

MetLife



SMALL BUSINESS BENEFITS

Building A Better Benefits Program Without Breaking The Budget

Five Practical Steps Every Small Business Should Consider



Leaves on a tree are constantly transforming sunlight into energy that travels through the fragile veins and ultimately feeds the tree's roots, branches and the fruit. In the same way that a mighty tree's growth and sustainability depend on its tiny leaves, so the United States depends on its myriad of small businesses for the energy to drive economic growth. If small businesses wither away so does the economy. As leaves require the right mix of chlorophyll, water and carbon dioxide to become effective food producers, so small businesses require the right mix of efficient benefits programs to help attract and retain the productive workers who fuel the economic growth of the nation.

MetLife, a leading provider of employee benefits to more than 52,000 small businesses in the United States, has tracked and analyzed the impact of employee benefits on small businesses for eight years through its Annual Study of Employee Benefits Trends. As the economy begins to recover from the recession and small businesses are expected to be at the forefront of growth, MetLife is committed to providing benefit solutions designed, priced and administered to fit the specialized needs of employers with two to 499 employees.

***Building A Better Benefits Program Without Breaking The Budget: Five Practical Steps Every Small Business Should Consider* is an addendum to the 8th Annual Employee Benefits Trends Study and has been developed to help small business employers and brokers navigate through these challenging times, and to equip them with practical benefits strategies and tools to help attract, motivate and retain their workforce while recognizing the need to closely manage costs.**

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Building A Better Benefits Program Without Breaking The Budget

Five Practical Steps Every Small Business Should Consider

As the U.S. economy emerges from recession, there are big expectations for small businesses to provide the engine that will drive the American economy. This may be a tall order given that the brunt of the economic downturn has been borne by the small business segment.

From the beginning of the recession in December 2007 through June 2009, businesses with fewer than 500 employees accounted for an average of 61% of net job losses each quarter, and net job loss at firms with fewer than 50 employees was twice that rate.¹ In addition, bankruptcies for companies with fewer than 100 employees reached 60,840 in 2009 compared with 28,320 in 2007.² Since June 2009, when signs of the recovery began to emerge, jobs have been added in larger companies but were still being eliminated in companies with fewer than 50 employees through the first quarter.³

However, historically small businesses* have demonstrated resilience in troubled economic cycles, and there are signs that many are ready for the current challenge. Recent surveys indicate rising confidence on the part of small businesses. In a FedEx-sponsored survey of small business owners conducted in April 2010, 72% of respondents said that small businesses will be the driving force behind the economy's recovery, and 51% said their businesses have recovered, or will recover, by the end of the year.⁴ In another small business survey conducted in the same month, when asked about their intentions to invest in their businesses, 23% of the respondents said they would increase spending, up from 18% from the previous month.⁵

"We should start where most new jobs do — in small businesses, companies that begin when an entrepreneur takes a chance on a dream, or a worker decides it's time she became her own boss. Through sheer grit and determination, these companies have weathered the recession and they're ready to grow."

President Barack Obama,
State of the Union Address
January 27, 2010

* Except where indicated small business is defined as employers with 2-499 employees

CHALLENGES AHEAD

While some small businesses appear to be willing to hire and expand, there are still many challenges ahead. Will credit sources unfreeze in time to fund growth? The bailout money from the economic stimulus legislation (TARP funds) has not yet trickled down to many small businesses according to the May 2010 report from the Congressional Oversight Panel,⁶ and although there is potential relief on the horizon in the form of the government’s \$30 billion small business loan proposal,⁷ there is concern that it might be too late.

The credit squeeze and cash flow crunch has meant that many small businesses are still facing tight budgets and the need to keep expenses low, including employee benefits costs. This creates a challenge for small companies as they prepare to grow their operations. They recognize that having a competitive benefits program is necessary to attract and retain the talented and productive workers they need for future business success. The 8th Annual MetLife *Study of Employee Benefits Trends* found that while the top benefits objective for small business employers was controlling health and welfare costs, it was closely followed by retaining employees. The Study also found that increasing employee productivity has grown in importance as a small business benefits objective since last year, indicating the role of benefits as productivity drivers.

Fig. 1

Controlling costs is the most important benefits objective for all companies — but retention is close behind and productivity is growing in importance

Most important benefits objectives		Total Population	COMPANY SIZE			
			2-49 Employees	50-99 Employees	100-499 Employees	500+ Employees
Controlling health and welfare costs	2009	53%	53%	57%	50%	52%
	2008	49%	48%	48%	44%	51%
Retaining employees	2009	47%	51%	51%	39%	43%
	2008	50%	55%	52%	33%	45%
Increasing employee productivity	2009	42%	42%	41%	43%	43%
	2008	37%	39%	35%	45%	37%

Employers were asked to name their top three objectives

Building a competitive benefits program can be an important retention and productivity strategy for many small businesses — the MetLife Study shows that 43% of all employees strongly agree that benefits are a very important reason why they remain with their employers. But given the tough economic challenges they face, small companies will need to be creative if they are to build a competitive program and still manage the bottom line realities. This paper provides some practical ways to help achieve a competitive benefits program that will help realize retention and productivity objectives while still meeting cost-saving objectives — thereby maximizing the business value of benefits.

JOB SATISFACTION IS CONNECTED WITH BENEFITS SATISFACTION

Employees who are satisfied with their jobs are more likely to want to stay with their current employers, and job satisfaction is strongly connected with benefits satisfaction. Of employees who say that they are satisfied with their benefits, 81% are also satisfied with their job. In comparison, of those who are dissatisfied with their benefits, only 23% are very satisfied with their jobs.

Benefits satisfaction typically lags in small businesses, and where the economy caused companies to cut back on benefits, there was also a drop in job satisfaction. However, the recession has made many employees appreciate their workplace benefits more than ever, so increasing benefits satisfaction may be an especially pertinent retention strategy for small businesses.

Fig. 2

Employees in smaller businesses are less satisfied with benefits than those in larger companies

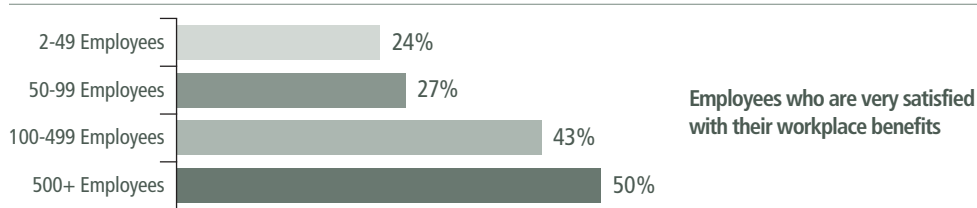
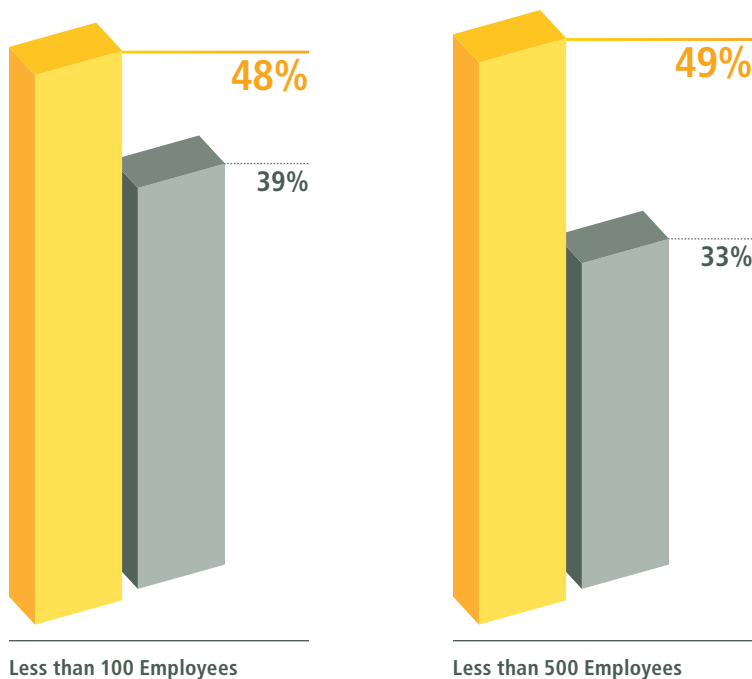


Fig. 3

Reductions in benefits are associated with reduced job satisfaction



- Job Satisfaction: All employees
- Job Satisfaction: Employees who had benefits reduced

MAKING TIME FOR BENEFITS

Studies show that in small businesses the president, owner or CEO spends, on average, 27% of his or her time on employee benefits-related issues.⁸ This time commitment is significant, and with so many demands on the overstretched small business employer, time spent on managing benefits might be regarded as time taken away from the important work of growing the business. All the more reason for small business owners to optimize the administrative tools, services and advice, provided by carriers or brokers. This could help ensure that time spent on benefits is spent more efficiently, freeing up resources to concentrate on business development.

WILL HEALTH CARE REFORM HELP SMALL BUSINESS GROWTH?

Health insurance coverage is the primary benefits budget concern for many smaller companies. While paying for health insurance is an issue for companies of all sizes, the small businesses that provide health coverage to their employees pay up to 18% more per worker for the same policy as their larger counterparts.⁹ Because of this, they are less likely to provide this benefit for their workers. This can put small firms at a competitive disadvantage when it comes to recruiting employees who do not have health coverage from another source. Will health care reform bring assistance or more angst to small companies challenged by the escalating cost of health insurance?

MEDICAL INSURANCE MAY BECOME LESS OF A COMPETITIVE DIFFERENTIATOR IN THE FUTURE

Health care reform¹⁰ is a significant piece of legislation that aims to help solve many of the concerns that small businesses face when it comes to providing affordable medical benefits. The various regulations for legislative implementation are evolving, complex and technical and will, no doubt, occupy significant mind-share for many small business owners on the road to 2014 as they assess implications for their business and how they will comply. While the legislation will likely make health coverage available to more Americans, it is important to note that regardless of company size, most current projections suggest that while the *rate* of increase in medical costs and insurance premiums may slow, *costs* will likely continue to rise.¹¹ Also, health insurance plans could become commoditized making health coverage less of a differentiator when it comes to hiring and retaining workers. One result going forward may be a greater focus on *non-medical* coverages as a means to compete for talent and to drive benefits satisfaction and employee engagement.

Non-medical benefits are an area where many small businesses may be able to strengthen their benefits programs without straining their budgets. In fact, when it comes to improving employee productivity, engagement and job satisfaction, small businesses may actually have more opportunities than they realize. Building a cost-effective benefits program that contributes to job satisfaction starts with an understanding of what those employees need and what they value. Small businesses often lend themselves to more personal interaction with employees and may have an advantage when it comes to knowing which products and programs deliver the most value to their staff. And, in the end, offering a customized benefits program that provides employees with the opportunity to obtain the right amount of coverage for their situation.

FIVE STEPS FOR BOOSTING BENEFITS TO HELP SUPPORT BUSINESS OBJECTIVES

The following five steps offer small business employers practical and proven ways to strengthen their non-medical benefits programs, optimize benefits value, and differentiate themselves from the competition. By exploring non-medical benefits options, employers may identify opportunities to enhance employee retention and productivity, save costs and better position themselves for business growth.

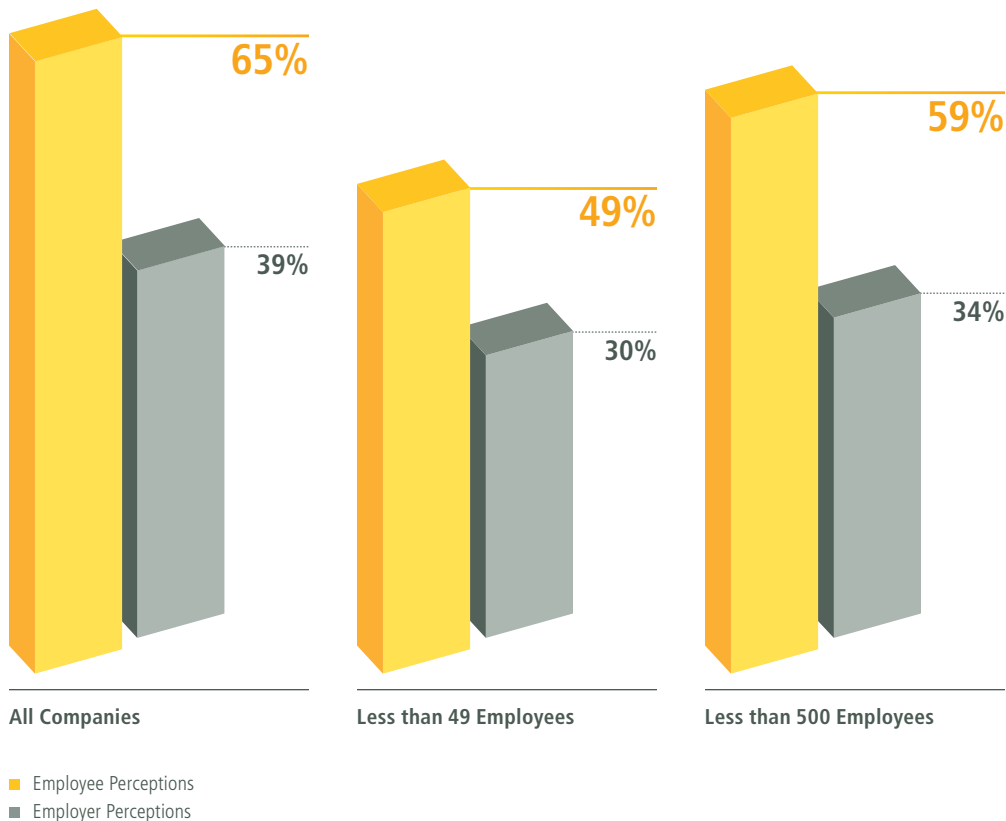
STEP 1: REDUCE COSTS FOR DENTAL, DISABILITY AND LIFE INSURANCE WHILE INCREASING EMPLOYEE LOYALTY

Life, dental and disability coverages are bigger drivers of employee loyalty than many employers recognize. And almost any company can offer these benefits. This first step describes tactical ways to more cost effectively offer dental, disability and life benefits to help drive employee benefits satisfaction.

Fig. 4

Non-medical benefits may drive greater employee loyalty than employers recognize

Life, dental and disability benefits as loyalty factors



The goal is to identify potential overall cost-saving opportunities in the current program, while also maintaining or enhancing the program's value to employees so they obtain the important financial protection they need. Working with benefits advisors to look at overall benefits spend can reveal opportunities to reduce benefits that are not being

well utilized by most employees, while maintaining those that are perceived as more desirable. And in situations where budget constraints make it impossible to continue with a fully employer-paid offering, there might be opportunities to continue to offer some employer-paid coverage combined with supplemental or voluntary options that employees can choose to purchase. This enables employees to maintain access to their current coverage levels and may also reveal ways to introduce coverages previously deemed too costly to be fully funded by the employer.

Dental Benefits are Popular and Cost-Effective

STEP 1 — TACTICS FOR DENTAL

- Ensure plan design reflects up-to-date treatment protocols.
- Reduce options that are underutilized and undervalued by employees.
- Make sure the plan covers services that employees value.
- Consider voluntary benefits — employees prefer to pay rather than lose benefits.
- Focus on preventive services and employee education. Good dental health is associated with healthier and more productive employees.

Employees in companies of all sizes select dental benefits among their top five most important benefits (after medical, retirement, paid vacation and prescription drug benefits), and dental benefits are especially valued by employees in companies with fewer than 50 employees. While many small businesses are challenged by cost issues when it comes to providing dental benefits, taking a closer look at plan design may provide some solutions. In general, dental plan designs have been slow to evolve and many have gone unchanged for years, becoming a de facto standard even though they may not reflect current research and industry trends. In some cases the out-of-date designs may actually promote unnecessary care and cost. For instance, current dental literature suggests that crowns last for 10 years or more. Changing a crown benefit from replacement once every 5 years to once every 10 years could save on premium costs.

Focus on Benefits Employees Value

The key is to ensure that current treatment protocols are being built into plans and apply benefits dollars against the *right* services — that is those services that are valued by employees and encourage participants to maintain good oral health. Exploring in-network and out-of-network utilization may also reveal that most employees have good access to network providers and few employees are using out-of-network benefits, which could therefore be reduced without causing employee dissatisfaction. These types of modifications can help lower dental benefits costs for both the employer and employees, which makes everyone happy.

Interestingly, small businesses are twice as likely to pay the full cost of their employee dental benefits as larger companies. They also do not readily employ cost shifting as a response to budgetary pressures; in 2009, 11% of smaller companies (2-49 employees) shifted benefits costs from employer-paid to employee-paid compared with 25% of larger companies (500 or more employees). But this strategy may warrant review if it means continuing to offer the benefits employees value but the employer can no

longer afford to fund. In small businesses, 50% of employees say they are willing to pay more of the cost of benefits if it gets them the protection they want and need, so cost sharing, or even a 100% voluntary dental benefit, would be preferable to not offering dental benefits at all.

Dental programs not only provide benefits for treating dental problems, but also provide employees with access to preventive services and important oral health education. Because good oral health is correlated with good overall health, dental benefits could encourage healthier employees, potentially resulting in positive impacts on total health costs. Better dental health may be advantageous for employers' productivity goals. According to the United States Surgeon General, dental-related illnesses account for 20.5 million lost workdays annually.¹²

Fig. 5

Dental benefits: Who offers and who pays¹³

	COMPANY SIZE				
	All Companies	2-49 Employees	<100 Employees	<500 Employees	500+ Employees
Offer dental benefits	75%	54%	61%	65%	93%
Employer pays all	24%	36%	32%	30%	16%
Employer pays part	63%	49%	53%	55%	74%
Employee pays all	12%	13%	13%	14%	9%

More small companies are likely to pay the full cost of dental benefits

Disability Income Insurance Can Positively Impact Employee Return to Work and Loyalty

STEP 1 — TACTICS FOR DISABILITY COVERAGE

- Overcome perceived cost barriers with education about the financial costs of a disability.
- Provide basic-level of core long-term disability income insurance with buy-up voluntary options to achieve appropriate coverage.
- Add a voluntary short-term disability option.
- Work with benefits advisors to provide employee education to ensure understanding and adequate coverage.

Human nature is such that most people prefer to think that a serious illness or accident that prevents them from being able to work and earn an income is unlikely to happen to them. As a result they are often unprepared for such an event and many lack the financial resources to maintain their lifestyle in the event of unexpected loss of income. Nearly two-thirds (62%) of small business employees are very concerned about being able to pay bills in the event of a sudden income loss. Experiencing a disability can

be life-changing. The 2010 *MetLife Study of the Emotional and Financial Impact of Disability*¹⁴ revealed that 80% of employees who experienced a disability that kept them out of work for six weeks or more said that it had a devastating or major financial effect, while 75% reported a similar impact on their lifestyle and emotional well-being.¹⁵

Having the right amount of disability income insurance can help mitigate these effects. Yet despite the value and protection that disability income coverage offers, only two out of five people in the MetLife survey had disability coverage¹⁶ — hardly adequate when 70% of American households rely on two incomes to make ends meet.¹⁷ In that same survey, 71% of employees cited affordability as the reason for not having coverage. In fact the cost of disability income insurance is a relatively small outlay when compared to the potentially devastating cost of not having protection.¹⁸

Employers May Benefit from a Protected Workforce

Employers who offer disability income insurance and provide access to adequate coverage are not only helping their employees to protect their paychecks, they may also realize business benefits from having a protected workforce in terms of improved productivity and retention. The 2010 *MetLife Study of the Emotional and Financial Impact of Disability* revealed that participants felt better about their employers after receiving disability benefits. It also revealed that having adequate coverage brought valued workers back into the workplace sooner. On average survey respondents with disability coverage returned from work three months earlier than those with no coverage, and they were more likely to return to the same employer in the same job.¹⁹

Seven out of 10 of the surveyed employees with disability income insurance said they obtained it through their employer, so small businesses that offer disability coverage are in a good position to make a difference that will be appreciated by their workers, especially as disability costs, unlike health insurance costs, have remained stable. If cost is a concern, rather than a fully employer-paid plan, employers might want to consider a core long-term disability benefit that is employer-paid, and then allow employees to buy additional coverage through the workplace on a voluntary basis.²⁰ Voluntary short-term disability can also be an option that adds value and employee appreciation, without adding to costs.

Fig. 6

Disability income protection — who offers and who pays²¹

	COMPANY SIZE				
	All Companies	2-49 Employees	<100 Employees	<500 Employees	500+ Employees
Offer disability benefits	71%	51%	57%	61%	87%
Employer pays all	34%	45%	42%	40%	27%
Employer pays part	45%	31%	35%	37%	54%
Employee pays all	18%	19%	19%	20%	15%

More small companies are likely to pay the full cost of disability benefits

Life Protection to Address the Problem of Underinsurance

STEP 1 — TACTICS FOR LIFE INSURANCE

- Work with benefits advisors and carriers to evaluate if employees are underinsured.
- Ensure the plan provides adequate buy-up options by enhancing with supplemental life if necessary.
- Educate employees about appropriate coverage levels and provide access to tools and calculators.

The premature death of a spouse can have severe and lasting financial consequences on survivors, especially when an income-earner dies without any life insurance or with inadequate life insurance. In the MetLife survey *3 Steps to Closing the Underinsured Gap*, 64% of respondents reported that the premature death of a spouse resulted in the loss of their primary source of income.²²

Life insurance coverage adds a valuable layer of financial protection for employees and, when offered through the workplace, can have a positive impact on the way that the employers are perceived by their employees by generating goodwill and loyalty. Research indicates that after receiving life insurance payouts, most beneficiaries (66%) expressed deep appreciation for the fact that their spouse had been able to purchase coverage through the workplace.²³

However, many employees who secure life insurance do not have adequate coverage. In fact, nearly half are underinsured.²⁴ While the recommended amount of coverage will vary from one employee to the next, as a rule of thumb, individuals should seek coverage in an amount that is at least 60% of annual income times the number of years to retirement. Although many small businesses offer basic term life insurance, the reality is that their employees often need additional coverage to adequately protect their families. More than half (52%) of small business employees are very concerned about the financial impact on their families in the event of their own premature death or that of a spouse/partner.

How Employers Can Help

Employers can help in two ways: first by understanding the extent to which their employees may have less than the recommended amount of life insurance coverage and ensuring that their current plan offers the ability to purchase an appropriate amount. Second, employers can help by educating employees about their life insurance needs. Many employees simply assume that the basic amount provided by the employer is enough. Easily available self-assessment tools and calculators found on broker or carrier websites can quickly establish the right level of coverage for their personal needs. And coverage may be more affordable than expected. A common barrier to purchase is a perception that life insurance is too expensive, while in fact costs are near all-time lows.²⁵

Offering employee-paid supplemental life insurance options can be an excellent way for small businesses to provide employees with access to adequate protection. These plans can allow employees to purchase the coverage that they need at economical group rates without adding to the employer's benefits budget.

Voluntary Benefits Help Employers Be the Hero and Still Protect the Bottom Line

For small businesses, voluntary products offer solutions that allow them to focus on controlling costs while still offering a differentiated benefits program to compete for talent. When expanding or keeping employer-paid benefits is not an option, access to voluntary benefits through the workplace is preferable for the employee compared with having to go out and individually research and purchase the coverage.

Voluntary benefits options provide employees with the important three Cs — choice, convenience and cost saving. Nearly a third (31%) of employees in companies with fewer than 50 employees say that they are very interested in having their employer provide access to a wider array of voluntary benefits that they can choose to purchase and pay for on their own. Voluntary benefits can enhance the strategic value of an overall benefits program while simultaneously helping employers address the larger societal issue of an underinsured workforce.

STEP 2: DELIVER BUDGET-CONSCIOUS HEALTH AND WELLNESS PROGRAMS TO AID PRODUCTIVITY AND HELP CONTROL MEDICAL COSTS

STEP 2 — TACTICS FOR EMPLOYEE WELLNESS PROGRAMS

- Create a low-budget culture of wellness by tapping into local health organizations and associations to help educate employees on health behaviors.
- Motivate employees to choose healthy activities by providing convenient access and time off to participate in wellness programs such as weight loss, exercise and smoking cessation.
- Explore small business wellness grants associated with health care reform legislation.

The Value of Wellness

More than ever before, employers are recognizing the value of a healthy workforce and viewing wellness programs as an investment to help address their business objectives — especially their objectives to control health care costs and increase productivity. In fact, nearly seven out of 10 (67%) small business employers believe wellness programs are effective at reducing medical costs, and nearly half (49%) of small business employers agree that wellness programs can increase productivity.

Employers are becoming more convinced that improving employee health is more important than ever if health care costs are to be kept under control, and that means the need for increased engagement in health and wellness programs. Yet wellness programs are still comparatively underutilized by small business — despite the need to contain medical expenses.

22%

of small companies offer wellness programs.

61%

of companies with more than 500 employees offer wellness programs.

This may be because wellness programs are perceived as costly or complicated to administer. In fact, it is possible to implement a wellness initiative at a smaller company in a cost-effective manner.

How to Deliver Wellness Programs on a Budget

There are real advantages for smaller companies to offer health and wellness programs—advantages that may be realized in a healthier and more productive workforce. Effective wellness opportunities can be scaled to fit even the smallest company budget.

The essence of health and wellness programs is educating and encouraging healthy behaviors within an employee population. Many chronic diseases that result in major costs to health care and productivity are responsive to moderate changes in diet and exercise. For example, diabetes, which is estimated to generate \$116 billion in direct costs and \$58 billion in indirect costs to the American economy, will, at current rates, affect one out of three Americans at some time in their lives. Yet a weight loss of 5% – 7% and 150 minutes of physical activity per week can reduce the onset of Type 2 diabetes by 58%.²⁶

Here are some tactics for bringing wellness programs to the small business workplace.

Education: Work with local hospitals, health associations and organizations — they are a great source of posters, handouts, websites and talks on a variety of topics ranging from diet and exercise to stress reduction and alcohol abuse. This information can be delivered to employees in the form of materials or events.

Encouragement: A culture of wellness means that the commitment to wellness permeates the company and is visibly endorsed by management. Such a culture can be created in a variety of ways including making wellness options readily available, more convenient, fun and, if possible, free.

Group support is a key results motivator, whether it is for smoking cessation or weight loss and employees often appreciate the convenience of onsite programs even if they have to pay for the meetings. Although 70% of employees say that they are motivated to participate in wellness because they want good health, 50% also acknowledge that financial rewards are an incentive, so it is worthwhile contacting health plan providers to see if “carrots” are provided in the form of health care credits for healthy activities.

Encouraging staff members to monitor their health and take advantage of health screening procedures can have an impact on cost management and productivity by identifying problems before they become serious or chronic and lead to medical expense and absences. Providing convenient time off for staff to get flu shots or regular blood pressure and cholesterol checks will show that the company believes in the value of health screening and helps employees to make it a priority — 18% of small businesses report that they currently offer such health-screening programs.

IDEAS FOR WORKING ON WELLNESS PROGRAMS

- Focus on wellness programs with proven success rates such as weight loss and increased exercise. (85% of employees who participated in a weight loss wellness program said that these were successful.)
- Check out the local gym to see if there are discount opportunities.
- “Talk the walk” with a lunchtime fitness circuit that everyone can join in.
- Have employees share their recommendations for local yoga, swimming and running groups.
- Offer fruit and low-fat snack options in the vending machine.

Resources: The Health Care Reform Legislation includes wellness grants for small businesses in the form of credits for establishing wellness programs. These are available for employers with up to 100 employees between 2010-2015. Consider providing an EAP (Employee Assistance Program) to help employees deal with personal problems that might adversely impact their work performance. This is an area with opportunity for growth for small businesses with only one in five (20%) companies with fewer than 500 employees now offering an EAP.

Wellness programs can be a win-win for both employers and employees. Employees who participate in wellness programs report better health, are less likely to report financial concerns and say they are more loyal to the company compared with those who do not participate. And healthier employees are likely to be less costly for the company medical plan.

Fig. 7

Health & wellness programs in small businesses

Company currently offers	COMPANY SIZE			
	All Companies	2-49 Employees	50-99 Employees	100-499 Employees
EAP programs	39%	14%	21%	47%
Health insurance credits for following wellness guidelines	21%	8%	18%	18%
Wellness program	37%	17%	28%	36%
Medical disease management	20%	9%	13%	18%
Employee health screening	32%	13%	23%	35%

STEP 3: HELP EMPLOYEES BECOME FINANCIALLY SECURE AND SUPPORT PRODUCTIVITY AND RETENTION GOALS AT THE SAME TIME

STEP 3 — TACTICS FOR FINANCIAL SECURITY

- Recognize financial stress on employees and the implications for productivity and retention.
- Tap into local financial institutions and services to provide retirement/financial planning options during work hours.
- Provide access to web-based resources that offer education in financial literacy as well as planning and assessment tools.
- Offer voluntary products and services that can help address financial issues such as EAPs, individual disability income, supplemental life insurance, funeral planning, etc.
- Consider taking advantage of proposed small business incentives in President Obama's budget for automatic IRA accounts.

Employees are Financially Stressed

As a result of high unemployment, disappearing jobs, the decline in home values, escalating home foreclosures, and the overall economic turbulence of the last two years, employees are working harder just to stay in place, are anxious about their job security, stressed about their current financial situation and many of them are further behind in saving for retirement. In companies with fewer than 50 employees, 21% say that they have not yet started saving for retirement, compared with only 7% of employees in companies with more than 500 workers.

In the 8th Annual MetLife *Study of Employee Benefits Trends*, 64% of small business employee respondents said that over the last 12 months, they have experienced one or more of the following: a decrease in the quality of their work, increased feelings of job insecurity, an increase in their workload, or distractions at work because of financial worries. Nearly one in five (19%) admit that in the last 12 months they have taken unexpected time off to deal with a financial problem or they spend more time than they think they should at work on personal financial issues.

The Effect of Financial Distress on the Workplace

Financial distress impacts the workplace in several ways. Research shows that employees who have financial worries are more likely to have difficulty completing tasks or showing up on time. They may also be less satisfied with pay and less committed to the organization.²⁷ Financial distress is a strong predictor of absenteeism and is also associated with presenteeism when employees spend time at work dealing with creditors, discussing problems with co-workers or being generally unfocused and distracted.²⁸ In addition, lack of financial security is also associated with a poorer health assessment. Clearly when employees are financially insecure there may be a price to be paid in reduced productivity, increased turnover, and, potentially higher health costs.

Access to financial education in the workplace is associated with reduced financial stress and also sends a message of commitment and concern to employees that can build loyalty.²⁹ And employees want help. Despite significant financial concerns and professed lack of confidence in their ability to make the right financial decisions for themselves and their families, over a third of small business employees (37%), say that they do not consult with anyone when it comes to their personal financial matters, and 16% turn to friends and relatives who are not financial professionals. Almost half of employees in small businesses (48%) say that they would value access to financial advice at work.

What Small Business Employers Can Do to Help Employees Increase Their Financial Security

Financial education options in the workplace range from help with retirement planning to basic financial literacy. One easy way that small businesses can help employees take more personal responsibility for their financial security is by providing access to sources for advice and guidance and allowing time for these activities during the workday.

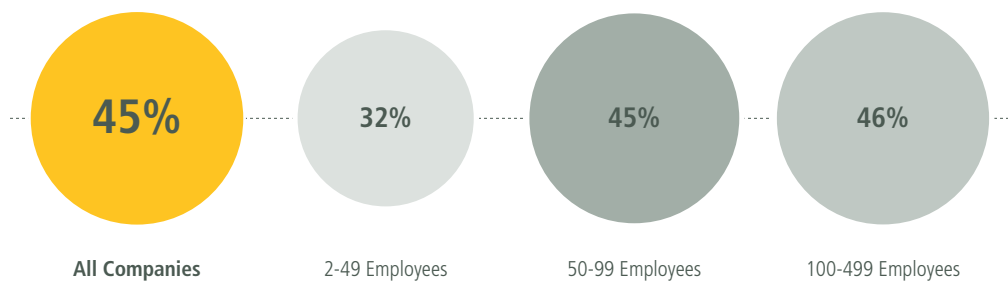
Not surprisingly, only 24% of small businesses currently offer formal retirement seminars, yet retirement planning appears to be very effective. After workplace retirement seminars, 59% of participants strongly agreed that they knew more about retirement planning and 99% planned to take action on their personal retirement planning.³⁰ Retirement planning could be as simple as providing worksite access to accredited reputable financial and tax advisors.

In addition, there are many educational websites from the government, associations, publications, carriers, and benefits advisors that provide self assessment and planning tools to help employees learn how to save more, invest more, spend less, manage credit wisely and feel more in control of their financial futures.

Finally, employers can also consider providing voluntary benefits that may help employees deal with financially related life issues such as EAPs, group legal plans, funeral planning resources, etc. Carriers offer many of these types of “extras” as part of a more robust voluntary offering, for example including living benefits with supplemental life insurance.

Fig. 8

Small businesses see value in employer-provided financial education to improve productivity



Percentage of employers who believe that financial advice and guidance by the employer is an effective way to improve productivity

Retirement Plans Might Be Viable for More Small Companies

Almost 80 million Americans don't have retirement accounts through their employers, and only 22% of small businesses offered a retirement plan in 2008.³¹ To help resolve this, President Obama's 2010 budget plan includes a proposal to automatically enroll employees in IRAs if their employer doesn't have a retirement plan. The smallest firms (fewer than 10) or those in business less than two years are exempted. The automatic IRA is intended to be more attractive to smaller businesses as it would not be subject to ERISA (The Employee Retirement Income Security Act), thus reducing compliance costs and liabilities. In addition, there would be a tax credit for small businesses to help offset the cost of establishing the automatic IRAs. This is an initiative that is worth watching as it unfolds because it could offer a way for small business employees to save. Through peace of mind gained from saving, employees may feel less stress about their financial future and employers may see this reflected in productivity gains.

STEP 4: SIMPLIFY SMALL BUSINESS BENEFITS COMMUNICATIONS FOR GREATER BENEFITS EFFECTIVENESS

STEP 4 — TACTICS FOR SIMPLIFIED BENEFITS COMMUNICATIONS

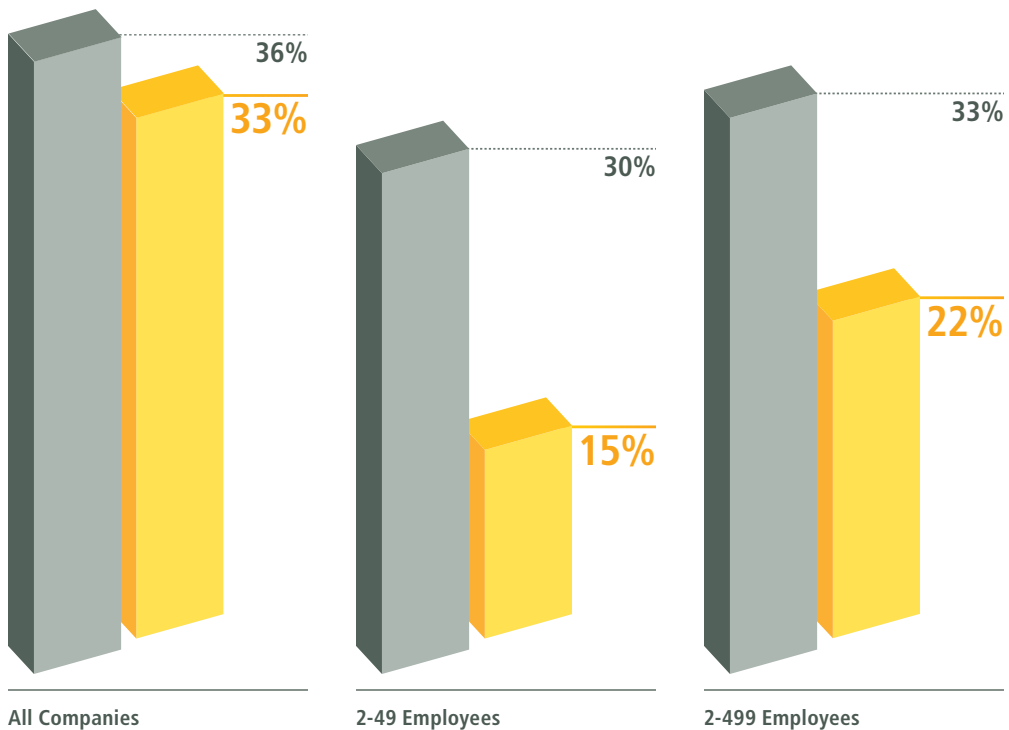
- Present benefits from the employee point of view.
- Streamline the message.
- Banish actuarial jargon.
- Define all terms.
- Consider social media.
- Keep it fresh and up to date.

Overall, small businesses need to do a better job of effectively educating employees about their benefits. The 8th Annual MetLife *Study of Employee Benefits Trends* shows that most small business employees think that there is a big opportunity for their company to improve their benefits communications. At the same time there is a large disconnect in how their employers perceive the effectiveness of their benefits communications.

Benefits are complicated and many employees and their families are not confident in their understanding or feel ill-equipped to make good choices. What is at stake when benefits communications are not working effectively? Employees who say that they receive effective benefits communications are more satisfied with their benefits, more satisfied with their jobs and more loyal to their company than those who say that they do not have effective communications. When employees do not know about a benefits program, or they do not understand what it means to them or how it works, employers are failing to get the desired return on their benefits investment. Instead, they could be throwing benefits dollars away!

Fig. 9

An opportunity for small businesses to improve benefits communications



- % Employees who say "My company's benefit communications effectively educate me on my benefits options so I can select the options that best meet my needs"
- % Employers who say "Our benefits communications effectively educate employees about our benefits programs"

Practical Tips for Simplifying Benefits Communications

What does it take to improve benefits communications? Here are some suggested changes that can have a positive impact on employee understanding and help inspire them to action.³²

- **Put the "You" before "Us".** Ensure that benefits materials are created from the point of view of the employee, not the company. Stress the advantage to the employee rather than the advantage to the business. For example, the following copy: "Spending time to review the different health plan options will ensure that you get the right care for your needs AND save the most money" clearly spells out what an employee can gain by doing a careful health plan review. Compare this with copy that says "The Company saves more on health care costs when employees choose an optimal plan option." The message here asks the employee to make a better choice for the company's benefit.
- **Streamline the information.** Less is so much more. Always headline the benefits information with a clear upfront summary that lets the reader get the point quickly. The information should answer the questions: *What is this? What does it do for me? How do I sign up?* Save the plan details for the end of the message.

- **Remove jargon and replace with plain language.** Many benefits communications read as if written by actuaries for actuaries, instead of being written for plain folks. Here's an example of actuarial-speak: *"The company is realigning benefits to encourage consumerism"* versus people-talk: *"From now on preventive care is covered 100% but your non-emergency ER visits will have a higher co-pay, so you should consider saving visits to the ER for true emergencies."*
- **Make sure that benefits terms are defined.** Don't assume that everyone knows the difference between *co-insurance* and *co-pay*; define terms clearly and do it every time. Also ensure that helpful comparison charts don't sink under the weight of confusing abbreviations.
- **Beta test communications.** Even if a carrier or broker provides enrollment materials that claim to be consumer friendly, try the communication materials out on a few employees first for honest feedback. Benefits experts are sometimes too familiar with their subject matter to put themselves completely into the average person's mind-set. Listen and learn from employees.
- **Help employees notice overlooked benefits.** Actively promote benefits that are often overlooked or underused. Let people know what they are missing. *"Stop overspending by filling prescriptions at the retail store — see how easy, economical and convenient home delivery can be."*
- **Use multiple channels of communication to promote benefits.** Social media tactics such as Twitter and blogs are not just fads for kids — the demographics have expanded and changed employee expectations. Social media can provide a cost-effective way to deliver fresh and targeted benefits updates in just a few minutes a day. Social media enables benefits information to go mobile and helps to meet growing consumer expectations that information should be highly social and available everywhere. Just remember that being cool is not the same as being clear; keep the message simple and direct.
- **Update often.** Remind employees to review their benefit needs after a life event such as marriage or the birth of a child.

For more tips, check out MetLife's Open Enrollment Toolbox at metlife.com/enrollmenttoolbox.

STEP 5: LEVERAGE SMALL BUSINESS WORKPLACE ADVANTAGES FOR INCREASED WORKER LOYALTY

The recession increased pressure on employers to do more with less in the workplace, and while this may be increasing employee productivity, it is often at the expense of greater employee stress and pressure. Achieving a better balance between work and personal life is seen as desirable by older workers but is absolutely expected by Gen X and Gen Y, and there is growing evidence to suggest that workers gain from workplace flexibility in terms of being happier, healthier and more likely to remain with the company that provides this benefit.³³

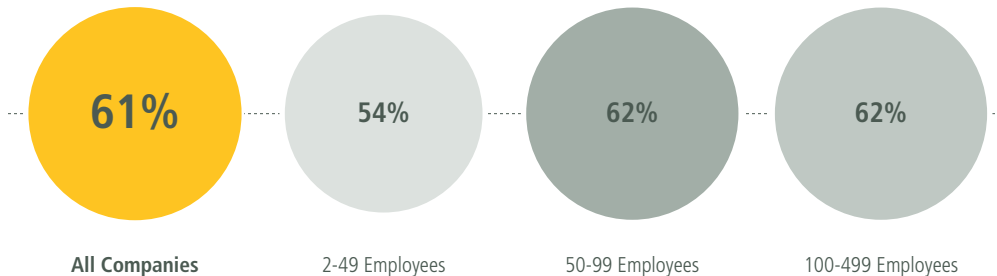
Smaller companies may be better at making work-life balance more of a reality for employees. Data from the *National Study of Employers* shows that small firms (50-99 employees) provide as much or more flexibility to their employees as do larger firms (1,000 and more employees).³⁴ The more intimate environment often found in smaller companies might be more empathetic to the importance of being at a school concert or the need to take an aging parent to a doctor's appointment. However, employees still need to have a clear understanding of work-life policies and know how much flexibility their employer is willing to accommodate without penalty.

WORK-LIFE BALANCE MAY NOT ONLY BENEFIT EMPLOYEES. THERE COULD BE PRODUCTIVITY GAINS FOR EMPLOYERS ALSO.³⁵

- Improved morale and satisfaction.
- Reduced absenteeism.
- Reduced turnover (savings on hiring and training costs).
- Potential to hire better workers.
- Improved customer satisfaction — opportunity to expand hours.

Fig. 10

Small businesses say that work-life balance can improve productivity



Percentage of employees who believe work-life balance is an effective way to improve productivity

Work-life balance does not only mean flexible working hours — it involves creating a culture that recognizes that employees bring life to work and work to life. For example, “Bring Your Family to Work” events, such as a company BBQ or family photo shoots are an inexpensive way to signal this.

Providing convenient services — such as a dry-cleaning pickup and delivery at the worksite from a local vendor, or posting lists of pooled staff recommendations for services such as vets, childcare or caterers — can be much appreciated time-savers.

The goal is for employees to see work-life balance as a valued benefit and one that, in the balance, might offset other forms of compensation from a competitor.

CONCLUSION

Overall more than one-third (37%) of all surveyed employees strongly believe that because of the benefits they receive at work they worry less about unexpected health and financial issues. This percentage increases to two-thirds (66%) for those employees who say they are very satisfied with their employers' benefits. However, only 27% of employees in smaller businesses say that their benefits help reduce their worries about health and financial issues.

The steps outlined in this report suggest that greater employee benefits satisfaction can be attained without busting the budget, and that increased employee benefits satisfaction may potentially result in bottom line gains through greater employee productivity and engagement. In addition, working with benefits advisors who also understand the value delivered by benefits can help to identify creative and cost-effective benefits options. In short, the investments small businesses make in benefits strategy and solutions can drive productivity and retention goals — which may help position small businesses at the forefront of the economic recovery, where they are expected to be.

METHODOLOGY

The 8th Annual MetLife *Study of Employee Benefits Trends* was conducted during the fourth quarter of 2009 and consisted of two distinct studies fielded by GfK Custom Research North America. The employer survey comprised 1,503 interviews with benefits decision-makers at companies with staff sizes of at least two employees. The employee sample comprised 1,305 interviews with full-time employees age 21 and over at companies with a minimum of two employees. Of the interviews, more than 900 took place with decision-makers at companies with fewer than 500 employees, and more than 500 interviews took place with employees who work for these smaller businesses.

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