

Outlook 2026

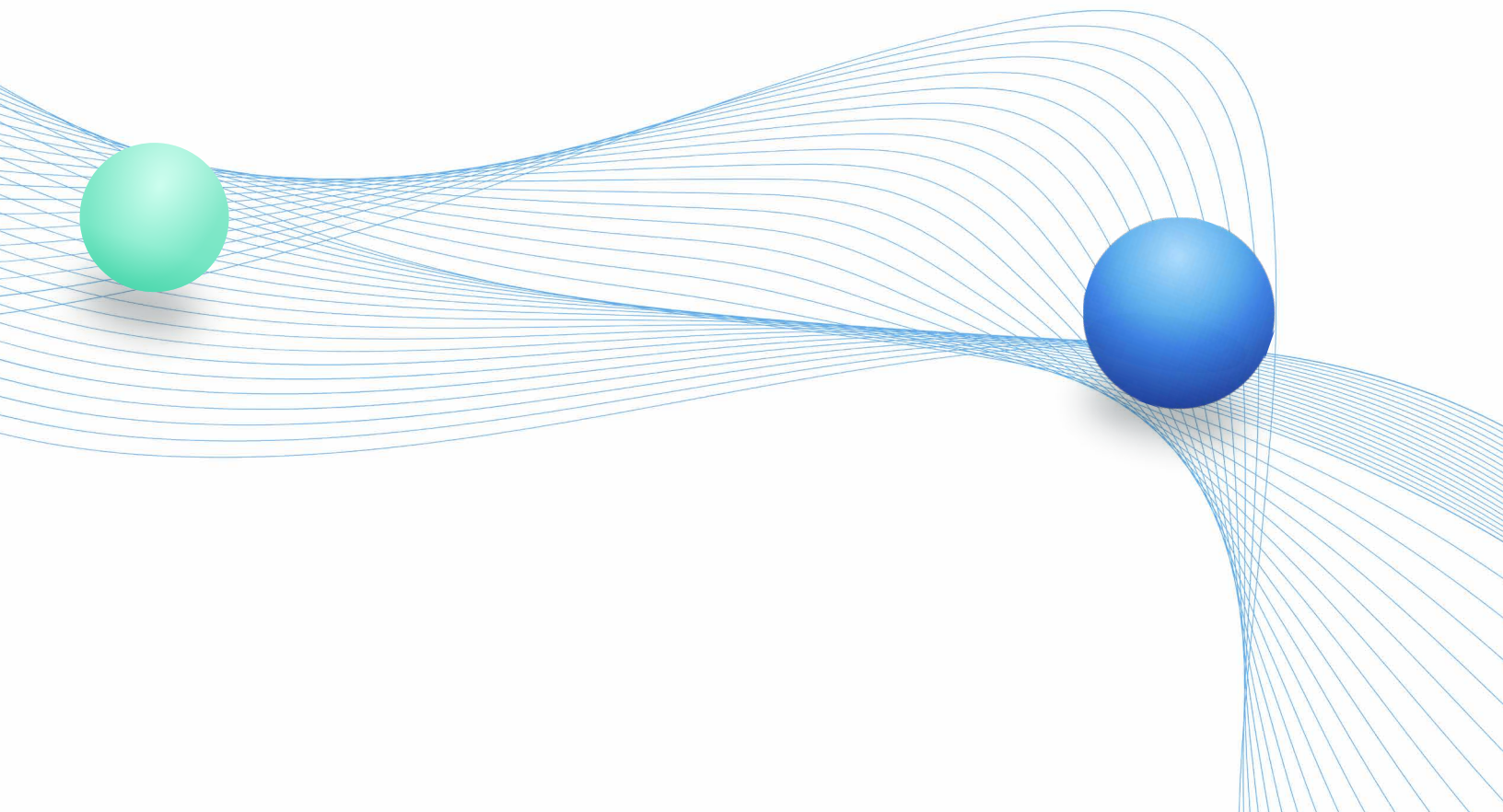
# Employee Benefits

Long-term planning and innovative strategies will help turn employee benefits into a competitive advantage.



# What to Expect in 2026

Organizations in Canada face rising benefits costs and ever-growing employee expectations. Affordability may force Canadian companies to make difficult decisions on benefits, but those forging a strong strategy with their benefits specialist will be better positioned to maximize effectiveness and decrease costs. Effective retirement plans and financial wellbeing will help decrease employee financial stress and increase productivity, engagement and retention.



## Affordability

# In 2026, economic uncertainty and rising costs will put benefits affordability under a microscope.

For a vast majority of Canadian employers (82%), benefits-related expenses represent their biggest worry.<sup>1</sup> Led by rising benefits prices amid ongoing economic uncertainty, employers will try to improve benefits in 2026 without increasing costs.

Because of the pressures on affordability, three-quarters of employers are planning to make changes to their benefits programs this year, according to the [HUB 2025 Canadian Workforce Vitality Gap Index](#). Employers have the opportunity to restructure benefit plans, making them more effective and aligned with employee needs.

Historically, labour shortages have necessitated employers to increase the scope of benefits to attract and retain talent. As programs broadened, employers covered much of the cost so as not to disrupt the employee experience. The current economic and business environment — with rising unemployment but lagging employee engagement — has put that model under duress.

Perhaps the biggest hurdle to affordability is rising medication costs. Prescription drug costs in private drug plans rose 14.1% between 2022 and 2023,<sup>2</sup> and that trend does not appear to be slowing.<sup>3</sup> Despite the passage of national pharmacare legislation, implementation remains challenging, with obstacles on a province-by-province basis.<sup>4</sup>

Organizations can help curb drug costs by using data analytics to spot inefficiencies in drug plans, giving plan sponsors stronger leverage to negotiate better contracts with administrators and formularies.

Long-term disability claims are another issue for Canadian employers, as they put pressure on organizations to keep health benefits affordable. The

leading causes of long-term disability claims include chronic conditions and mental health, with mental health claims comprising nearly 40% of all long-term disability claims.<sup>5</sup>

To maximize benefits while keeping them affordable, organizations will need to determine precisely what their employees need and want with the help of a broker that can help them dig into data analytics.

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*Pressures on affordability will mean **three-quarters of employers are planning to make changes to their benefits plans in 2026.***

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1. Benefits Canada, "[82% of Canadian employers cite cost as top benefits concern: survey](#)," June 11, 2025.
2. Government of Canada, "[PMPRB report shows higher-cost medicines driving a 14.1% growth in private plan drug costs in 2023](#)," February 25, 2025.
3. Canadian Journal of Health Technologies, "[Canadian Trends in Estimated Drug Purchases and Projections: 2024 and 2025](#)," December 18, 2024.
4. The Conversation, "[Pharmacare is now law in Canada, but negotiations with provinces could slow progress](#)," March 23, 2025.
5. Sun Life, "[Chronic Conditions Collide: The Rising Complexity of Long-Term Disability Claims](#)," June 19, 2025. The full study can be downloaded [here](#).

# An intelligent benefits strategy will develop leaders for the future.

More than 5.4 million Canadians over age 55 are in the workforce,<sup>6</sup> comprising 21% of all workers, compared with 10.4% in 2000.<sup>7</sup> The demographics are having a dual effect: They make benefits more expensive for those who work longer, while also causing succession issues as younger workers are less interested in taking on management roles.<sup>8</sup>

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*Wellbeing and work flexibility will be key to recruiting and retention in 2026.*

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In turn, that puts a new stress on benefits. Employers are trying to ease older workers off the payroll while trying to convince younger workers to assume management roles — all the while improving benefits to attract new workers.

While unemployment crept upward in 2025,<sup>9</sup> hiring managers are seeing high turnover,<sup>10</sup> limiting HR teams' ability to replace employees. Industry leaders are facing succession challenges, with difficulty filling key roles and often turning abroad to fill them.

Artificial intelligence (AI) shows great promise in helping workers, but AI cannot replace human positions and make up for skills gaps within organizations.

As a result, Canadian organizations will focus on retention and training employees for leadership in 2026. Manager training and leadership development programs can help improve the situation, and forward-thinking organizations are putting such programs on their strategic priority list.

Corporate leaders will need to adopt a holistic approach to benefits that combines concerns from across the organization. This approach should prioritize employees' physical, mental and financial wellbeing and help employees develop new skills for new roles.

The [HUB Canadian Workforce Vitality Gap Index](#) revealed that 40% of Canadian workers value flexibility and work-life balance more than any other traditional benefit; 22% ranked job security as most important and 20% said compensation.

Those stats point to a greater truth: Employers that prioritize wellbeing and work flexibility in 2026 will gain a competitive advantage in recruiting, retention and engagement.

In the end, retaining talent depends on several elements, including salary, culture, fit, the quality of management and, importantly, a holistic benefits strategy that prioritizes employee wellbeing. Leaders who align employee wellbeing and leadership development will equip their organizations for the challenges of today and tomorrow.

6. Statistics Canada, "[Labour force characteristics by gender and detailed age group, monthly, adjusted for seasonality \(x1000\)](#)," August 8, 2025.
7. The Conference Board of Canada, "[Labour Market Stuck in First Gear](#)," May 9, 2025.
8. Forbes, "[The Leadership Crisis Is Here - And Most Companies Aren't Ready](#)," July 9, 2025.
9. Statistics Canada, "[Labour Force Survey, August 2025](#)," September 5, 2025.
10. Talent Canada, "[Employee turnover is costing Canadian companies big this year](#)," June 11, 2025.

## Resiliency

# Organizations will leverage data and personalization to keep benefits resilient.

Keeping benefits resilient — affordable, effective and built for the long term — will challenge organizations throughout 2026. True resiliency also means anticipating and adapting to pressures before they escalate and aligning with broad risk maturity frameworks.

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*Costs have become the biggest consideration in designing benefits plans.*

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Even though competitive employee benefits help attract and retain talent while helping foster a collaborative and productive workplace,<sup>11</sup> rising benefits costs may cause management to rethink their benefits strategies.

Employers cite costs as the biggest consideration in designing benefits programs and the aging workforce as their biggest concern, as older employees come with costs related to health, career pathing and retirement.<sup>12</sup>

But with the correct approach, organizations can improve resiliency in their benefits programs. It can help to think of benefits resiliency in the same way as business insurance. Resiliency in benefits mirrors enterprise-wide resiliency: the ability to anticipate, adapt and recover quickly in the face of pressures.

To get the best benefits at an optimal price, organizations should review the program with an eye towards risk and assessing the market, much like [enterprise risk management \(ERM\)](#) frameworks that strengthen organizational resiliency overall.

Canadian organizations can start by comparing their offerings with the competition, determining employees' greatest needs and adjusting their program accordingly.

For example, cutting back on flexible work schedules could entice employees to look elsewhere, so employers need to weigh the savings against decreased retention for such a change.

HR leaders are optimistic that technology and AI will save money, especially in benefits administration,<sup>13</sup> but long-term resiliency requires far more than technology. Instead, forward-looking organizations will create a multi-year, top-down benefits strategy to increase resiliency.

A long-term benefits strategy will account for an aging workforce, the cost of prescription drugs and increased mental health and wellbeing needs.

HR leaders have several options to help keep their drug benefits resilient. Employers can modify plan features such as coinsurance, deductibles and dispensing fee maximums. Giving employees incentives to use preferred pharmacy partners will help reduce plan expenses. And adoption of managed formularies — with the help of third-party experts — generates material savings when compared to plans without such a formulary.

To support a long-term benefits strategy, organizations can turn to data analytics, which can give a full picture of employees' needs and create [quality employee experiences \(QEX\)](#) through benefits. This enables organizations to maximize their effectiveness and resiliency, while also closing gaps in coverage and overlooked exposures.

11. Robert Half, "[The Top Employee Benefits and Perks in Canada – and Why Your Hiring and Retention Plan Should Include Them.](#)" June 25, 2025.

12. Canadian HR Reporter, "[How are employers trying to cut down the cost of benefits?](#)" May 21, 2025.

13. Forbes, "[IBM Replaces Hundreds with AI as HR, L&D Leaders Rethink Roles.](#)" May 27, 2025.

## Retirement and Financial Wellbeing

# Flexibility will strengthen retirement plans and financial wellbeing.

One-fifth of the nation's workforce is 55 or older, and financial worries are Canadians' main source of stress due to the high cost of living, the fear of making poor choices and anxiety-driven procrastination.<sup>14</sup> However, employers can help alleviate employees' fears and turn their retirement plans and financial wellbeing initiatives into strategic advantages.

There are several hurdles preventing employees from achieving financial wellbeing. Three in five working Ontarians don't expect to retire, while a majority are counting on funds from the sale of their home to fund retirement.<sup>15</sup>

Almost half of single Canadians across the country say that managing current living expenses has made it difficult to save for retirement.<sup>16</sup> Notably, only 39% of Canadians planned to contribute to their registered retirement savings plan (RRSP) in 2025; the same percentage cited the high cost of living and debt repayment as their biggest challenges in saving for retirement.<sup>17</sup>

Declining retirement readiness and financial wellbeing affect employers on two fronts: Aging employees who are staying in the workforce, resulting in higher benefits costs and succession issues, and employees who are less engaged and less productive because they are financially stressed out.

To combat these twin challenges, Canadian organizations will need to implement a flexible approach to retirement plans and financial wellbeing, as well as giving employees better incentives to save.

The same employer flexibility and openness to new initiatives can help employee financial wellbeing. For instance, strong educational initiatives and financial advisory services can have a huge impact: 70% of plan members who engage with an adviser or financial planner were more likely to act on their financial

future compared with those who did not.<sup>18</sup> And 60% of individuals who work with a financial professional feel confident about their financial futures.<sup>19</sup>

For plan sponsors, it's important to remember the updates to the Canadian Association of Pension Supervisory Authorities capital accumulation plan (CAP) guidelines that took effect in 2024. The updated CAP guidelines

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*Fewer than 40% of Canadians were planning to contribute to their RRSP in 2025.*

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affect service provider oversight on aspects of retirement plans, including member communications, tools used to aid in making decisions, and fees and expenses.

Plan sponsors can consult their plan adviser for support on mapping out member communication and education, as well as the best ways to ensure compliance with CAP guidelines. For example, compliance audits with retirement plan advisers can help retirement plans stay aligned with CAP guidelines. Though CAP guidelines are suggestions rather than legal mandates, demonstrating compliance with them will assure investors that their retirement sponsors have their best interests in mind.

14. FP Canada, "[The FP Canada 2025 Financial Stress Index](#)," accessed September 4, 2025.

15. HOOPP, "[2025 Canadian Retirement Survey](#)," June 17, 2025.

16. Co-operators Newsroom, "[Single Canadians Struggling to Save. See Retirement as a Distant Goal: Co-Operators Survey](#)," February 19, 2025.

17. Edward Jones, "[Edward Jones Canada Survey: Canadians are Struggling to Save for Retirement](#)," February 18, 2025.

18. Sun Life, "[Staying the Course: Canadians continue saving for retirement amidst market volatility](#)," July 8, 2025.

19. FP Canada, "[The FP Canada 2025 Financial Stress Index](#)," accessed September 4, 2025.

# Moving Your Organization Forward

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 2026. Here are some initial considerations:

## **Elevate benefits.**

**1**

Workers expect more from their benefits — and demand excellent benefits when considering job offers.

Make benefits the cornerstone of your HR strategy in 2026 to improve recruiting, employee engagement and retention.

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## **Dive into data to reach your goals.**

**2**

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 2026. Work with your HUB benefits specialist to define goals and dive into data to develop an effective plan.

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## **Turbocharge benefits personalization.**

**3**

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.

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## **Make employee wellbeing a priority.**

**4**

A benefits strategy that focuses on employee wellbeing can help energize the workforce, improve retention and enhance workplace culture. Retirement planning and financial wellbeing will also drive engagement. 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.

# HUB Employee Benefits

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