

Employee Benefit Trends Study Australia

MetLife



The easy and effective way to
differentiate your business

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About us

MetLife Insurance Limited (a wholly owned subsidiary of MetLife Inc.) is a specialist provider of life insurance. We partner with corporates, superannuation trustees and employers to deliver products and services that meet the specific needs of Australians.

Because we specialise in life insurance, we do not have competing interests within our business for resources, this means we are able to truly focus on what we do best.

We work closely with our clients to ensure we fully understand their needs and are able to deliver world class service and solutions.

Thought leadership initiatives, like our employee benefits trends study, are just another way in which we look to support our partners. Following on from reports completed in 2007 and 2011¹, our latest study revisits the role of employee benefits in the context of a changing Australian economy and the broader macroeconomic environment in which it operates. The valuable data and information garnered from the study is a great tool to help benefit decision makers enrich their plans and retain top talent in a cost-effective way.

Global expertise

MetLife, Inc. heads the MetLife group of companies and is a leading provider of innovative employee benefits that combines local capabilities with global scale to deliver world-class solutions to companies.

With close to 150 years of experience, MetLife brings considerable and extensive resources and experience to bear for its customers. MetLife has employee benefits operations in more than 40 countries and is a leading provider in over half of those countries.

We are one of two partners in the MAXIS Global Benefits Network², one of the world's leading international employee benefits networks with a presence in over 100 markets.

The global reach of MetLife combines capital strength and global presence with local expertise to provide intuitive, transparent and exceptional service.

¹ <https://www.metlife.com>

² MAXIS Global Benefits Network (MAXIS GBN) is administered by AXA France Vie S.A., Paris France (AXA) and Metropolitan Life Insurance Company, New York, NY (MetLife) and is a network of locally licensed MAXIS Member insurance companies. MAXIS GBN is not an insurance provider and only the MAXIS Member insurance companies provide insurance.

1. Latest trends in employee benefits

MetLife has released the latest findings of its global research into how employers can most effectively utilise Employee Benefits to benefit their businesses.

Every two years, we analyse this research to determine the current macro issues for Australian employers and employees and develop useful insights to support future strategies.

The Australian component of the Employee Benefits Trend study focussed on large and medium enterprises in a wide range of industry sectors. We surveyed more than 250 employers and 500 employees to obtain both quantitative and qualitative information.

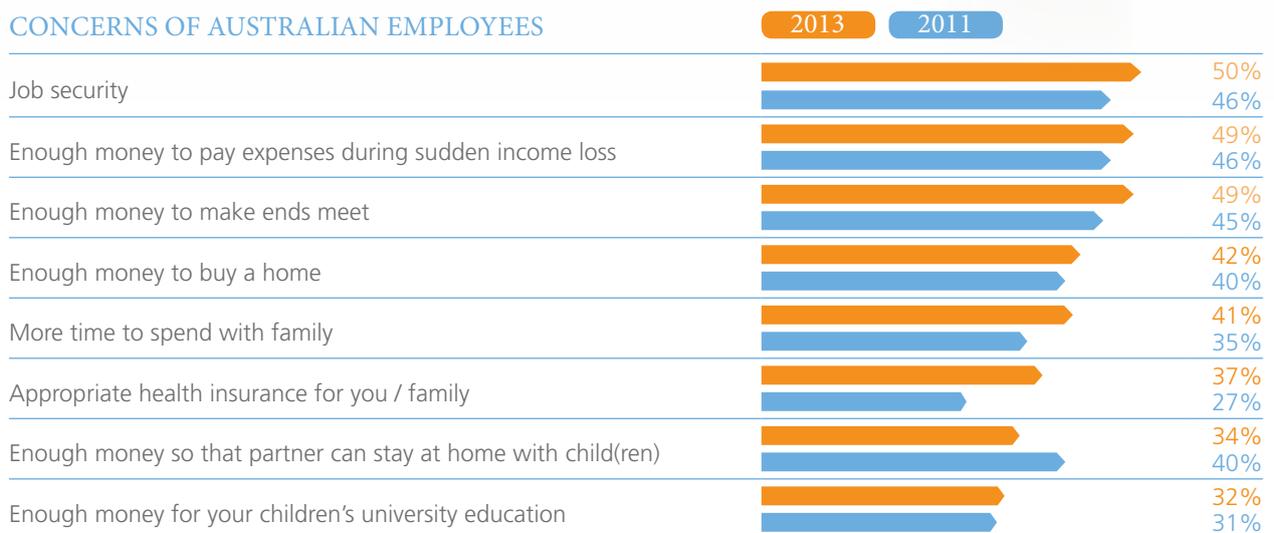
Many Australian employers have failed to harness the power of employee benefits to attract and retain talent - despite reporting increasing difficulties in replacing lost talent.

2. Key issues

A number of key issues emerged from our research:

- As the talent war intensifies, employers are failing to reap the rewards of existing and potential employee benefit initiatives
- Employees want benefits that offer future financial security, with these creating advantages for employers such as increased productivity and loyalty.
- Australia lags behind many other countries in the development and promotion of employee benefits, despite their demonstrated advantages.

CONCERNS OF AUSTRALIAN EMPLOYEES



i) The war for talent is heating up

Most employers believe competition for talent will grow, as demand for higher skill levels increases, particularly in service based industries. And around one in two employers believe the competition for talent will increase in the next 12 months.

STRATEGIES BEING UTILISED BY EMPLOYERS WHEN COMPETING FOR TALENT

Talent management / succession planning		27%
Proactive recruitment		21%
Internal training and development		15%
EMPLOYEE BENEFITS		12%
Brand marketing		10%
Retention strategy		8%
Remuneration		8%
Social media / LinkedIn promotion		7%
Immigrant talent		3%

One in three businesses expects to be affected by the talent shortage, and two thirds of all employers believe competition for talent will remain aggressive or intensify.

Businesses are finding the attraction and retention of talent increasingly difficult and more expensive.

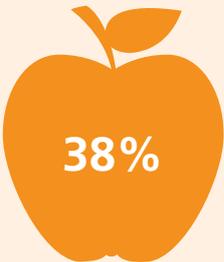
EMPLOYERS' MOTIVATION FOR OFFERING EMPLOYEE BENEFITS

Retaining employees		82%
Increasing employee job satisfaction		77%
Increasing employee productivity		71%
Attracting employees		70%
Addressing more of the diverse needs of employees		50%
Reducing HR administrative costs		39%
Helping employees make better financial decisions		32%

ii) Missed opportunities

Only 53% of Australian companies offer a formal employee benefits program, but a third of these believe their program is not well communicated to staff and prospective staff. Consequently, around two thirds of their employees are unlikely to be aware of the benefits their organisation offers.

Availability of benefits



Formal and clearly communicated



Informal, some benefits offered



Formal, not necessarily communicated



No benefits offered





iii) Taking the temperature of the workforce

Our study found many employees to be simultaneously fearful and optimistic.

But any optimism is short term – while one in three (38%) employees believed their financial situation would improve in the next six months, they held fears for their financial future and long term job security. And more than a third of working Australians are worried about health insurance.

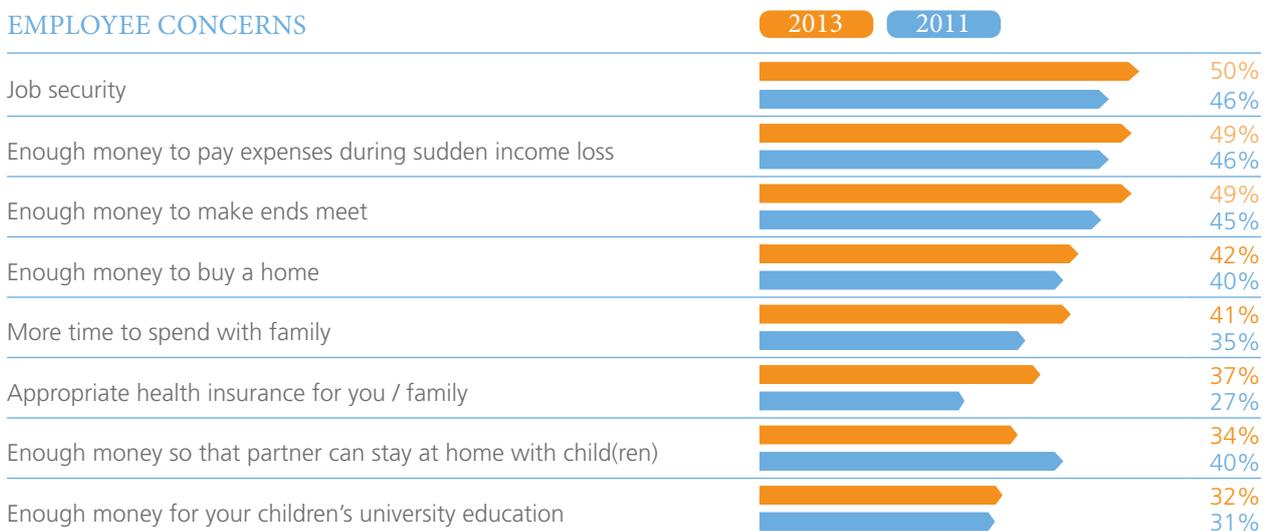
One in four Australian workers surveyed said they were under ‘financial strain’. Employees are anxious about a sudden loss of income and their lack of preparation for retirement. Such uncertainty impacts negatively on overall job satisfaction and loyalty, and thus efficiency and productivity.

Outliving retirement funds again topped the list of financial concerns in retirement.

However, despite these fears, little has been done to address these issues. Only a third (34%) of working Australians surveyed have prepared for retirement outside of superannuation, a significant drop of 6% from 2011, and less than a third (29%) are on track for reaching their retirement goals.

Job security and sudden income loss top the list of financial concerns for Australians today, making employee benefits that address income loss highly attractive.

EMPLOYEE CONCERNS





iv) The benefits employees want

BENEFITS OF MOST IMPORTANCE TO EMPLOYEES

FLEXIBLE WORKING / WORKING FROM HOME		66%
LONG SERVICE LEAVE		65%
Additional super contributions		53%
Discounted health insurance		46%
Training and development		45%

While many employers offered non-financial benefits, such as the option to work from home and internal training, many significant employee needs and concerns are not being met, particularly protection against a sudden loss of income or the inability to work due to a health issue.

Income protection insurance as a workplace provided benefit appeals to half the working Australians surveyed and life insurance is attractive to one in three.

Even though the ability to make ends meet is a major concern for many working Australians, few have taken steps to address this issue. While this apathy may be in part due to the fact that around two in five people receive income protection and life insurance through their superannuation fund, more than half (55%) of employees with these products believe their coverage is inadequate - and their fears are founded.

On average, protection is only three times the household's annual income, but recommended coverage for life insurance or disability coverage is approximately ten times annual household earnings as a minimum, and fifteen times in order for current lifestyle to be maintained in full.

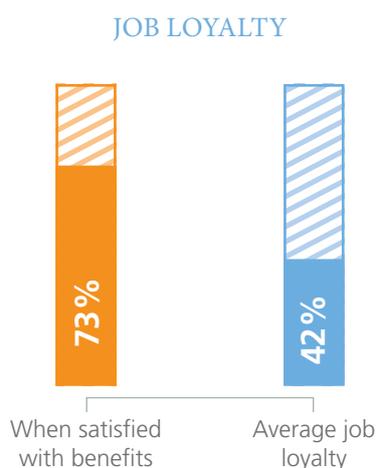
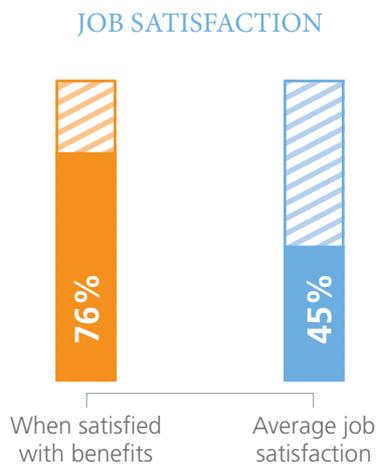
More than a third of surveyed Australians are worried about appropriate health insurance, and almost half are worried about covering 'gap' costs

Although employees rate private health insurance as the second most valuable benefit after long service leave, making health and wellbeing offerings a top benefit strategy amongst employees, only 34% of organisations currently offer private health insurance and only 3% of employees have private health insurance through the workplace.

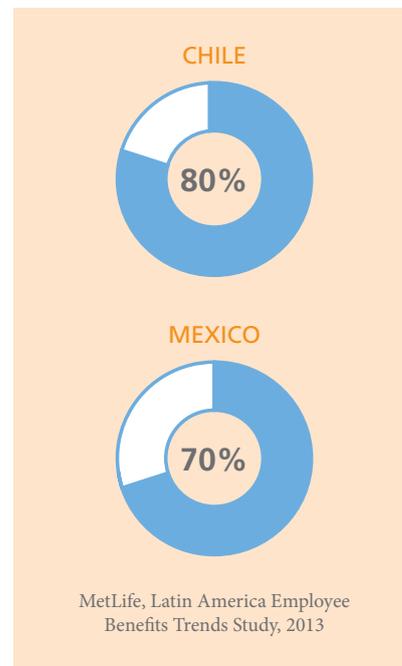


3. The rest of the world is ahead of Australia

Our Global study found a strong relationship between an employee's satisfaction with benefits and job satisfaction and loyalty. Satisfaction with benefits increased loyalty and job satisfaction by 31 percentage points above the average.



INSIGHTS FROM OUR GLOBAL STUDY: PERCENT OF EMPLOYEES WITH BENEFITS EXPRESSING A STRONG LEVEL OF LOYALTY TO THEIR EMPLOYERS



While around half (53%) of Australian organisations offer a formal employee benefits program, around one in six (16%) believe their employees may not be aware of its availability.

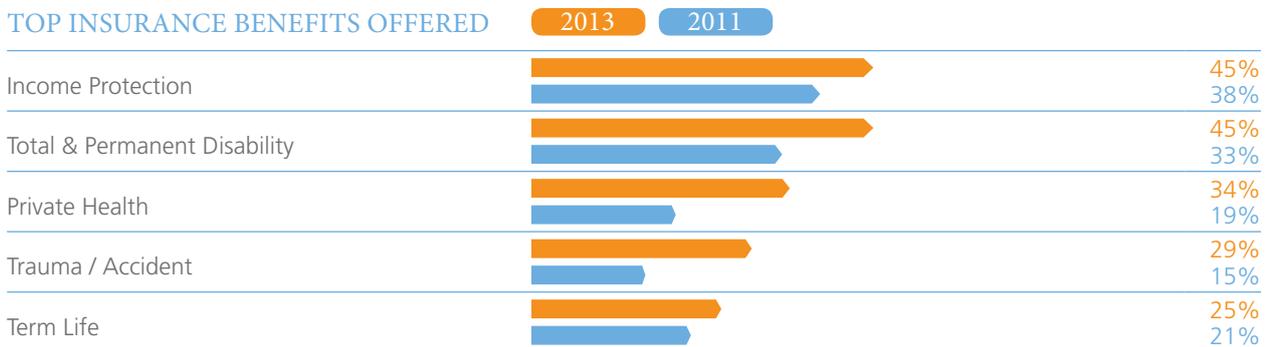
Yet what we have learned from the rest of the world is that Australia lags behind many other countries in the development and promotion of employee benefits, despite the demonstrated advantages of an employee benefit strategy, and employee retention once again topping the list of key benefit objectives.

Perceived value of current offerings

Our research suggests that both Australian employers and employees are sceptical about the value of benefits, which may explain why the Australian market has been slow to adopt and promote benefits as a valuable tool for attracting and retaining talent.



However, we have found that this attitude can change rapidly once employees are made aware of and use the benefits available to them. Some Australian employers are responding to the financial concerns of their employees. Since our 2011 study, there has been a small increase (7%) in the number of firms offering income protection and a 12% rise in the number offering total and permanent disability cover.



4. The opportunity

The fact that benefits are not widespread or understood and appreciated creates a significant opportunity for Australian businesses to harness employee benefits to improve loyalty and job satisfaction to in turn, drive productivity and attract new talent.

Australian businesses can do better:

We have identified five effective initiatives that will benefit your business:

1. **Communicate what you already offer** - Limited awareness of benefits programs is one factor standing in the way of increased employee satisfaction. Enhancing the quality and frequency of benefit communications is a simple way to begin to address this problem.
2. **Become more aware of the benefits your employees need and want** - Undertaking a benefits audit is a great way for employers to better understand employee needs, gaps in their offerings, and how they rank amongst their competitors.
3. **Design a package that gives employees a clear picture of its advantages.**
4. **Collaborate for a mutual outcome.**
5. **Use your employee benefits package as a key differentiator** that increases employee loyalty and satisfaction in an increasingly constrained, and financially concerned, labour market.

● **BENEFIT COMMUNICATIONS EFFECTIVELY EDUCATE ME**

15%

● **I'M SATISFIED WITH THE BENEFITS OFFERED**

18%

5. Conclusion

Offering workplace benefits as part of an employment package is a differentiator that can increase employee productivity and loyalty.

Our study found there was an uplift of 31 percentage points in both job satisfaction and loyalty when employees are satisfied with their benefits. And internationally we find that benefits are a key reason many people choose to work for a particular employer and continue to do so.

Despite these positive outcomes Australian employers continue to doubt the value benefits can offer. Limited awareness of benefit programs is one factor preventing the success and potential growth of benefits in the Australian market, and continued low awareness will keep employer and employee satisfaction low. Enhancing the quality and frequency of benefit communications is a simple way to begin to address this problem. As awareness grows, we would expect an uplift in utilisation and an increase in employee satisfaction.

Undertaking a benefits audit is a great way for employers to better understand how they rank amongst their competitors and to identify gaps in their offerings. Employers may find that some benefits of interest are already offered, or on the radar, such as flexible working benefits, access to financial advice or products supporting financial security like income protection.

Utilised correctly, employee benefits can lead to more engaged, loyal and productive staff. They also offer businesses a way to differentiate themselves and become an employer of choice.

We invite you to contact your MetLife representative for a more in-depth discussion about benefit strategies and how they can make a positive impact on your organisation.

How MetLife can help

Our latest global study has revealed that an effective employee benefits strategy can create a more engaged, loyal and productive workforce. And that a well-designed benefits package is a key business differentiator in an increasingly competitive talent war.

We invite you to contact your MetLife representative for a more in-depth discussion about benefits strategies and how they can make a positive impact on your organisation.

MetLife has a deep understanding of these issues through our global experience and the ongoing focus on best practice.

We can share further insights from our Employee Benefits Study and share the benefits of our effective Five Step approach to Employee Benefit Programs.

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Methodology

This report has been developed based on research that was conducted exclusively for MetLife Australia by GfK Australia, one of the top global market research consultants.

Results were obtained in October 2013 through 508 online interviews with Australian employees and telephone interviews with 250 Australian benefits executives.

Employee data was weighted to the Australian population according to 2011 census data to appropriately represent the full time employee population base. Quotas were set on company size for employers and sample was representative of industry.

Summary statistics for key subgroups are available at the end of the report. Where possible, comparisons between 2013 and 2011 results have been made at the 95% confidence. Totals in this report do not always sum to 100% due to rounding.

Sample profiles

EMPLOYEES

COMPANY SIZE	%
2-99	37
100-999	29
1,000+	35

INDUSTRY	%
Heavy industry	21
Professional Services	48
Sales / Trade	18
Technology / Science	13

GENDER	%
Male	55
Female	45

AGE	%
21-30	29
31-40	24
41-50	21
51+	26

EMPLOYERS

COMPANY SIZE	%
2-99	20
100-999	40
1,000+	40

INDUSTRY	%
Heavy industry	33
Professional Services	44
Sales / Trade	17
Technology / Science	3

GENDER	%
Male	40
Female	60

AGE	%
21-30	17
31-40	25
41-50	26
51+	32

EMPLOYEES

LOCATION	%
NSW/ACT	33
VIC/TAS	32
QLD	17
SA/WA/NT	18
HOUSEHOLD INCOME	%
Under \$50,000	8
\$50,000 - \$100,000	47
\$100,000 - \$200,000	40
More than \$200,000	5
EDUCATION	%
High school	23
College / TAFE	28
Undergraduate	29
Postgraduate	19
FAMILY STATUS	%
No children	69
Children under 6	16
Children 6 to 11	9
Children 12 to 17	13
LIFESTAGE	%
Young SINK/DINK (30 or under)	24
Older SINK/DINK (over 30)	14
Young Family (children under 6)	15
Older Family9Children over 6)	23
Pre-retirees (over 50)	24
RETIREMENT SAVING	%
Achieved / On track	29
Behind	36
Not started	35
JOB SATISFACTION	%
Top 2 box satisfaction	45
Top 2 box loyal	42

EMPLOYERS

LOCATION	%
NSW/ACT	37
VIC/TAS	30
QLD	19
SA/WA/NT	14
BENEFITS DECISION-MAKING	%
Final	10
A lot of influence	42
Moderate Influence	48
BENEFITS PROGRAM	%
Formal, well communicated	38
Formal, not communicated	16
Informal	31
None	16
ROLE	%
HR	83
CEO	4
CFO	2
Finance / Payroll / Other	10
AUSTRALIAN LOCATIONS	%
Only one	16
2-10	50
More than 10	34
OVERSEAS LOCATIONS	%
Yes but headquarters is in Australia	26
Yes and headquarters is overseas	17
No	56
JOB SATISFACTION	%
Top 2 box satisfaction	38
Top 2 box loyal	52

BASE: Total sample, Employees ■ = 508, Employers ■ = 250

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