



The Evolving Work-Life World: How Small Businesses Can Compete and Thrive

A report based on
MetLife's 17th Annual
U.S. Employee Benefit
Trends Study 2019



Small businesses are sometimes called the heartbeat of the U.S. economy.

While an astonishing 98 percent of companies in the U.S. have fewer than 100 employees,¹ the important role small businesses play is about more than large numbers.

Small companies are not just about business. Building and maintaining a successful company is highly personal. It starts with a dream. Turning the dream into reality takes dedication and a lot of hard work. From there, keeping up with an ever-changing and challenging environment requires determination and perseverance.

In today's evolving, always-on world, work and life continue to blend. Technological innovation is redefining how people and companies collaborate. And, the competition for employee talent is intense. Savvy small business leaders will take on these realities and seek solutions from their unique perspective.

MetLife's annual U.S. Employee Benefit Trends Study examines the trends impacting the workplace and how small businesses can tackle the challenges of attracting, engaging, and retaining employees as the foundation of their business success.

1. Think Small: Trends in Small Businesses Offering Employee Benefits, LIMRA, 2019.



The work-life blend

More than ever before, employees seek fulfillment across their work and personal lives. Careers are viewed as an extension of a person's values and interests.

86% of small business employees want to work for employers known for respecting their outside-of-work lives



9 in 10 small business employees say work that provides a sense of purpose is an important factor when deciding to accept or stay at a job

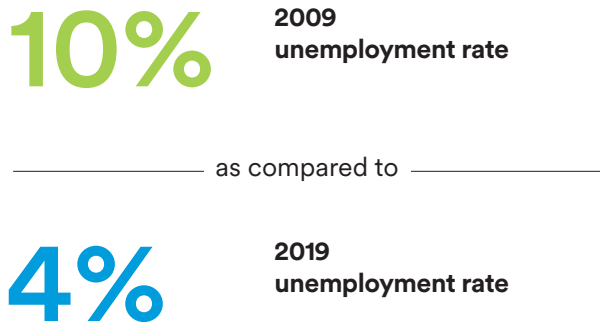
When work and life blend and enrich each other, everybody wins.



01

The Battle for Talent Intensifies

Low unemployment in recent years means employers of all sizes must rely on differentiators to attract and retain employees. For smaller businesses, the competition for talent comes with added pressures.



According to the quarterly MetLife & U.S. Chamber of Commerce Small Business Index, one in four small business owners plans to add to their staff over the next year,² but more than 40 percent say they have difficulty finding quality candidates.³

When a position goes unfilled at a small business, there's less of a bench available to step in and temporarily fill the gap. Eighty-one percent of small business owners say they must work longer hours or take on additional roles in these situations.³ And most say they also have to ask their employees to work longer hours or call on family and friends to make up for staffing needs.³

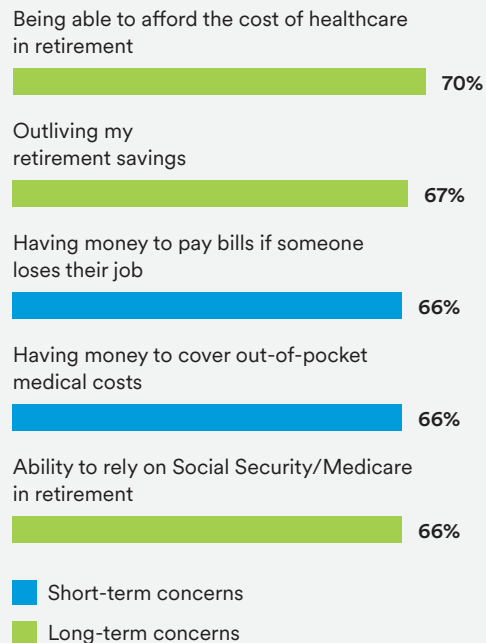
While small businesses may have a disadvantage when it comes to covering for open positions, they actually have an advantage in the competition for talent. Often, the close-knit, family-like cultures of smaller businesses are the ideal environment for employees looking for employers to help them thrive both inside and outside of work. To optimize this potential differentiator, small businesses first need to understand today's employee expectations.

Financial stress drives employee expectations

The blending of life and work makes choosing a job more individualized as employees seek positions that fit both their values and needs. But, as individualized as the job experiences may be, there's a common thread woven throughout individual situations. Among employees, the number one source of stress is financial.

More than half of small business employees say they're living paycheck to paycheck. The lack of a financial cushion for unexpected expenses is stressful. As a result, employees value employers who can help them address their financial concerns. Half of small business employees believe employers have a responsibility for their financial well-being, up five percentage points since 2018.

What are employees' top five sources of financial stress?



2. MetLife & U.S. Chamber of Commerce Small Business Index, Q2 2019.

3. MetLife & U.S. Chamber of Commerce Small Business Index, Q4 2018.

Financial concerns — both immediate and forward-looking — impact all facets of an employee’s life, including their focus and productivity at work. Twenty-nine percent of small business employees admit being less productive due to financial stress. For their part, small business employers are concerned as well. Seventy-one percent of employers cite employee productivity as a top concern, up significantly from 61 percent in 2018.

Employee benefits are a solution that can provide employees with greater financial peace of mind. But small business employers may not be optimizing their benefits strategies. Slightly more than half of small business employees say their benefits at work help reduce their financial stress. That’s considerably less than the 66 percent of employees overall who credit their benefits with lessening financial stressors.

At the same time, small business employees show an increasing appreciation for benefits available through their employers. Forty-six percent say better benefits can help them successfully navigate and thrive in today’s workplace, up 13 percentage points over 2018. This receptivity opens the door for employers to evaluate their current benefits programs and implement strategic enhancements that can benefit their employees’ lives as well as the company’s bottom line.

The increasing value of benefits



Benefits reimaged: An opportunity when competing for talent

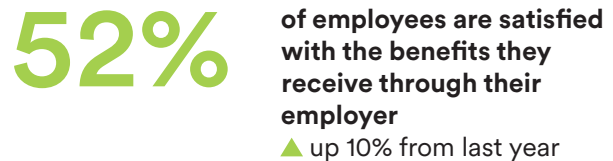
Employee benefits can play a pivotal role in a small company’s ability to attract and retain employees. However, based on employee perceptions, small business employers may not be fully optimizing benefits as a strategic tool.

Forty-six percent of small business employees identify benefits as an important reason they joined their company. When compared to 59 percent of employees across companies of all sizes who cite benefits as an important factor in their decision, there appears to be an opportunity for small businesses to more effectively leverage benefits as a recruiting tool.

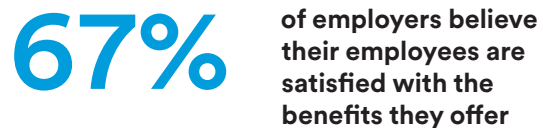
Similarly, employee benefits can help drive increased employee loyalty. Sixty-four percent of small business employees say having benefits customized to meet their needs would increase loyalty to their employer. In fact, 88 percent of small business employees say the ability to customize their benefits is a must-have or nice-to-have option. For employers, offering choices that enable employees to select coverages to best fit their individual needs can help address employee expectations for customization, without breaking the bank.

To capitalize on the strategic power of benefits, small businesses first must recognize the gap in current perceptions. While 67 percent of small business employers believe their employees are satisfied with their current benefits offering, only 52 percent of small business employees express satisfaction. However, the employee satisfaction rate is trending up, jumping from just 42 percent in 2018.

Examining the perception gap



———— but ————



Beyond satisfaction, there’s also a bit of disconnect between small business employer and employee perspectives about the range of benefits offered. Sixty-six percent of small business employers believe their company offers a range of benefits that meet employees’ personal and household needs. However, only 47 percent of their employees agree.

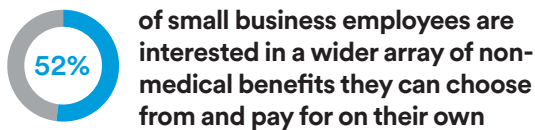
Closing the perception gap will require evaluating the range of benefits offered, as well as increasing awareness and understanding of how different benefits can help address employees’ financial concerns.

Voluntary benefits: The cost-effective way to expand choices

Voluntary, or employee-paid, benefits offer an option for small business employers to expand their benefits offering — and enable employees to select coverages that align with personalized needs — without adding to the company’s benefits budget. Fifty-two percent of small business employees are interested in having access to a wider array of non-medical benefits they can choose from and pay for on their own.

Considering groups with 2 to 99 employees, LIMRA reports that 58 percent offer at least one benefit, with health insurance the number one offering.¹ But a closer look reveals that 95 percent of employers with 50 to 99 employees offer benefits, while only 52 percent of companies with fewer than 10 employees do.¹ However, in the small end of the segment, growth is coming from increases across the product spectrum, including medical, dental, vision, short-term disability, and accident options. For companies with more employees, accident and health coverages are seeing the most growth.¹

A desire for options



Raising employee awareness and understanding of the benefits offered can also help small business employers gain increased returns from their benefits strategies. Communication and education are essential to help employees recognize how traditional benefits, such as life or disability insurance, offer critical financial protection. In addition, supplemental voluntary options, such as accident, critical illness, and hospital indemnity plans, add financial peace of mind by providing lump-sum payments for covered events that employees can spend however they choose.

Today, 51 percent of small business employees recognize the role their current benefits can play in reducing financial stress, compared to 66% of employees overall. However, benefits communications are improving in the small business segment. Sixty-one percent of employees report their benefits communications are easy-to-understand, improving from 55 percent in 2018. In addition, 65 percent of small business employees feel confident in the decisions made during their last benefits enrollment period.

Communications improving



Small companies have an opportunity to continue to build employee understanding and satisfaction levels by taking a holistic approach that communicates how different benefits, such as disability and accident insurance, complement each other to provide comprehensive protection.

02

The Gig Economy Factor





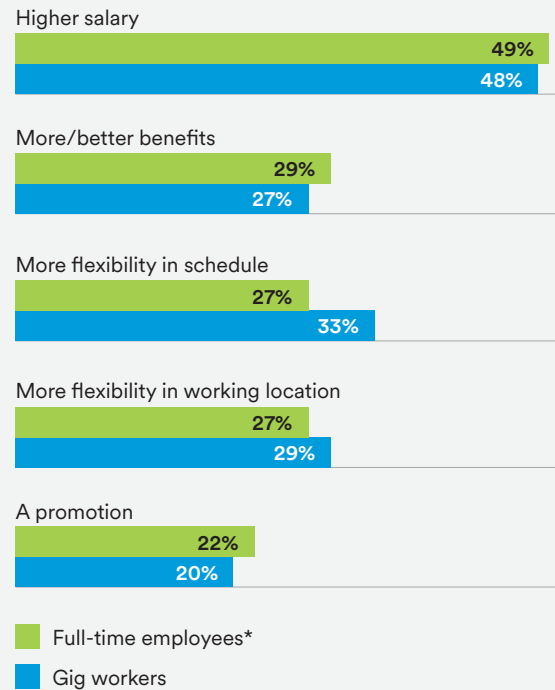
In the competition for employee talent, a relatively new trend is impacting small business employers — and their employees. As technology makes new ways of working possible, more and more work is taking place in the “gig economy,” which is defined as work based on fixed-term contracts or paid per project.

Today, nearly 30 million Americans rely on gig or part-time work for their primary income. And, 15 million more workers are supplementing their full-time work with gigs or freelance jobs on the side. As a result, the gig economy is a factor in both recruiting and retaining employees.

Twenty-two percent of full-time small business employees report they have a secondary gig, while 69 percent say they’re interested in freelance or contract work as opposed to their current job. Over the next five years, 22 percent of small business employees say they plan to leave their current employer to enter the gig economy.

For employees, the gig economy offers flexibility. Three in four gig workers say the independence provides the flexibility they need. Often, it also provides a sense of purpose that employees are seeking as they blend work and life. To prevent existing talent from moving into the gig economy and to attract gig workers to their organizations, small business employers who emphasize increased flexibility and enhanced benefits will have an advantage.

Workers would stay at their organizations if their employers offered...



**Employees who intend to leave their full-time job in the next five years for gig (23% of all full-time workers)*

At the same time, gig economy or contract workers may offer an effective option for small businesses to gain access to highly skilled workers without hiring them full time. Leveraging the gig economy can help address current hiring and skill gap challenges. In addition, it may also enable small businesses to contract with specialists on an as-needed basis rather than having to hire full-time generalists who wear multiple hats within the company.

Despite the potential advantages, small business employers are less likely to be engaged in the gig economy compared to larger employers. Twenty-two percent of small business employers say they have hired or are actively planning to hire more gig workers compared to 35 percent of employers overall.

03

Turning Insights into Action: A Checklist for Small Businesses



A checklist for small businesses

As small businesses take on the challenges to attract and keep employees, strategic benefits can play a vital role. Often nimbler than their larger counterparts, small businesses are able to enhance their employee experience and add to their benefits offerings more easily. In turn, small businesses can reap the strategic benefits more quickly.

Faced with current trends and insights into the employee mindset, small business employers should focus on five key areas to help their businesses — and their employees — compete and thrive in the new work-life world.

- ✔ **Play the flexibility card.** Based on business requirements, explore options to offer increased flexibility to employees. Adaptable work schedules, the ability to work remotely, and paid leave to take care of family can be differentiators for small businesses. Of course, define clear guidelines and hold managers and employees accountable for implementing them consistently.
- ✔ **Build out benefits.** Offering a wide range of benefits isn't just for big businesses. Voluntary options, including accident, critical illness, hospital indemnity, vision, and legal services plans, supplement traditional benefits while providing employees with choices to tailor their coverage to meet individualized needs.
- ✔ **Communicate holistically.** Communicating the value of benefits and how they work together to address employees' financial concerns is critical. Don't limit communications to annual enrollment, and don't communicate product by product. Instead, build ongoing communications that reinforce how different benefits complement each other to help create financial peace of mind.
- ✔ **Showcase the impact of benefits.** Look for opportunities to supplement basic coverage information with real-life stories about the benefits of benefits for employees. And share tools to help employees identify the benefits that best fit their needs and address their financial concerns.
- ✔ **Cultivate culture.** Workplace culture is a deciding factor as employees make decisions about where to work. Enable employees to successfully blend their work and personal lives by crafting a caring, inclusive culture that helps employees thrive both inside and outside of work.

METHODOLOGY

MetLife's 17th Annual U.S. Employee Benefit Trends Study (EBTS) was conducted in October 2018 and consists of two distinct studies fielded by Engine Insights — a practice area of Engine, a data driven marketing solutions company. The employer survey includes 2,500 interviews with benefits decision makers and influencers at companies with at least two employees including 921 at small businesses. The employee survey consists of 2,675 interviews with full-time employees, ages 21 and over, at companies with at least two employees, including 723 who work at small businesses. Among the Healthcare industry, this includes 251 employees and 236 employers.

ABOUT METLIFE

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, annuities, employee benefits 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. For more information, visit www.metlife.com.

ABOUT ENGINE

Engine is a new kind of data-driven marketing solutions company. Powered by data, driven by results and guided by people, we help our clients make connections that count — leading to bottom line growth, an inspired workplace and business transformation. With global headquarters in New York and 17 offices across North America, the UK, Europe and Asia-Pacific, Engine offers clients a vast range of marketing solutions — including insights, content, distribution, data and technology. Find out more at enginegroup.com or follow us [@Engine_US](https://twitter.com/Engine_US).

metlife.com

