip the scales in recruiting and retention.

Workers are on the move, as 42% of Canadian employees — including 72% of HR employees — were looking for a new job in the first half of 2024.<sup>7</sup> And many of those jobseekers want better benefits.

Improving benefits programs can be challenging for Canadian employers. Not only is the Canadian workforce varied across age groups, but as immigration is helping to alleviate labour shortages in several industries,<sup>8</sup> it can introduce different cultural expectations and preferences for benefits.

Meanwhile, employers will need to emphasize their mental health offerings. While 72% of Canadians report that taking care of mental health is a priority (compared to 68% a year earlier), 62% say that their mental health benefits from work are unchanged and only 17% say they've increased from 2023.

Tellingly, the most common reason (37%) for not going for counseling to treat mental health issues was out-of-pocket expenses.<sup>9</sup> It's important to take a multilayered approach to mental health, including programs like training for managers to help identify issues among employees. But it may be more important that employees can afford necessary mental health counseling and treatment outside of a standard employee assistance program (EAP).

Reaching the workforce and meeting their needs through benefits requires personalization based on data analytics. The different generations with different backgrounds within the workforce can make it challenging to offer personalized benefits that speak to individuals where they are in their life journey.

Smaller employers that cannot offer many benefits may view personalized benefits as out of reach. However, they can adopt a flexible design based on tools like [Workforce Persona Analysis™](#), offering the correct array of options specifically designed for employee populations. This creates added flexibility for employees through limited but targeted options.



Personalized benefits will appeal to and engage employees, but often they need help choosing from different options. For example, Canadians tend to be risk adverse and are often overinsured as a result. So for organizations that offer multiple options for prescription drug coverage, vision insurance or retirement plans, training and education are imperative.

7. Human Resources Director, "[How many Canadian employees plan to look for a new job in the first half of 2024?](#)" February 6, 2024.
8. RSM, "[Immigration and the rebalancing of the Canadian economy.](#)" September 13, 2024.
9. Benefits Canada, "[72% of Canadian workers prioritizing mental health: survey.](#)" May 13, 2024.

# HR teams will rely on data to create long-term resilience.

HR executives know that strong employee benefits boost productivity, recruiting and retention, and ultimately, the bottom line. However, the question in 2025 is how to offer a resilient benefits program — one that can stay affordable, effective and strong over time — as higher costs loom.

It's important to offer benefits that reach several generations in the workforce and appeal to top talent. But the cost of offering such benefits is growing at a rate that outpaces inflation.

The problem goes beyond the cost of prescription drug plans and other medical-related benefits, which have increased faster than inflation for several years. The explosion of employee benefits is also part of the issue. For instance, pet insurance, surrogacy coverage or paid sabbaticals can help a company be more attractive to potential and current employees. But CFOs may wonder about the ROI.

Unfortunately, there's resignation about this situation among HR leaders who may see higher costs forcing them to pare back benefits. But there are solutions to offer compelling, affordable benefits packages without cutting back — and those solutions lie in data.

Canadian organizations already recognize the importance of data in benefits. According to the HUB survey, 74% of Canadian respondents say analytics are “extremely” or “significantly” important in formulating benefits and benefits strategy.

To keep their benefits programs resilient, HR teams can use predictive analytics, rather than just historical information, to pick the right mix of benefits for their employees. Using data analytics and clinical informatics, employers can anticipate what will happen rather than reacting to what has already passed.

One example: Employees on certain medications with certain medical histories are more likely to claim disability than other employees. That can enable employers to implement disease management programs for those employees, helping them avoid costly disability claims.



## Plan sponsors will embed retirement plans into financial wellbeing initiatives, boosting both.

Much of the nation's workforce feel they're unprepared for retirement, with 75% of Canadians saying that the rising cost of living is hurting their ability to save for retirement.<sup>10</sup>

Some numbers are even more alarming. One study found that half of working people haven't set aside any money for retirement in the last year, and 26% expect to continue working during their retirement years to pay for the rising cost of living.<sup>11</sup>

At the same time, working Canadians today believe they'll need \$1.7 million to retire.<sup>12</sup> But the high cost of living is putting off savings and hurting financial wellbeing: Three-quarters of Gen Z workers aren't setting long-term financial goals, citing uncertainty about the future.<sup>13</sup>

As a result, Gen Zers are putting more into tax-free savings accounts (TFSAs) than into retirement plans like registered retirement savings plans (RRSPs), focusing on short-term needs such as saving for a home down payment or freeing up earnings to pay for current expenses rather than sock away money for retirement.

In order to improve retirement plan participation while also improving financial wellbeing, plan sponsors will want to rethink their retirement plan design so that it speaks to all generations of the workplace.

Plan sponsors should be conscientious about education and training for employees. Many companies are aware: 39% of respondents to the HUB survey say they'll implement counseling to help increase plan participation, the highest-ranked response. Meanwhile, a similar amount will request additional support from plan sponsors.

In addition, plan sponsors can turn to the [new capital accumulation \(CAP\) guidelines](#) for assistance on

governance. The CAP guidelines are not requirements but nonetheless can serve as a roadmap to protecting the plan from legal trouble.

Just as a retirement plan shows that an employer is concerned about employees for the long haul, they need to make sure that employee short-term financial wellbeing is solid as well.

This means understanding the different needs and desires of the employee base, whether that's getting out of debt, saving to afford a house or paying for college tuition. The right benefits broker can help steer your organization toward a strategy based on data analytics that will maximize the financial wellbeing of employees.

10. SunLife, "[Canadians struggle to plan for retirement as cost of living continues to climb](#)," July 3, 2024.
11. Healthcare of Ontario Pension Plan, "[Detailed Results: Canadian Retirement Study, June 2024](#)," accessed October 15, 2024.
12. BMO News Releases, "[BMO Annual Retirement Study: Millennials Believe They Need About \\$2.1M To Retire Compared to the National Average of About \\$1.7M](#)," February 7, 2024.
13. The Globe and Mail, "[Why some young people are 'soft saving' - and what that means for their future](#)," January 10, 2024.



# Navigating Your Next Steps

HUB employee benefits specialists and financial advisors will work with you to develop a tailored strategy that protects the bottom line, supports your workforce and builds resiliency for 2025. Here are some initial considerations:

1

## Elevate benefits.

Workers expect more from their benefits — and demand excellent benefits when considering job offers. Make benefits the cornerstone of your HR strategy in 2025 to improve recruiting, employee engagement and retention.

Whether your main HR goals include lowering turnover, improving employee engagement or streamlining costs, determining specific employee benefits goals will inform your approach to benefits in 2025. Work with your HUB benefits specialist to define goals and dive into data to develop an effective plan.

2

## Dive into data to set goals.

3

## Turbocharge benefits personalization.

Personalized benefits fit the needs and wants of individual employees. HUB's [Workforce Persona Analysis™](#) will help provide data-driven insights that support sound decision-making and lead to quality employee experiences throughout the organization.

A benefits strategy that focuses on employee wellbeing can help energize the workforce, improve retention and enhance workplace culture. Holistic, integrated solutions that take the employee's entire wellbeing into account will perform better than stand-alone initiatives that have a limited shelf life and effectiveness.

4

## Make employee wellbeing a priority.

# HUB Employee Benefits

When you partner with us, you're at the centre of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB employee benefits specialist.

**5th**

largest insurance broker in the world

**\$4B+**

in premiums brokered by HUB in Canada

**\$40B+**

retirement plan assets under management



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