

## **In Hard Times, Employees Place More Value on Benefits**

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By Stephen Miller

As the economy struggles through a severe recession, U.S. employees are more aware of their personal risk exposure, causing 56 percent to report that they appreciate their workplace benefits more than ever, according to MetLife's *7th Annual Employee Benefits Trends Study*. Overall, 41 percent of workers, and more than half (52 percent) of those at large employers (with 2,500 or more employees), strongly consider their workplace benefits to be the foundation of their financial safety net. Nearly half of working Americans (46 percent) say that because of recent economic events they are taking a greater interest in understanding the benefits they receive through the workplace.

### **Most Employers Not Cutting Benefits**

Some employees are worried, though, that employers might cut back their benefits offerings or coverage levels. One-third of workers are concerned that employers will reduce workplace benefits over the next 12 months. But fewer than 15 percent of employers expect to make such cuts. This even holds true for small employers (those with less than 500 employees), of which only 14 percent plan to reduce employee benefits offerings in some manner as a result of unfavorable economic conditions. One explanation for their reticence: 39 percent of employers (and 50 percent of employers with 2,500 or more employees) believe that workplace morale is linked strongly to the quality of employee benefits.

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***Half of large employers believe that worker morale is linked strongly to the quality of employee benefits.***  
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"With employees expressing an increased appreciation of workplace benefits, employers have a great opportunity to maximize the inherent value of their benefits programs for their people — and their bottom line," said Bill Mullaney, president of MetLife Institutional Business, speaking at MetLife's 5th National Benefits Symposium in Washington, D.C., on March 23, 2009. "It's great to see that most employers are focused on long-term objectives for continued sustainability and are thoughtfully considering how to react to current economic pressures," he remarked.

### **Near-Term Optimism, Long-Term Concern**

Interestingly, even though 45 percent of employees say they live paycheck to paycheck (up from 37 percent in 2006), about four in 10 (43 percent) believe that their economic situation will improve over the next six months,

whereas only 20 percent believe that it will worsen. Generation Y employees, born between 1977 and 1987, are most confident, with 56 percent expecting their financial situation to improve by mid-2009. Longer term, however, MetLife found that employees worry about their ability to afford a comfortable retirement. That's in keeping with another recent survey, the first quarter 2009 *Principal Financial Well-Being Index*, which showed that most U.S. employees were very concerned about their long-term financial well-being — 74 percent, up from 67 percent in the first quarter of 2008 (see **Employees, Retirees More Fearful About Economic Well-Being**).

In MetLife's survey, slightly more than half (51 percent) of U.S. workers are planning to retire later than they were expecting 12 months earlier. (Among employees older than 60, a recent CareerBuilder survey also found a high number planning to stay on the job longer; see **60 Percent of Older Workers Postponing Retirement**.)

The most nagging retirement-related concerns, MetLife found, were:

- Being able to afford health care in retirement (cited by 65 percent of employees).
- Outliving retirement money (61 percent).
- Providing for a spouse's long-term-care needs (also 61 percent).

The need to pay for day-to-day expenses is the No. 1 reason standing in the way of an earlier retirement, with 60 percent of pre-retirees ages 51 to 60, and even 43 percent of those ages 61 to 69, noting that they depend on their paychecks for routine living expenses. Furthermore, five in 10 workers report staying in the workplace because they rely on their salary to save for retirement (48 percent) or to maintain access to benefits (47 percent).

### **Opportunity for Employers**

More than half (51 percent) of employees are very interested in having their employer provide access to financial planners for help in making retirement decisions, such as investing in a 401(k), up from 38 percent in 2006, MetLife found.

"In 2008, we saw that employees were poised for action and looking to the workplace for advice," noted William Raczko, vice president, MetLife Institutional Business. "Today, employees have begun to take action steps, motivated in a large part by the economy. They are paying more attention to building a financial safety net and how their employer can help. This attitude shift presents a tremendous opportunity for employers to be creative in leveraging the value of their benefits programs as a tool for strengthening loyalty and productivity."

### **Growing Loyalty — But Perception Gaps Exist**

Likely attributable in part to labor market uncertainties, employees report strong levels of workplace loyalty. About six in 10 (59 percent) said they felt strong loyalty toward their employer in November 2008, up from 53 percent just three months earlier. And, in spite of some employers having to make some difficult personnel decisions, employers feel increased loyalty toward their employees — 57 percent of employers in November 2008 described themselves as strongly loyal to employees, up from 52 percent in August. However, many employers are mistaken regarding some of the key factors influencing employee loyalty.

#### **Top influencers of employee loyalty:**

##### **Employee Says**

1. Salary/wages
2. Health benefits
3. Retirement benefits
4. Other insurance benefits

##### **Employer Thinks**

1. Salary/wages
2. Health benefits
3. Company culture
4. Advancement opportunities

The most significant gaps between employer and employee beliefs include:

- **Retirement benefits:** 72 percent of employees said retirement benefits were a significant factor influencing loyalty; only 40 percent of employers think retirement benefits are so important.
- **All other insurance benefits (life, dental, disability, vision, etc.):** 69 percent of employees say these non-health benefits play a strong role in workplace loyalty (a sizable increase from 51 percent in 2007); only 41 percent of employers share that view.

“For employees, the focus is clear — the desire for financial security. Employers who recognize the significance that workplace benefits are playing to fulfill that desire can more effectively design benefits plans that may have a greater return on investment for all stakeholders. With limited resources available, insights into where opportunities exist to maximize results are key,” said Mullaney.

#### **Methodology**

MetLife surveyed employers and employees in August 2008 and November 2008 to assess how employer and employee attitudes might have been affected by the changing economic climate. More than 1,500 interviews were conducted with benefits decision-makers at companies with two or more employees, representing a mix of industries and geographic regions, and more than 1,300 interviews were conducted with full-time employees at similar companies.

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