

Australia Employee benefit trends study

Valuable insights from our study



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About MetLife and MetLife Global Employee Benefits

MetLife, Inc. (NYSE: MET), through its subsidiaries and affiliates, is one of the largest life insurance companies in the world. Founded in 1868, MetLife is a global provider of life insurance, employee benefits, annuities, and asset management. Serving approximately 100 million customers, MetLife has operations in nearly 50 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

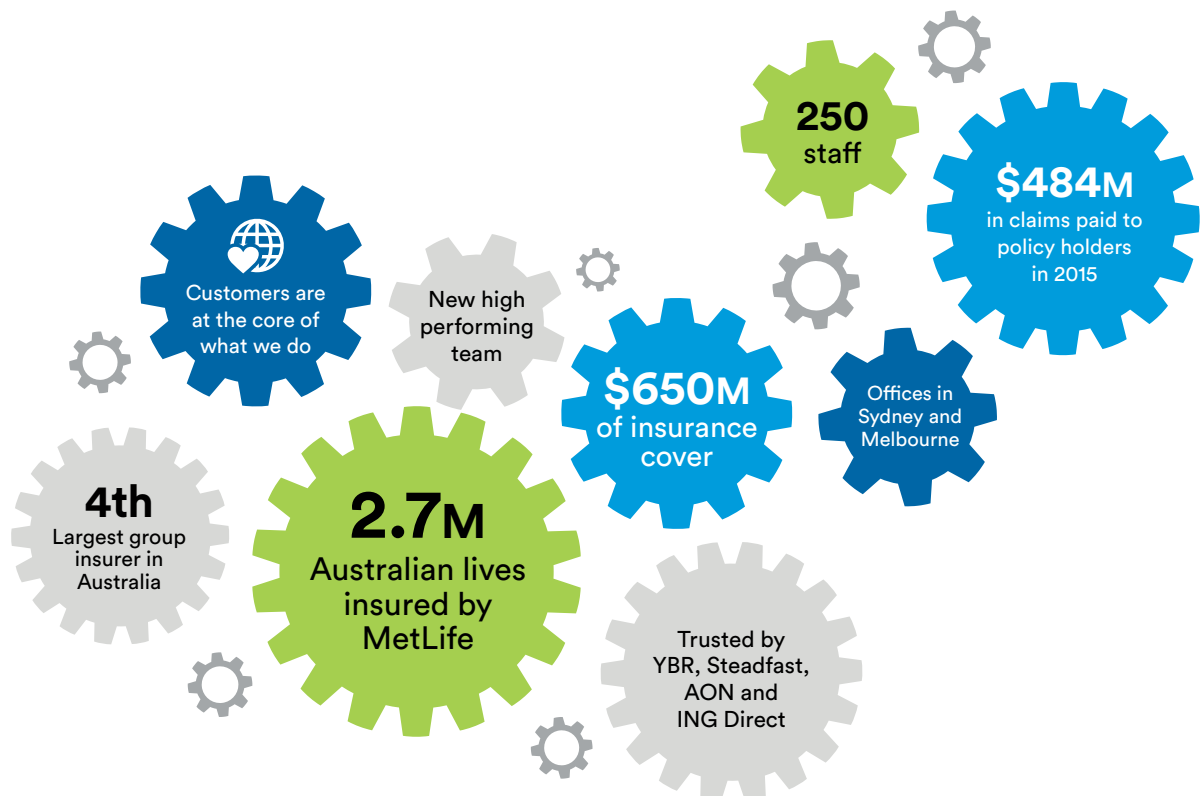
MetLife is a leading provider of innovative employee benefits. It combines local capabilities with global scale to deliver world-class solutions to thousands of organisations. MetLife has employee benefits operations in more than 40 countries and is a leading provider in over half of those countries. It is also one of two founders of the MAXIS Global Benefits Network¹, one of the world's leading international employee benefits networks with a presence in over 110 countries.

MetLife in Australia

MetLife Australia is a leading provider of life insurance solutions, partnering with some of Australia's leading super funds, employers and corporates to help more Australians protect the lifestyle they love – and providing help when they need it most. We design and deliver products that meet the specific needs of Australians, putting customers at the centre of everything we do.

Across Australia, MetLife is trusted to take care of the life insurance needs of nearly 2.7 million people.

With our a long history in Australia and A+ rating from Standard & Poor's for financial strength and issuer credit seven times in a row – Australians can trust we're here to stay.



Australia

Introduction

Welcome to MetLife's Employee Benefit Trends Study (EBTS), a comprehensive global workplace study of both employer and employee attitudes across a broad range of subjects. This report represents the 4th wave of studies we've conducted in the Australian market and globally, and focuses on the key takeaways for Australia.

Offices in Sydney and Melbourne



With a vibrant economy and a mobile working population, Australian attitudes towards employment pose some interesting challenges for their employers.

In a country where employment opportunities remain strong and companies are grappling with a talent shortage, Australians enjoy a high degree of choice of employer. But, as with other markets, business managers and team leaders tend to overestimate the loyalty of their staff, with a significant gap in perceptions of the employer-employee relationship. Therefore, EBTS is a vital tool for employers looking to keep their staff engaged — by understanding what is important to their employees for job satisfaction.

Our survey results reveal viable alternative solutions to raising salaries by offering more attractive benefits that are customised to employees' needs. In particular, Australian workers prioritise a healthy work-life balance and seek workplaces with favourable job conditions, such as flexible working hours and working-from-home arrangements. Many also express a preference for employers who provide health and wellness benefits that enhance their physical and mental wellbeing.

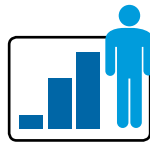
However, the research also indicates a lack of alignment between the benefits offered by employers and those desired by employees. An outstanding employee value proposition can help organisations attract and retain key staff by standing out as an employer of choice — while boosting staff satisfaction and overall productivity.



Market profile



Population: 23.8 million¹
Age 65+: 15%
Growth rate: 1.3%



GDP (PPP): \$1.14 billion
 (ranked 12th in world)
Annual GDP growth: 2.5%³



Life expectancy at birth:
 84.3 (female)
 80.1 (male)²



Healthcare spending:
 9.42% of GDP
Government expenditure:
 67.04% of total spend⁴

Benefits at a glance

Life and disability insurance.

While most Australians receive life insurance and Total and Permanent Disability cover through their superannuation fund, the average level of default cover is \$200,000 — representing just 20% of the cover needed.⁵

Our research has found that 52% of employers offer life insurance benefits and 48% offer disability insurance, helping to fill this gap. However, it also reveals that certain sectors and positions are more likely to receive insurance benefits than others.

Traditionally male industries such as agriculture, construction and fishing may offer life and disability cover, whereas female-dominated industries, such as health and community services and education, are less likely to offer it.

1. World Bank, see <http://data.worldbank.org/indicator/SP.POP.TOTL>
2. Australian Bureau of Statistics, 4125.0 - Gender Indicators, Australia, Feb 2015.
3. World Bank, Gross domestic product 2015; IMF, see <http://www.imf.org/external/datamapper/index.php>
4. World Health Organisation, Health expenditure ratios, by country, 1995-2014 Australia.
5. Rice Warner, Australia's persistent life underinsurance gap, June 24, 2015.

Employers need to find talented staff — and keep them engaged

While finding and retaining the right people is a growing concern for employers, the real challenge is ensuring their satisfaction and productivity.

Our study found that the outlook for both employers and employees is generally positive — as employee satisfaction remains steady, driving productivity forward. In fact, around three in every four employers reported that staff productivity, absenteeism and engagement stayed the same or got better. Meanwhile, 25% of employers said that their employees had become less distracted while at work.

However, employers still express concerns hiring and retaining skilled employees, with around 35% of companies expecting to feel the impact of the talent shortage in the next 12 months. Of the employers surveyed, 16% find hiring a challenge and the same number report difficulty in retaining staff. For these companies, the difficulty lies in improving productivity (16%) and satisfaction (14%) to keep staff engaged in the business.

In fact, employers have cause for concern: employee satisfaction with their job is at just 39%. They report even lower levels of satisfaction with their benefits.

Only 33% are fully satisfied with the wellness programs on offer, 35% with the medical benefits they receive. And even fewer are satisfied with their life and accident insurance benefits (19%).

But while roughly six in ten employees are not highly satisfied with their compensation, just a quarter are looking to switch jobs in the next year — a figure which should offer some relief to employers. Loyalty and satisfaction rates

increase notably in management roles, as well as among employees at multinational companies.

The prevailing attitude among Australian employees towards their job, salary and benefits remains relatively high in comparison to other markets we've surveyed, but their reported loyalty to their company is significantly lower. Less than half of workers express loyalty to their company (46%). The reason for lesser company loyalty compared to Russia, Poland or the UAE may be cultural — with greater job options available to Australians.

Based on our survey results, we can also see a disconnect between employers' perception of their staff commitment and that of the employees themselves — across companies of all sizes and markets.



56% of employers think their company is a great place to work, compared with just 39% of employees. And while 55% of employers believe the company is loyal to their staff, only one-third (35%) of surveyed workers share this sentiment.

The sizeable gap between employers and employees demonstrates a need for greater employer engagement with their staff. At the same time, it presents an opportunity for companies to drive employee satisfaction by offering a benefits package that will make their business stand out as an attractive employer.

Low satisfaction with employee benefits



Medical benefits:

25%



Life and accident benefits:

19%



Wellness programs:

33%



Better benefits = better business

Employees expect benefits as part of their employment package — and offering the right benefits boosts positive outcomes right across the business.

Our research shows that almost one-third (32%) of employees feel their company is obligated to provide workplace benefits. For a significant proportion of workers, benefits are an important reason why they would choose to work for an employer (27%) and remain at a company (29%).

On average, an Australian company offers between five and six benefits. Larger companies are more likely to be offering a wider range of benefits; an average of nearly two more benefits than small companies. However, the general tendency among employers to overestimate the satisfaction and loyalty of their staff is equally reflected in the value employers place on their company benefits.

Around 47% of managers say their employees are highly satisfied with the benefits they are offered — but in reality, only 30% of employees place a high value on these benefits, and a tiny 7% are satisfied with their medical benefits and 10% with their life insurance cover.

Employers and employees are generally well aligned on what is provided in the benefits scheme. The most popular benefits offered are employee awards (65%), flexible working arrangements (61%), wellness programs (56%), and medical benefits or health insurance (55%).

While all of these are ranked in the top five benefits preferred by employees, income protection is also a highly-sought after benefit — but falls much lower at 46%.

Those employers giving benefits are mostly aiming to boost productivity and employee satisfaction and engagement across the company. 80% of employers are focused on increasing productivity, 78% wish to improve health and wellness, 76% are looking to enhance job satisfaction and 75% are trying to retain employees. Other driving reasons for benefits include reducing workplace injuries (79%) and improving safety (76%).

But the outcomes of offering benefits are far-reaching, with the impact felt across the business and its staff. These results are critical — they help to ensure the value of benefits offered is recognised by employees, and increasing their engagement with, and loyalty to, their company.

Top 5 outcomes cited by employers



Employees face barriers to full participation in benefits

While cost remains the biggest barrier to participation, employers underestimate their staff's need for variety and personalisation of benefits.

Although benefits can bring positive outcomes to both employees and the business, employers need to assist their staff in overcoming a range of barriers to access them.

Employers perceive that there are two key hurdles for their employees: insufficient time (35%) and the cost factor (33%).

As a solution, they often offer employee benefits with voluntary participation. More than half of employers see voluntary benefits as a cost effective way to add value to their overall benefits package. These benefits also offer affordable premiums and greater convenience than employees would find if they bought products outside of their employer.

To engage their staff in wider participation, employers need to be more effective in communicating the value of these benefits to their employees.

But employers also miss a number of key reasons why employees may not take up voluntary benefits. It's not just about cost — although 32% cite this as an obstacle. Employees also say they want greater variety and customisation in the products on offer. Around 23% of employees said that programs were not tailored to their needs, almost as many who gave a lack of time as a key barrier (26%). And, while almost one in two employers believe that employees are more likely to get benefits if the company paid the cost, results indicate this is often not true.

In fact, 37% of employees say they would choose to purchase benefits on their own if they were given a wider array to choose from — and the same number say that having customised benefits would increase their loyalty to their employer.



Employees are willing to invest in their own benefits

Contrary to the belief of employers, employees would be happy to split the costs of certain benefits that they felt were of value.

MetLife research suggests that employees are open to sharing the cost with their employers for a range of benefits — but only where they can see the value. Unsurprisingly, those with a senior management position are more likely to buy benefits.

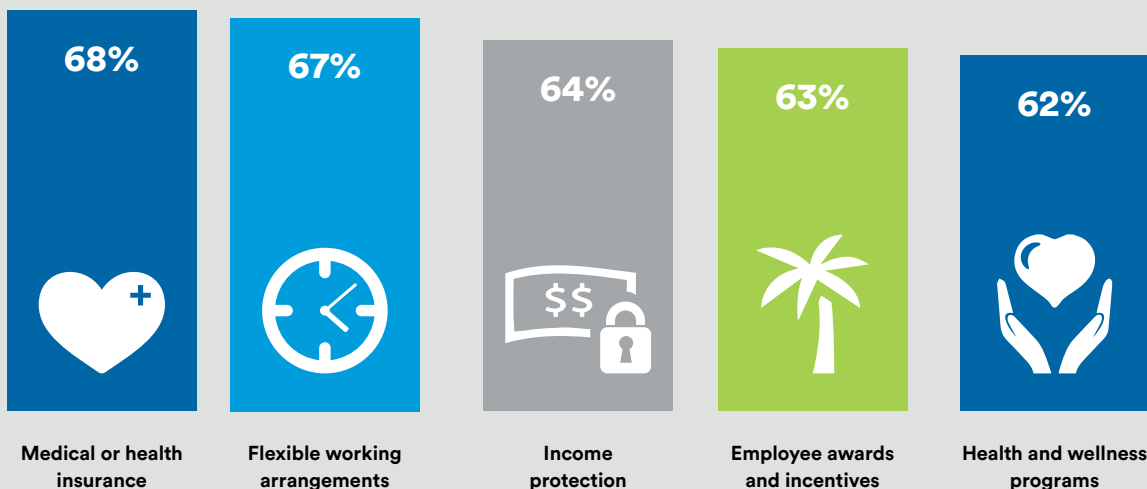
The benefits workers are willing to fork out for, depends largely on their age. Employees aged over 41 are much less likely than their younger peers to say they would purchase some benefit if they have to pay for some of the cost — but 68% of workers aged 51 to 60 would pay for medical benefits, as their health becomes a more pressing concern.

On the other hand, employees aged 31-40 are much more likely to pay for health and wellness programs, life insurance, discounts for health activities, EAPs and volunteer days.

Compared to other markets we've surveyed, Australians are less inclined to buy insurance or other benefits through their employer. 59% of employees say they would pay for life insurance and 57% would purchase disability insurance. This may be because our superannuation system means many Australians already access a default level of life and disability insurance cover through their super fund.

The greatest opportunity for employers is in the benefit programs employees would be most likely to contribute to. A proportion of employers are making the most of these: with 41% planning to offer employee awards and incentives in the next three years, 35% looking to offer flexible working arrangements, and 34% planning to expand their health and wellness offering.

Top 5 benefits employees would split the cost for



A healthy work-life balance matters most

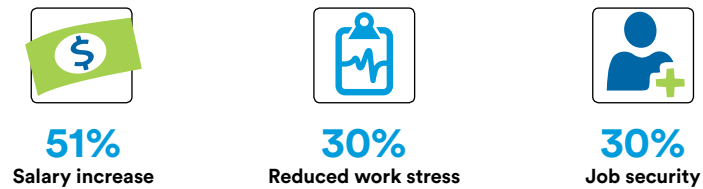
Employers can reduce staff stress through better worklife balance, broadening benefits offered and improving perceptions of job security.

To gain an understanding of the key barriers to staff retention, we narrowed down a pool of employees who are considering changing employers in the next 12 months, and asked them their reasons for moving.

This presents an opportunity for employers to increase staff retention by broadening the benefits they offer to include health and wellness programs that relieve stress, and improving their employees' feelings of job security.

We found that salary was given as a major factor for over half of employees looking for a new job, but reducing work stress was the second most important motivator (31%), followed by increased job security (30%) and improved benefits (28%).

Top motivators to retain talent

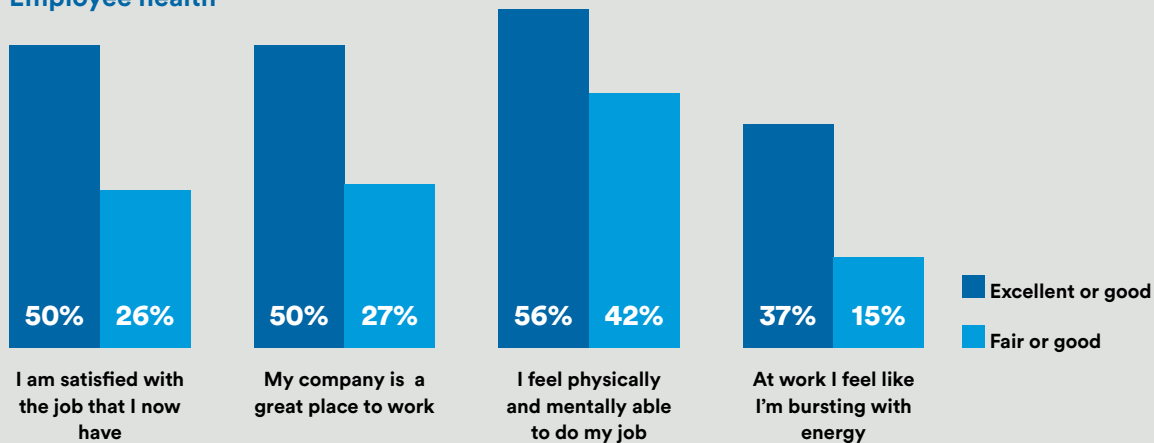


Good health is linked to employee productivity and job satisfaction

One in two employees (53%) in Australia feel they are in excellent or very good health. Significantly, our study showed that improving employee health can influence positive emotions towards working.

We gave employees a number of statements about their job and their company, and asked whether they generally agreed or disagreed. The respondents who felt they were in excellent or very good health expressed much higher feelings of positivity.

Employee health



Employees prioritise their mental health benefits

Our research shows that employers tend to underestimate their employees' concern with their emotional wellbeing and overall mental health, focusing their benefits programs on their employees' physical health.

When asked the greatest health fears for their staff, employers were most likely to say cardiovascular disease (43%) and high blood pressure (40%). They also ranked their employees' medical problems (88%) over their emotional health (69%) and lifestyle issues (62%).

But employees are less concerned with medical problems and more concerned with their emotional health and lifestyle than employers predict. In fact, 84% of Australian workers worry about their emotional wellbeing, compared with 70% that are concerned with medical issues. However, as employees get older, they become increasingly concerned with cancer and report lower levels of depression and anxiety.

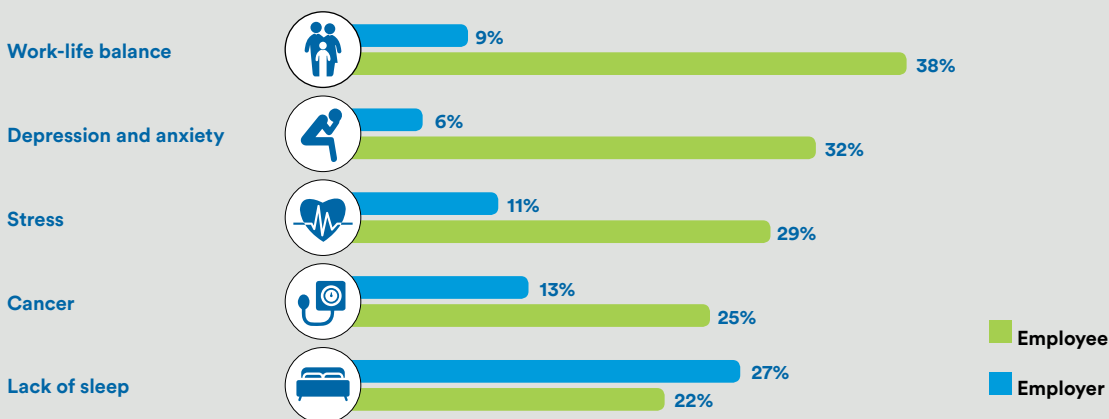
Employers need to expand their overall wellness benefits

As working hours grow longer in Australia, and associated stress and anxiety is on the rise, employers need to align their benefits with employee interest. Employers currently offer an average of 5.1 health and wellness programs, spanning education awareness, preventative treatment, behaviour change and health intervention.

The gap between perceptions of health for employers and employees

Four out of the top five health concerns for employees are mental health related — and yet Australian employers typically under-serve these issues in their benefits offering.

In fact, only a small proportion of employers recognise work-life balance, depression and stress as important health issues for staff — even though these are all key concerns for employees.



However, the most widely offered programs such as influenza awareness and immunisation shots (42%) and employee assistance programs (42%) don't have a high correlation with what employees are interested in (21% and 23% respectively).

Employers are aware of the benefits of offering wellness programs, from increased staff retention rates, employee engagement and productivity to reduced injuries and sick days. And 65% of managers are satisfied with the impact their wellness benefits are having on their workforce.

Similarly, employees understand the value of wellness programs — two-thirds of workers participate, with most saying it had a positive impact on their health. Those in managerial positions and those with higher household incomes (\$10K+ a month) are notably more likely to participate in these types of programs.

However, employees are not fully satisfied with the offerings and generally desire more health programs from their employer.

Our results show only 28% of employees are satisfied with wellness programs offered, and 41% hope that their employer will provide more programs.

This gives companies the opportunity to stand out as an employer of choice by tailoring their benefits to match their employees' interest — with an emphasis on wellness programs that will relieve work stress in combination with cutting work hours and improving job stability.



Employers can help boost financial literacy and security

With financial stress impacting negatively on overall wellbeing, employers can help empower their staff with the confidence to make better financial decisions.

While employees show some confidence in their financial decision-making, there is room to improve their confidence — particularly for those on a lower salary.

Only around one in three employees feels completely in control of their finances (31%) and highly confident making financial decisions (33%).

Employees reported similar levels of confidence around their health insurance (33%), life and accident insurance (30%) and even less in their retirement savings plan (26%).

What's more, our results reveal that concerns over their financial future is distracting over two in five employees from work, impacting negatively on their overall productivity and increasing absenteeism.

31% of employees say they have taken unexpected time off to deal with a financial issue and 41% admit being distracted at work because of financial worries.

Financial stress disproportionately affects employees aged in the 31 to 40 age group, perhaps because they are raising young families. Those in senior management positions or working for

Top 5 employee financial concerns



multinational companies are also more likely to report they are experiencing personal financial concerns.

This highlights a need for employers to step in with professional support and education to help boost their staff's financial literacy and relieve the stress that this currently creates, giving them peace of mind about their future financials security.

Employers recognise the need to ease financial stress even more than their employees do. 68% of employers feel that helping their staff make better financial decisions is important — but only one third of employees are interested in receiving advice from employer funded financial planners.

This gap demonstrates the need for employers to clearly communicate the benefits of professional financial advice.

What's more, it opens up opportunities for employers to boost financial security and ease money concerns among their staff by offering tailored life insurance and income protection. With over half of Australian employees surveyed worrying about how to take care of their families if they are unable to work, affordable insurance cover can go a long way towards building up a sense of financial security and peace of mind.



Communicating the benefits

Caring managers, a supportive work environment, career development and a strong, flexible benefits package are all excellent ways of boosting engagement with employees.

In all markets, the evidence indicates that the better the communication, the more engaged employees are with the benefits programs on offer. But in Australia, both employers and their staff identified a wide scope to improve information and communications about benefits.

What's more, employers tend to overestimate the effectiveness of their communication with their employees.

While 68% of employers believe they educate their employees about their benefits programs, just 31% of employees feel they have sufficient information to choose the option that meets their needs. But employers also recognise the need for improvement in this area, with 69% stating their benefits communications could be more effective.

Employers who say their benefits communications are effective are more likely to recommend using face-to-face training to further encourage participation. Employees actually rate

websites (38%) and handbooks (38%) as the most useful communication tools, slightly above face-to-face meetings (36%). This number rises among senior staff and higher income earners.

Interestingly, online tools and apps both ranked lower in usefulness — both at 33% — suggesting that employee uptake of digital technology has been slow.

Employers overwhelmingly favour email communication (68%) over other forms, and around half use face-to-face meetings (51%), a benefits website (50%), and a handbook (49%). Multinational companies are more likely to be using more communication channels, generally reaching staff through their website, online support, posters, mobile app and newspapers.

The most effective approach for employers is to use a mix of communication platforms to ensure constant touchpoints with as many staff as possible. The most immediate source of communication about benefits for employees is a manager.

In a supportive work environment, team leaders can become more effective in driving job satisfaction and engaging employees to participate more fully in benefits programs.

Usefulness of communication tools



Employer benefits website



Employee benefits handbook



Face-to-face meetings

How to manage benefits communication

Based on our findings, there are a few things employers should take into account if they wish to optimise benefits communication with their employees.



Conclusion

With a thriving economy and relatively high employment rates, combined with a perceived shortage of talent, skilled workers in Australia have the luxury of choosing their employer. This makes it important for companies to offer attractive salary and benefit packages to attract and retain the right staff.

Because Australians can afford to be selective, they have high expectations around wages and benefits. Around two in three employees do not think that they are being adequately paid for their job, making salary the primary drawcard for keeping staff satisfied — particularly as the cost of living in Australia continues to climb.

Employers are also increasingly recognising the advantages of providing attractive benefit packages — although their key reason remains the success of the company. Our results reveal that the driving motivators behind employer benefits are increasing productivity, reducing injuries, improving safety and boosting retention rates. Employers also tend to underestimate the willingness of their employees to contribute to the costs of benefits.

Business managers are slowly coming to understand the important role that employee health and wellbeing plays in overall job satisfaction and engagement. However, the benefits currently on offer in most Australian workplaces are not well-aligned with the key areas of employee interest. This presents an opportunity for companies to stand out as an employer of choice by tailoring their benefits offering.

One way to close the gap between employee and employer perceptions, and improve staff loyalty and engagement, is to take a broader approach to benefits that better addresses worker expectations in Australia.

Recommendations for employers

- **Allow flexible working arrangements.**

Given the emphasis that workers place on striking the right balance between their personal and professional lives, employers can go a step further in understanding the lifestyle concerns of their staff. Even though employees crave flexible and remote working hours over other benefits, one in three are not provided this benefit. Employers wishing to stand out in the market can better engage their staff by refocusing their benefits to align with the priorities of their employees.

- **Consider health and wellness programs.**

Employers generally rate their benefits more highly than their employees do. However, Australian workers tend to be satisfied with the medical benefits they receive. In terms of their preferred benefits, employees rank both medical or health insurance, and health and wellness programs in their top five — indicating that they would appreciate employers who offer a holistic benefits package that enhances their physical and mental wellbeing.

- **Rethink voluntary benefits offerings.**

Employees are willing to share the costs of benefits programs, provided they are tailored to their needs. For example, many employees can see value in making a financial contribution to insurances such as health, life, total and permanent disability cover

and income protection — because premiums are more affordable than when seeking insurance outside of their employer. Employers who design a customised benefits package to meet the diverse needs of their staff will encourage greater participation.

- **Effectively communicate the value of benefits.**

Both employers and employees see room for improvement in communication around benefits — so companies that master communication across a variety of channels will drive a higher level of staff engagement. While email remains the most widely used platform, it could be a more effective tool if integrated with a mixture of digital channels and personal face-to-face communication.

Methodology

Statement on methodology:

MetLife's Australia Employee Benefit Trends Study was conducted in May and June by GFK Research. Results were based on a 17-minute online survey using an external panel provider — completed by 300 company managers with a minimum of two staff, and 520 full-time employees aged 18–69 years old.

Demographic Profile of the Employer Sample:

Industry

Finance and Insurance	44%
Health and Community Services	13%
Retail Trade	36%
Education	3%
Construction	4%

Company size

2-9	11%
10-99	21%
100-999	36%
1000+	32%

Markets operated in

Australia	38%
International	62%

Location

New South Wales	37%
Victoria	33%
Queensland	16%
South Australia	9%
Tasmania	3%
Australian Capital Territory	1%
Northern Territory	1%

Demographic Profile of the Employee Sample:

Gender

Male	66%
Female	34%

Top 5 industries

Finance and Insurance	11%
Health and Community Services	9%
Retail Trade	9%
Education	9%
Construction	8%

Years with company

Under 1 year	6%
1 to under 2 years	12%
2 to under 5 years	29%
5 to under 10 years	30%
10 or more years	23%

Income

Less than \$50,000	13%
\$50,000 - \$69,999	5%
\$70,000 - \$99,999	25%
\$100,000 - \$149,999	24%
\$150,000 - \$199,999	14%
\$200,000 or more	9%

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About the Study

MetLife's Employee Benefit Trends Study delivers timely and reliable research results that explore important benefits issues and evolving trends around the world. Building on more than a decade of research and experience in the U.S. , as well as nine additional markets since 2007, the Study provides fresh insights that can help employers get more from their benefits investments in the form of satisfied, skilled and productive workers. The Study also suggests tactics to help employees become more knowledgeable benefits consumers, leveraging insights from multiple markets in order to respond to the evolving benefits environment. The study design, involving both employer and employee surveys, was developed in the US and has been adapted in various key markets around the globe including: 2007 (Australia, Mexico, UK and India); 2011 (Australia, Brazil, India, Mexico, United Kingdom); 2013 (Brazil, Chile, Mexico); 2014 (United Arab Emirates, Poland, Russia); and 2015 (United Kingdom, India, China, Egypt).

About MetLife

MetLife Insurance Limited (MetLife), an affiliate of MetLife, Inc., is a specialist provider of life insurance to affinity partners, superannuation trustees and employers in Australia. MetLife has expertise in designing and executing direct insurance programs for partners' customers and insurance solutions to meet the needs of specific member groups. MetLife has been a specialist provider of life risk insurance products in Australia since 2005. MetLife, Inc.

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