The power of employee benefits in an uncertain world

Insights and practical solutions for the challenges facing businesses — and the people who work in them

MetLife

Navigating life together

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About MetLife's Global Employee Benefits

With over 145 years of experience, the MetLife companies are a leading innovator and a recognised leader in protection planning and retirement and savings solutions around the world. We have established a strong presence in nearly 50 countries through organic growth, acquisitions, joint ventures and other partnerships. We are strengthening our global brand by extending core products and competencies to markets around the world — an important driver of growth for the enterprise.

Around the world, the MetLife companies offer life, accident and health insurance, retirement and savings products through agents, third-party distributors such as banks and brokers, and direct marketing channels. We work with families, corporations and governments to provide them with solutions that offer financial guarantees in their lives. Our name is recognised and trusted by approximately 100 million customers worldwide and we serve more than 90 of the top 100 FORTUNE 500® companies in the United States. We have the experience, global resources and vision to provide financial certainties for an uncertain world.

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 Network, one of the world's leading international employee benefits networks with a presence in over 110 countries.[1]

For more than 14 years we have collated data and best practices from around the world to help employers enrich their benefits plans, retain and motivate talent and underpin a high performance culture. The Employee Benefit Trends Study (EBTS) is one of the most comprehensive surveys of its kind.

MetLife United Kingdom (UK)[2]

We first opened our doors in 2007, bringing our unique range of innovative products and services to people across the UK. MetLife Europe is registered in Dublin, Ireland, and our UK offices are in London and Brighton. Our market leading flexible product range, including retirement, investment and group and individual protection solutions, is only available through Financial Advisers.

What drives our employee benefits business strategy is our belief that people can be their best when their employer provides benefits that give them security and peace of mind, as well as physical and mental wellbeing. And when their people are at their best, employers and their businesses also thrive.

Our products provide much more than just critical financial support. They recognise the emotional needs and challenges of modern working lives and find ways to help build resilience, connect people and drive better health and performance.

1. The MAXIS Global Benefits Network ("Network") is a network of locally licensed MAXIS member insurance companies ("Members") founded by AXA France Vie, Paris, France (AXA) and Metropolitan Life Insurance Company, New York, NY (MLIC). MAXIS GBN, registered with ORIAS under number 16000513, and with its registered office at 313, Terrasses de l'Arche – 92 727 Nanterre Cedex, France, is an insurance and reinsurance intermediary that promotes the Network. MAXIS GBN is jointly owned by affiliates of AXA and MLIC and does not issue policies or provide insurance; such activities are carried out by the Members. MAXIS GBN operates in the UK through UK establishment with its registered address at 1st Floor, The Monument Building, 11 Monument Street, London EC3R 8AF, Establishment Number BR018216 and in other European countries on a services basis. MAXIS GBN operates in the U.S. through MetLife Insurance Brokerage, Inc., with its address at 1095 Avenue of the Americas, NY, NY, 10036, a NY licensed insurance broker. MLIC is the only Member licensed to transact insurance business in NY. The other Members are not licensed or authorised to do business in NY and the policies and contracts they issue have not been approved by the NY Superintendent of Financial Services, are not protected by the NY state guaranty fund, and are not subject to all of the laws of NY.
2. Products and services in the United Kingdom are offered by MetLife Europe d.a.c which is licensed to transact insurance business in the United Kingdom. MetLife Europe d.a.c is an affiliate of MetLife, Inc. MetLife Europe d.a.c is not licensed or authorized to do business in New York and the policies and contracts it issues have ot been approved by the New York Superintendent of Financial Services and are not subject to all of the laws of New York.

Welcome to the UK Employee Benefit Trends Study 2017

The UK is in a period of unprecedented change. Businesses need clarity and insight to make their human capital decision-making more effective — which makes this edition of MetLife's EBTS particularly timely. Our 2017 report revealed that addressing employee stress — and, in particular, distractions due to financial concerns — can underpin a host of other benefits and engagement initiatives. How? By giving a sense of control back to employees, helping them enter a more certain world.

The pace and magnitude of change is inescapable in 2017, regardless of sector or business model. In the wake of the Brexit vote in June 2016, the UK is reassessing its relationship with the EU. Further geopolitical upheaval — including a Trump presidency as well as a slew of EU elections — is further adding to the uncertainty businesses face.

At the human level, cognitive technologies are starting to replace "real" workers. Changing demographics are forcing employees to consider their future in ways their parents never had to. Uncertainty seems to define not just the way businesses position themselves strategically, but how well employees are able to deliver every day at work. It means the broader employee value proposition is more important than ever.

The UK context: employment in flux

The UK economy faces unique challenges aside from Brexit. Productivity, for example, lags the G7 nations by 18%, according to the Office for National Statistics (ONS).[3]

Within businesses, the multi-generational workplace is a reality, posing new challenges — as well as new opportunities — for employee engagement. Employers still report talent shortages, which could be exacerbated by new limits on the movement of labour from the EU.[3]

UK household debt remains high at 87.4% of GDP: in the euro area, it's just 59%.[4] The Money Advice Service estimates 8.2 million UK adults live with debt problems.[4]

The UK savings gap, estimated by Deloitte[1] to grow to £350bn by 2050, may worsen as tight household budgets limit long-term savings.[5] Even with near-universal auto-enrolment into company pensions, a chronic low-returns environment has degraded retirement options for most people.[5]

It's not all gloom. A fresh focus on apprenticeships, for example, should create a pipeline of skilled workers. Salaries in 2016 did increase above the long-term trend.[5] And while Brexit may create medium-term uncertainties, it is not hard to find long-term forecasts of greater opportunity for individual sectors and companies.

All these factors combine for a fascinating backdrop to the 2017 MetLife UK EBTS.

In this Study…

Employee benefits can help employers build stronger businesses as well as provide real value to the employees that work for them. In the face of uncertainty, the findings of this report can serve as an invaluable guide to clearer decision-making around optimising benefits as part of a wider engagement and people strategy.

The focus for this year's report is wellness — not just the value gained from helping employees take responsibility for their own health, but also the benefits and services employers can offer to help them manage stress, gain a greater sense of financial control and, in turn, bring their whole selves to work. We know that less stressed employees are more productive and creative.

We will examine:

- The key benefits trends helping employers benchmark themselves.
- Why financial wellness can help motivate employees and maximise their performance.
- Why mental wellness may be an important as physical wellness.
- How benefits can be made to work harder — for sustainable bottom-line growth as well as employee engagement.

3. The United Kingdom's Office for National Statistics , 'International Comparisons of Productivity — Final Estimates: 2014', February 2016
4. The Money Advice Center, 'A Picture of Over-Indebtedness', March 2016
5. Deloitte, 'Meeting the long-term savings challenge', 2015

Market Profile

- **Economy:** The UK is the 10th biggest economy in the world (by purchasing power parity), with a GDP of $2,679bn (2015).[6] The UK is forecast to be the fastest growing economy in the G7 in 2016 at around 2.3%, slowing to 1.4% in 2017, then to 1.7% in 2018.[7] The UK is projected to run a deficit of £68.2bn in 2016/17 which projected to fall to £20.7bn in 2020/21.[7]
- **Population:** 64.4m (29.6% below the age of 25; 29.7% above the age of 55). Average life expectancy at birth is 80.7 years.[6]
- **Employment:** In 2016, the employment rate is at a record high of 74.5%.[7] Unemployment was 4.8% in the three months to September 2016.[7]
- **Healthcare spend:** 9.8% of GDP (13th in the OECD).[8] NHS spend for 2016/17 is budgeted at £120.6bn, an annual rise of £3.4bn (2005/06: £75.8bn).[9]
- **Insurance:** In 2014, 5.4m people in the UK had whole of life assurance, 0.6m term life insurance, 0.3m income protection and 1.9m private medical insurance.[10]

An extensive but stretched state benefits system

- Around 30 million people receive income from social security, worth around £205bn a year.[11] For the 2016/17 financial year, government expenditure is expected to be around £784.1bn — 20% of which will be state pensions, 18% health services and 14% welfare.[11]
- The deficit for NHS providers increased threefold on the previous year to £1.85bn in 2015/16.[12] New diagnostics have meant that the diagnosis of new cancer cases has increased to more than 350,000 over the past 40 years.[13]
- The state pension remains the largest outgoing for the Exchequer — although at just £119 per week (rising to £155 for some new pensioners), it is not considerable for each individual.[14] The pensionable age is rising to 67 by 2028 — and may increase further.[14]
- While occupational pensions remain common (around 33.5 million people are in a scheme, according to ONS),[12] defined benefit schemes are rare.[14] This leaves individuals with the responsibility of ensuring they are saving enough towards their retirement.
- By August 2016, 9.7 million employees had been automatically enrolled in a workplace pension.[15] This is a good result, but it's generally accepted that many people aren't saving enough towards their retirement.

6. From the CIA World Factbook 2016 estimate
7. Office for Budget Responsibility, 'Autumn Statement', 2016
8. OECD.Stat — latest figures are 2015
9. The NHS Confederation, 'Key Statistics on the NHS', Nov 2016
10. ABI Analysis, citing Office for National Statistics, Department for Environment, Food and Rural Affairs, 2016
11. Institute for Fiscal Studies, 'A Survey of the GB Benefit System', 2016
12. The Kings Fund, 'Deficits in the NHS', 2016
13. BBC, 'NHS cancer testing service at breaking point', November 2016
14. ONS, 'Occupational Pension Schemes Survey', 2015
15. Pensions Regulator, August 2016

UK Employee Benefits TrendWatch

Employers are taking a much broader view of the employee engagement challenge. Two years ago, physical wellness was a defining trend in our report. Those efforts are bearing fruit. Now, two more critical dimensions of the same trend are emerging: mental health and financial wellness. Employers need energised, focused employees who form a productive, reliable and committed talent force to enable them to compete and deliver sustainable growth. The problem they face is that we are all living and working against a backdrop of uncertainty that can leave employees distracted and disengaged.

The solution? An employee value proposition built around the whole individual that recognises their worries and responsibilities, makes it easy for them to take more control, and works creatively to motivate and reward them. This is no longer about a purely transactional relationship. Enlightened employers are finding ways to integrate all the complex facets of their employees' needs into a holistic offering.

Challenges and Opportunities for Employers[16]

	2015	2017
War for Talent: worries around talent shortages remain		
% of employers saying expect talent shortage in next 12 months	40%	46%
Challenges employers face		
Attracting employees	37%	39%
Retaining employees	41%	36%
Employers now using benefits as a tool to attract talent	61%	73%
Absence, Engagement and Productivity: despite reported absence increase, productivity and engagement have improved		
Productivity improvements: said it was better	37%	47%
Absence challenges: said it had increased	23%	26%
Engagement improvements: said it had improved	35%	45%
Presenteeism: said it had increased	N/A	32%
Wellness Programmes: evidence of embedding and appreciation is emerging		
Employees think their wellness programme has had a positive impact on their health	86%	88%
Employers are satisfied with the impact of their wellness benefits: "very satisfied"	21%	38%
Employee appreciation of benefits has increased, whilst satisfaction with salary has improved as well		
"I place high value on the benefits provided by my employer"	40%	55%
"I am paid fairly for the job I do"	25%	39%
Communicating benefits remains key: digital is making its mark with high scores for time-efficient approaches		
Improving the effectiveness of their benefits communications is an important objective	71%	75%
Improving the effectiveness of their benefits communications is a challenge	N/A	34%
Employers understanding of financial pressures on employees is increasing		
Employers said they understand the personal financial pressures on their employees	38%	52%

16. Note that in the following pages, unless otherwise stated all data referenced are sourced from the MetLife UK Employee Benefit Trends Study 2017 and 2015. For full details of research methodology, please refer to the Methodology.

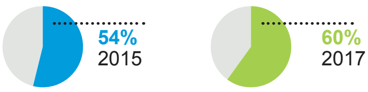
Financial wellness: stress, confidence and the key to productivity

How much responsibility should employers take for the financial wellbeing of their people? Salaries are a fair financial exchange for labour, after all. But more companies are realising that they can benefit by helping their people optimise their financial situation beyond a pay cheque.

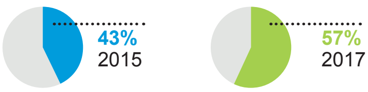
As recently as a generation ago, many workers could expect their employers to remove financial uncertainty from their old age with a 'final salary' pension scheme. Job security was strong, industries stable, credit was hard to come by (limiting debt) and the state provided for further education and housing.

In 2017, none of these apply. This Study showed that employees were:

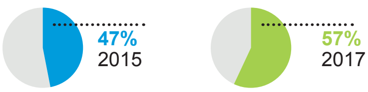
Concerned about their job security



Concerned about having financial security for their family in the event of their premature death

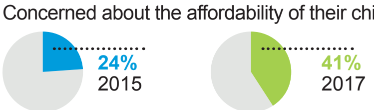


Concerned about financial security for their family if a principal income earner isn't able to work due to disability or serious illness



Concerned about having too much credit card debt

Concerned about the affordability of their children's education



The word "security" rings loud and clear here. How can employers help? At a simple level, benefits such as Group Life and Group Income Protection can help remove significant financial concerns related to negative life events.

Defining financial wellness

Someone who is 'financially well' is not necessarily rich, debt-free or sitting on a big pension pot. We define them as having:

- Control over day-to-day, month-to-month finances. They know what's coming in and what's going out.
- Capacity to absorb a financial shock — such as a period without work or a family illness.
- Confidence that they're going to meet financial goals — such as buying a house, funding a child's education or retiring on target.
- Choices that allow them to enjoy life as they might reasonably expect — affording a holiday, say, or being able to have a smartphone.

But this won't necessarily address the stress caused by day-to-day financial concerns that is besetting so many employees. When we look at coping with debts or bills, feeling in control of their finances and so on, the picture is darker. In 2017, 34% of employees said they are distracted at work due to financial worries. This is nearly three times as high as in 2015 (12%). Among the 18-30 group this time, it was 54%. Their worries are creeping into workplace attendance, too: almost a third said they've had unexpected time off in the last year to handle financial issues — up from 4% in 2013.

Why does this matter to employers?

"Productivity isn't everything," wrote Paul Krugman in The Age of Diminishing Expectations, "but in the long run it is almost everything."

Distraction and outright absence from work hurts productivity. This is particularly true in an age where growing numbers of workers are employed in knowledge industries and whose skills and expertise can't easily be reallocated to colleagues or temporary staff.

A report from Barclays found that, on average, lost productivity from employee financial worries hit profits by 4%. In the same study, 38% of employees said that they would move to a company that put their financial wellbeing as a priority.[17]

Managing financial stress is not just about managing the bottom line, it's a talent attraction and retention issue, too.

The business case for taking steps to improve employees' financial wellness is therefore more than just a simple act of benevolence. Done right, it's an opportunity to help employees become more focused at work, more engaged with their companies — and more productive.

By conducting a regression analysis across different questions in MetLife's EBTS, we are able to identify the key drivers of employee engagement, commitment and "workability" (a measure of an employee's sense that they can deliver at work).

Of the key drivers we looked at, financial control is the single biggest indicator of higher employee engagement.

A one unit increase in the "Sense of Financial Control" composite (i.e. employees giving higher ratings to statements such as "I am confident in my ability to make the right financial decisions for me/my family") correlates to a 19% increase in Employee Engagement.

That's higher than "Satisfaction With Salary" or even "Caring Boss". Those things are still very important. But the clear link between employee financial control and engagement — which includes statements like "to help this organisation succeed, I am willing to work harder than I have to," and "at work, I feel as though I'm bursting with energy" — shows why we're making financial wellness our focus this year.

From physical to financial

The use of wellness programmes is up from 11% in the 2015 Study to 35% in the 2017 Study, with 87% of UK-based employees agreeing it's had positive effect on their health. Financial planning, in particular around retirement, could be a core part of any company's benefit strategy.

Employers therefore have an opportunity to build financial wellness into their existing programmes. Our 2017 Study suggests employees are enthused by financial wellness benefits, too (see next page).

At its most basic, a financial wellness programme aims to reduce financial stressors, increase financial literacy and improve financial behaviour.

"Poor financial resilience affects all income groups," explained a recent paper from think-tank the Social Market Foundation. "[So] the answer isn't just higher levels of pay. Instead, employers need to help their staff to learn healthy financial behaviours and build financial resilience."[18]

17. Barclays, 'Financial Well-being: The Last Taboo in the Workplace?', 2014

18. Social Market Foundation, ''Working Well: How employers can improve the wellbeing and productivity of their workforce', January 2016

Next week, next year, next generation

As we mentioned earlier, the challenges of meeting day-to-day financial obligations are really starting to bite: 39% of employees said they are living payday to payday, a big rise on 2015 which was 24%. This is echoed by employees who said they sometimes have trouble paying bills: up from 18% in 2015 to 38% this year. This is markedly worse for the under 30s (see chart) — and worse still for the 31 to 40 year old sandwich generation who often face the additional financial burdens of caring for both children and parents.

In the face of increasing financial pressure, how prepared do employees feel for what's round the corner? Not very, it seems. The proportion of employees who reported they don't plan too far ahead 'because things might change' is up from 23% in 2015 to 39%. Their worries around job security appear to be permeating much of their decision making.

Tougher times — especially for Generation Y

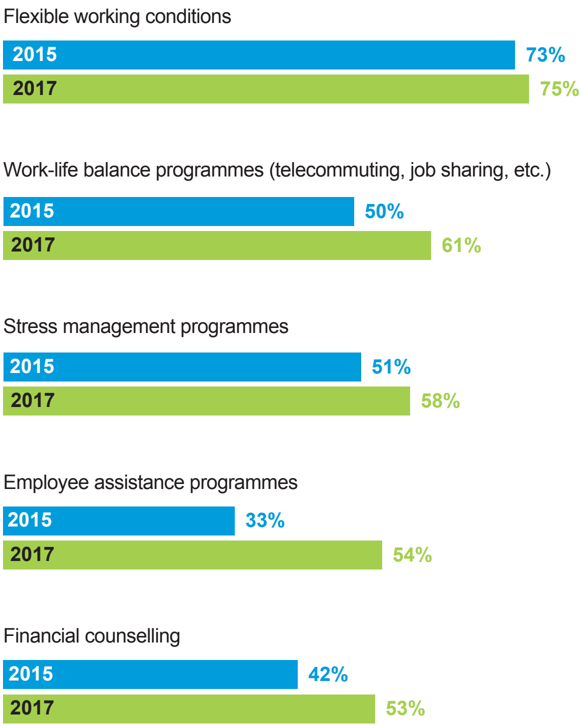
	2015 (all)	**2017** (all)	**2017** (u-30s)
I have limited time to do the necessary research to make the right financial decisions for me and my family	31%	42%	62%
I sometimes have trouble paying for my outgoings	18%	38%	50%
I live payday to payday	24%	39%	50%

Pensions: beyond auto-enrolment

Retirement provision is an important part of most employers' benefits strategies. Auto-enrolment (AE) makes this a fertile area for financial wellness, especially as the legislated minimum contributions fall way short of most people's projected pension needs.

The establishment of AE is reflected in a significant change from the 2015 UK EBTS, with the proportion of employees reporting that their employer offers pension planning increasing from 20% in 2015 to 47% this year. But there are other factors at work.

Percentage of employees interested in…



Employees are starting to appreciate they will live longer and require more medical interventions than their parents.

An increasingly pressurised National Health Service — and state pension — make an uncomfortable old age seem more probable.[19]

It doesn't seem to be that people don't want to save. 45% of employees said they were already saving all they can into their pensions. But despite this, more than a quarter said they are behind with their retirement savings.

With the prospect of prolonged low interest rates challenging investment returns, working out ways to enhance employees' long-term financial wellness is a clear opportunity for employers, either via their AE scheme or communication sessions hosted by their pension providers.

Delivering financial wellness benefits

Research from the US suggests that companies offering a blended approach are likely to see the biggest gains in employee engagement and productivity. The team at the Center for Social Development at Washington University in St. Louis suggest a four-point plan:

- Traditional interventions — such as income protection or health cover to reduce financial stress around illness and/or a robust pension scheme with strong incentives (such as matching) for employees to save can address long-term financial worries.
- Behavioural economics — how to structure choices for people and how we 'nudge' them into taking better and more timely financial decisions.
- Financial education — including coaching and counselling around basic financial concepts such as compound interest, APRs or household budgeting.
- Access to finance — which might include benefits like employee assistance loans.

A team spokesperson explains: "It looks clear from our research that continuous interventions are key. The least effective measures are one-time hits — a quick course of budgeting, for example."

For lower-paid employees, financial stress is ever present. Short term demands such as mortgage payments, rent or utility bills tend to crowd out saving and retirement planning. It's here that aspects of Employee Assistance Programmes (EAPs) can help.

Financial benefits on the rise

Financial counselling, investment advice, retirement planning and other forms of support are all important. But in the research supporting this Study, we noted that explicit financial support has become more popular.

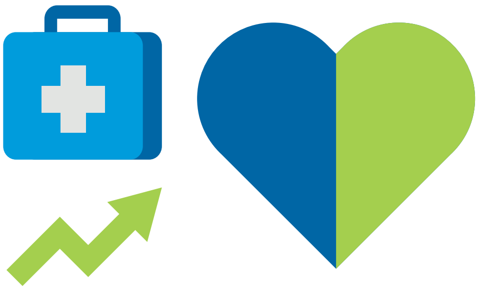
Employees also told us they were "highly likely" to acquire financial management products from their employer, even when they weren't subsidised. Salaries are important, but employees also valued guidance on how to make them work harder.

Financial planning benefit

19. Pensions Regulator, August 2016

Mental and physical health: completing the circle

Financial wellness is a relatively new kid on the block. Physical wellness programmes are better established, and alongside mental health measures, they represent a great way to motivate employees and help maximise their contribution. As our workforces get more diverse and become older, the importance of a broad wellness offering will only increase.



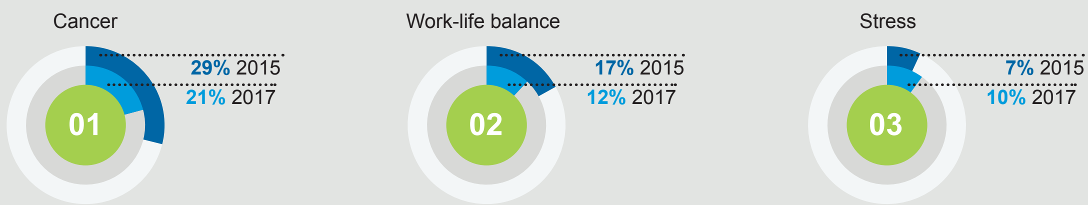
We are seeing changes in attitudes to benefits between our 2015 and 2017 UK EBTS, reflecting employees' concerns about the stability of their futures in the face of uncertainty.

One constant, however, is the value employees place on wellness programmes:

86% reported them having a positive impact on their health in 2015, **87%** in 2017.

Employees number one health concerns

We asked employees what their 3 most serious health concerns were. It's a useful barometer of the conditions health benefits should address and helps with targeting wellness programmes. This year the top three number one concerns were:



Whilst cancer and work life balance are worrying employees less during 2017, concerns about stress have increased. This may be a clear sign, alongside numbers two and three, that mental wellness should be a key priority for employers looking to help their employees deliver their best at work.

But that doesn't mean the picture on wellness is static. As their concerns show (see box on previous page),

Mental wellness is now an increasingly important determinant of employees' ability to engage at work.

And while step-counters, fitness classes, gym membership and a host of other physical wellness programmes are easy to position within a broader benefits package, mental health resources are a tougher proposition but equally, if not more, important.

Healthy minds in healthy bodies

Our research into the financial services industry showed that 67% of employees were considering leaving their jobs in the next 12 months if stress levels did not improve. The all-sector EBTS this year echoes that finding. Of the 28% of employees who are open minded about working for a different employer in 2017, 27% said they would stay if their current employer could reduce their workplace stress.

Dedicated wellness champions could help managers spot the signs of mental health issues among employees.

Good communication of mental health and mental health programmes should give employees more confidence to discuss them with team members, as well, perhaps enabled by mental health awareness training. It appears that 54% of employees would be interested in using employee assistance programmes and 58% stress management training if they were offered.

Ready for more diverse needs?

In physical wellness the picture is evolving as well.

Rising awareness of increasing longevity coupled with more limited state support is changing expectations around people's retirement age:

13% now see 70 as realistic age compared to **4%** in 2015.

Older workers may face different wellness challenges than younger people — for whom job security, financial planning and stress are more acute needs.

Our EBTS reports on other countries and in the 2015 UK report have highlighted the value of flexible benefits and excellence in benefits communications. Regression analysis of our data seems to show that employees who are more aware of their benefits packages tend to value their employers more and express more engaged sentiments towards the workplace.

The increasing emergence of physical and mental wellness needs reinforces our conclusions. Based on our Study, it seems that companies could benefit from communicating their benefit programs better. In 2017, 39% of employees said their company's benefits communications effectively educate them, down from 52% in the 2015 Study. A wake-up call for employers that it's critical to get to grips with creating and implementing effective communications programmes.

Productivity and engagement as drivers of sustainable growth

The UK productivity puzzle continues to obsess politicians and business leaders alike. The government has launched a national productivity investment fund worth £23bn — but at the company level, a key lever seems to be better employee engagement. Our Study shows that if your employees love coming to work, their output is raised.

It's evident from our research, and from other studies in the field (see box), that there's a link between employee engagement and a host of bottom-line metrics.

Employees who value their benefits, are less stressed (about finances and other issues) and feel supported by their managers, are less likely to leave, more loyal and better able to deliver at work.

An efficient, productive workforce is the key to sustainable business performance.

No wonder three-quarters of the employers surveyed rated productivity as one of the most important reasons to offer benefits. Only increasing job satisfaction (80%) and employee retention (75%) are more commonly cited.

A core business objective seems to attract, retain and develop employees that themselves create and sustain an energetic workplace culture. This is now a question of business value and competitiveness, not just cultural values. Sustainable growth now rests on whether a firm's people are engaged and healthy enough to adapt to new opportunities, rapidly shifting circumstances and disrupted markets.

Making the link: engagement and sustainable productivity growth

A University of Warwick experiment showed happiness made people around 12% more productive.[20]

Queens School of Business and Gallup showed disengaged workers had 37% higher absenteeism and 49% more accidents; firms with low employee engagement faced 18% lower productivity, 16% lower profitability and 65% lower share price over time.[21]

Hay Group found that employees with high levels of both engagement and enablement are 50% more likely to exceed performance targets.[22]

The Kings Fund found that NHS staff with high levels of engagement had less work-related stress; an increase of one standard deviation in engagement equals a saving of £150,000 in salary costs alone for an average acute trust.[23]

20. University of Warwick, 'Happiness and Productivity', February 2014

21. Harvard Business Review, 'Proof That Positive Work Cultures Are More Productive', December 2015

22. Hay Group, 'Are you missing something?', January 2015

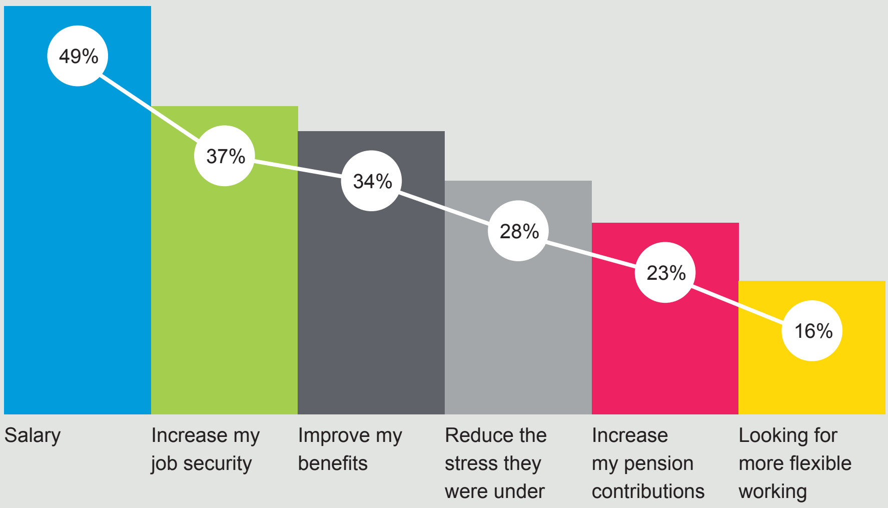
23. The Kings Fund, 'Employee engagement and NHS performance', 2012

The connection between wellness, engagement and performance was summed up by Engage for Success (EFS) taskforce member and former Olympic Delivery Authority HR director Wendy Cartwright. In EFS's research, "We found that individuals, teams and organisations work most productively for sustained periods where there are high levels of engagement and wellbeing. With high engagement but low wellbeing, there is a risk of burn-out; high wellbeing and low engagement means employees may be feeling generally satisfied, but are unconnected to the organisational purpose."[24]

The ties that bind

Fears around job security over the last couple of years appear to have incentivised employees to seek other employers at their own volition, rather than due to redundancy or retirement. In the 2015 Study, only 10% said they were thinking about leaving in the next 12 months. In 2017, 28% are.

So, talent retention remains critical for employers if they are to avoid the cost and disruption of looking to replace valued employees. What tools can they use? Whilst salary is still number one, with 49% citing it as a reason to stay, other less blunt instruments may be available:



24. Employee engagement closely tied to health and wellbeing', 2014

Flexibility for agility: making benefits work harder

The trends around wellness highlight another, longer-term shift in the benefits landscape: personalisation. Employees have unique needs and benefits providers are responding by offering flexible packages enabled by digital technologies.

It seems that "agile", "disruptive" and "digital" are forces every business has to learn to embrace. For larger firms, the challenge is bureaucracy — shifting from one-size-fits-all scale solutions to tailored and adaptable employee engagement.

In smaller businesses, lack of scale can be a barrier. While informal wellness efforts such as company sports or hands-on management can be easier in small companies, they often lack the funding and personnel to deliver a co-ordinated programme geared to clear business outcomes.

Medium-sized businesses often get the worst of both worlds: structured benefits and wellness programmes, but limited HR and communications resources to make them work hard.

Diversity of approaches

Digital solutions are changing the picture at both ends of the spectrum.

Many benefits providers and benefits consultancies can offer flexible benefits on platforms designed to minimise upfront investment and management intervention.

MetLife's EBTS results showed why this may be important: 74% of employers told us that they saw "managing the diverse needs of employees" as an important reason to offer benefits — as many had cited improving health and wellness, managing costs or driving productivity.

38% of employees believed that having benefits customised to meet their needs would increase their loyalty to their employer, up from **29%** in 2015.

It seems that good communication to drive benefits awareness remains key (see box). With a third of employers who reported communicating benefits was a challenge, this is where providers and benefits consultants can help.

The role of digital communications is becoming even more important: 55% of employers said that social channels were effective, up from 19% in 2015. Webinars are now rated more highly too: up from 38% to 56%. Mobile apps are a big climber, up from 41% to 61%. As communications professionals know, a blended approach is always best: face to face interaction still has a role with group meetings and cited by 62% of employers as effective.

According to our Study, communication tools seem to be worth the investment, as 55% of employees said they valued their benefits, an increase from 40% in 2015. While salaries appear to remain a blunt instrument — doing little to build employee engagement, address stress or tackle problems like presenteeism — awareness of benefits allow employers to meet much broader objectives.

Most important benefits strategies

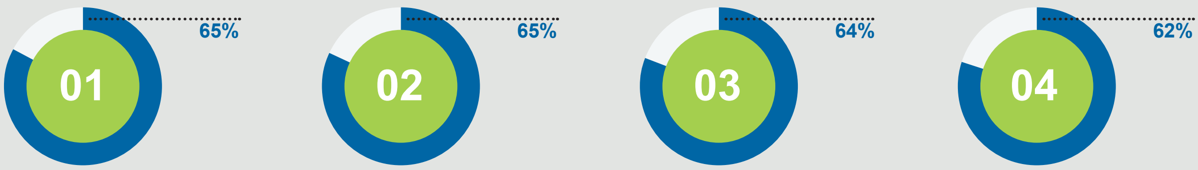
We asked employers to tell us the importance of a number of benefits strategies for their business. The top four were:

Providing benefits designed to better balance work and personal life

Improving the effectiveness of benefits communications

Providing a wide array of voluntary benefits that meet employees' diverse needs

Being able to comply with legislation requirements



A healthy mix then — and a reminder that a well-structured, well-communicated benefits programme that's got built-in flexibility may be able to meet many organisational needs.

Conclusion

Rounded employees, stronger businesses

For years, employers have been trying to encourage their people to 'bring their whole selves' to work. Our 2017 Study suggests they are now taking more holistic approaches to that task. Insurance, pensions, working conditions, physical robustness, mental health and now financial wellness seem to be all crucial facets of employee engagement that employers can nurture.

Our Study found that building strong foundations to address the challenges and rise to the opportunities may not be complicated. Neither is it expensive. Some suggested basic best practices include:

1. Commit to bringing more certainty to your employees

In an uncertain world, where employees are looking nervously at their job security and financial wellness against a volatile economic and political backdrop, employers who offer stability may benefit. Talent shortages remain a reality but many employees seem to remain with companies that offer them the ability to manage their lives better and enter a more certain world.

- Providing income protection to the entire workforce removes a significant financial worry from employees. The myth that employees will go "off sick" if they know they have protection in place should be ignored: if you have a nurtured and engaged workforce they won't seek out reasons to not be at work.

2. Consider giving financial wellness prominence in your benefits strategy

Our Study shows that physical and mental wellness programmes may help employees "bring more of themselves to work", boosting productivity. Given growing levels of financial insecurity, helping employees address this major cause of stress could pay dividends. For well-established benefits programmes, this may be a small step.

- If you have income protection in place, tell employees they have it and explain the wider benefits that come with it. EAP can help with a raft of day to day challenges and some partner with specialist debt charities to help provide advice to employees struggling with financial stress.

3. Make good communication a continuous commitment

Good benefits communications appear to be essential. Enlightened employers understood that a blend of communications is most effective, and that "once and done" is not enough. Employers that do a good job of getting employees to appreciate and access their benefits see much greater positive effects than those who struggle. Try to make the best use of both digital and face-to-face communications and adjust your approach as new technologies come online and in line with employee feedback.

- MetLife's customer relationship managers are dedicated to helping employers communicate the value of MetLife's products to employees. Employers can draw on their support to help maximise the impact of their benefits communications programmes.
- MetLife's bereavement and probate toolkit has all the elements employers need to communicate not just the component parts, but guidance on what to do if there is a bereavement that impacts the workplace.

4. Meet employee needs on personalisation

Thanks to technology and on-demand business models, employees have become used to customer-centric services and high levels of personalisation in their daily lives. Delivering flexible, customisable benefits at work is now looking like a must-have, rather than a nice-to-have.

- MetLife's Flexible Group Life is available for schemes with 250 or more members and can be tailored to employees' needs at different life stages.
- MetLife can help with templates and wording for benefits websites and our own website is a great resource too.

This Study reveals the impact that uncertainty is having on employees and in turn the challenges this brings for employers.

However, every challenge brings opportunities and enlightened employers could use this moment in time to look closely and with urgency at how they can strengthen their organisations to make them more fit for the future.

In an uncertain world, the value of certainty increases: whether that's the peace of mind that comes with knowing we are protected should the worst happen or the knowledge that we are in control of our finances.

It is time for a new approach to Employee Benefits: one that starts with the workforce and is driven by employee needs.

For information and insight stay connected with MetLife.

Methodology

MetLife's UK Employee Benefit Trends Study was conducted in September 2016. It was an online quantitative study among 600 employers - 300 offering employee benefits and 300 not offering employee benefits - and 301 employees about their attitudes, options and current practices. All employees were full-time private sector workers receiving employee benefits in companies with more than 10 employees.

Demographic Profile of the Employer Sample offering benefits:

- 300 UK based HR representatives and HR decision makers
- 31% representing firms with 10-49 employees, 36% representing firms with 50-499 employees, 33% representing firms with over 500 employees
- Industries include technology and software (18%), manufacturing (13%), retail (11%) and services (11%). Public sector and third sector were excluded
- 42% represent firms operating in 1-2 countries, 34% in 3-5 countries, 24% in firms in 6 or more countries
- 90% headquartered in the UK, 5% Europe, 5% elsewhere
- 59% male, 41% female

Demographic Profile of the Employer Sample not offering benefits:

- 300 UK based HR representatives and HR decision makers
- 54% representing firms with 10-29 employees, 23% representing firms with 30-49 employees, 23% representing firms with 50-99 employees
- Industries include retail (19%), services (14%), technology and software (14%) and construction (11%). Public sector and third sector were excluded
- 93% headquartered in the UK, 3% US, 4% elsewhere
- 62% male, 38% female

Demographic Profile of the Employee Sample:

- 301 UK employees responsible for household finances
- Industries include finance, insurance, and real estate (8%), technology and software (8%), retail (12%) and services (12%)
- Public and third sectors excluded
- Roles include: directors (9%), executives (9%), assistants, analysts and coordinators (17%) and managers (various) (38%)
- 23% work for firms with 1,000+ employees, 23% for firms with 10-49 employees, 54% for firms with 50-999 employees
- Age breaks: 18-30: 23%, 31-40: 34%, 41-50: 23%, 51-60: 17%, 61+: 3%
- 100% in receipt of employee benefits
- 55% male, 45% female
- 54% have children

For the purposes of the this report, we blended the responses of employers with and without benefits to give a balanced view.

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 11 additional markets since 2013, 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); 2015 (United Kingdom, India, China, Egypt); and 2016 (Australia, United Kingdom).

For additional information, visit us online:

MetLife UK: www.metlife.com.au/ebts

MetLife Global Benefit Trends: benefittrends.metlife.com

MAXIS: www.maxis-gbn.com

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, employee benefits, annuities, and asset management. MetLife is a leading provider of innovative employee benefits with employee benefits operations in more than 40 countries.

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