

The Road Ahead:

How Small Businesses Can Adapt to the Trends Transforming the Workforce

**A report based on MetLife's 19th Annual
U.S. Employee Benefit Trends Study 2021**

Introduction

More than a year into the COVID-19 pandemic, the resilience of American small business owners has been put to the test as they navigated unprecedented business restrictions, a prolonged economic downturn, and uncertainty surrounding pandemic relief initiatives. For many, it has been a fight for business survival.

Even as the pandemic wanes and communities emerge from the restrictions, small businesses find themselves once again calling upon the resilience of their employees to help drive the recovery. However, the dynamics of the work-life environment are changing. With the pandemic, a polarizing political environment, and heightened racial tensions as contributing factors, employees are feeling the pressures of uncertain or heavier workloads, long-term work from home or workplace safety stressors, and health and financial concerns. As a result, employees are looking to their employers for support.

While small business owners recognize how important employee resilience will be for their recovery, they may underestimate shifting employee needs and expectations, as well as the critical role holistic well-being strategies can play in fostering a more resilient and productive workforce.

Resiliency and the Recovery



3 in 4

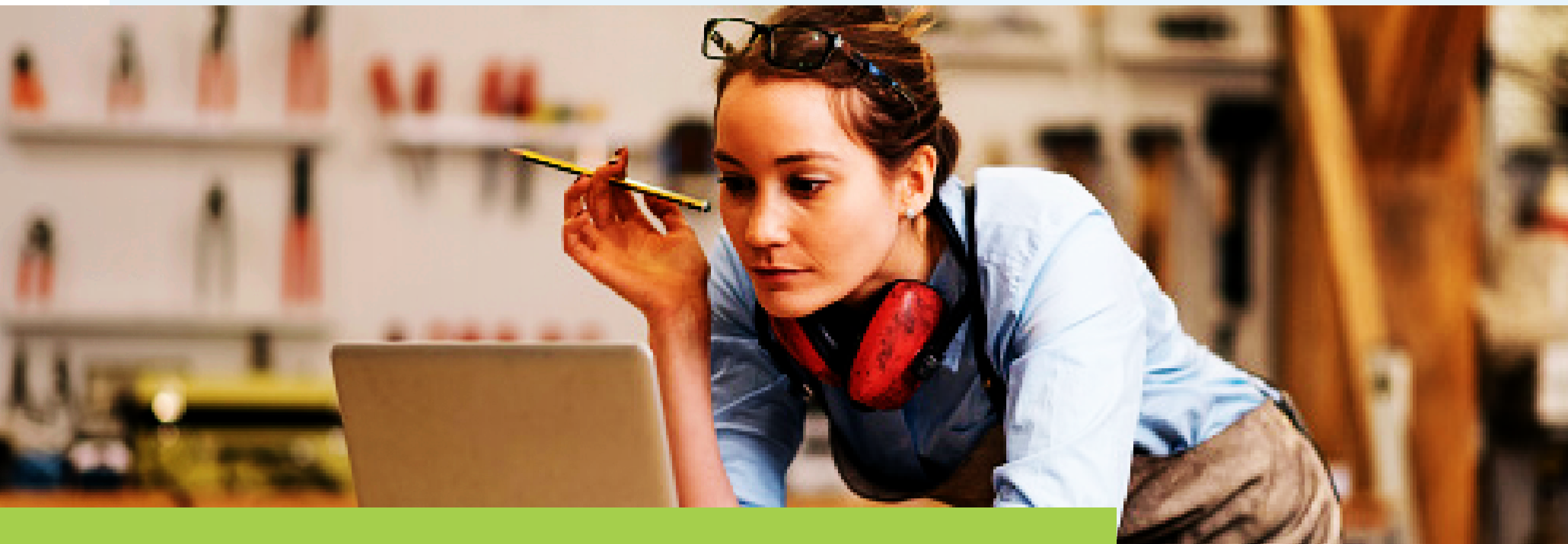
small business employers say employee resilience is important to business recovery.

▼6%

Small business employees who say they feel resilient compared to July 2020. (The decline is 2x more than employees at larger companies.)

MetLife's annual U.S. Employee Benefit Trends Study explores the perspectives of small business employers and employees to provide a timely view of evolving needs, concerns, and priorities. This year's 19th Annual Study explores the trends over time and the far-reaching implications of the pandemic.

The annual research is complemented by MetLife's collaboration with the U.S. Chamber of Commerce, which produces a quarterly Small Business Index measuring small business owners' perspectives on the latest economic and business trends. This report brings together findings and insights to present a unique and timely look at small business employer and employee concerns, along with practical, actionable steps small businesses can take to enhance the holistic well-being of their workforce.



In this Report:

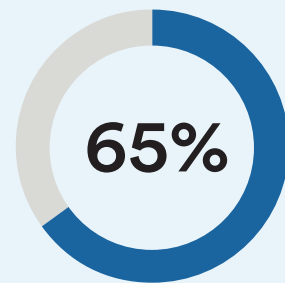
- **Here and Now:** What matters to small business employers and their employees
- **A Holistic Approach:** The impact of improving employee well-being
- **A Look Ahead:** The challenge of hiring and keeping employees
- **Navigating the Recovery:** The strategic role benefits can play
- **Action Items:** 5 forward-looking steps small business employers can take

Here and Now:

What Matters to Small Business Employers and Their Employees

By nature, entrepreneurs blend optimism and pragmatism as they adapt and grow their businesses. Midway through 2021, after months of dealing with the extraordinary challenges of the global pandemic and economic uncertainty, the MetLife and U.S. Chamber of Commerce Small Business Index shows small business owners are becoming more hopeful, with 65% saying the worst of the pandemic is in the past. This is a significant jump – +21 points – from December 2020.

Cautious Optimism



of small businesses say the worst of the pandemic is in the past.¹

Still, 64% remain concerned about the impact of COVID-19 on their business.¹

The rising hope is tempered with small business employers' concerns reflecting the ongoing impact of the pandemic. With worries about contracting the virus and employee productivity at the top of the list, most small businesses also express concerns regarding compliance, remaining in business, and protecting jobs.



In contrast to larger companies, small businesses prioritize avoiding or reducing layoffs over longer-term goals of attracting and retaining talent. This concern reflects the pandemic's impact on the often close-knit relationships between small business owners and their employees as they work side by side to adjust to changing conditions and keep the business running.

Top 5 Concerns for Small Business Employers



For their part, small business employees are also concerned with safety and protection as a result of the pandemic. Sixty-seven percent say the safety and protection of their family are more important than ever. And 44% look to their employers and workplace benefits for help in addressing these concerns, agreeing that employers should play a greater role in the safety and protection of employees and their families. Compared to their counterparts at larger companies, small business employees are slightly less satisfied with the safety and protection measures implemented by their employers.

Small Business Employees Are Less Satisfied With Safety and Protection Measures



Financial stress is also a significant concern for small business employees, with 87% citing their finances as a top concern both now and in the future. Aligned with employer concerns about productivity, 28% of small business employees say financial worries make them less productive at work.

Financial Stress Affects Productivity

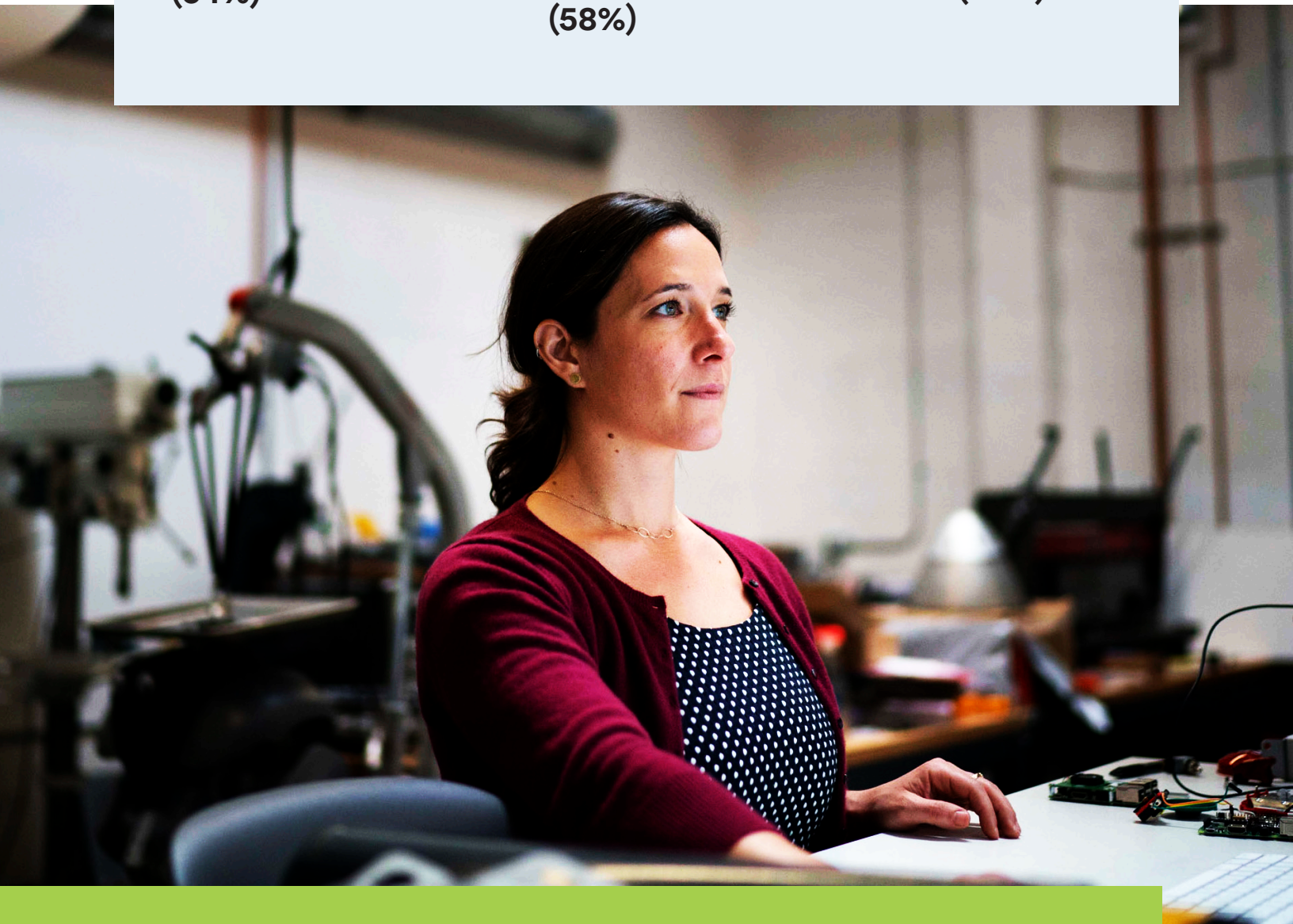
87%

of small business employees say finances are a top source of stress.

28%

say they're less productive at work because of financial worries.

(+5 percentage points compared to April 2020.)



A Holistic Approach: The Impact of Improving Employee Well-Being

Financial health, along with physical, mental, and social health, represent the interconnected pillars of holistic well-being. More than half of small business employees are concerned with each of these categories. The shared concerns mean that employer strategies and programs addressing the spectrum of employee well-being are likely to have the most impact on employees, and therefore, on business objectives relying on employee productivity and resiliency. However, when it comes to understanding and addressing holistic well-being, small business employers and employees may not be on the same page.

Evolving Employee Needs

Small business employees are feeling the effects of a difficult year. Thirty-five percent report feeling stressed while working at least half of the time, while nearly as many (28%) say financial stress has made them less productive. Thirty-two percent sought help for stress, burnout, or mental health issues in the past year, compared to 23% of employees at larger companies.



Across all aspects of holistic well-being – financial, physical, mental, and social – approximately one in four small business employees say their well-being has worsened in the past year. In addition, small business employees are more likely to express concern in each area compared to employees working at larger companies.

Small Business Employees:

Concerns About Well-Being in the Wake of COVID-19...



As small businesses assess the needs of employees and look ahead, 68% predict employee well-being will have a major impact on the workplace of the future, followed by the ability to work remotely, flexibility of work hours, and employee mental health. Even pre-pandemic, employee stress and burnout have been on small business owners' radar, with 48% citing burnout as a concern in 2019.

What Factors Will Affect the Small Business Workplace of the Future?

Employee well-being is predicted to have the greatest impact on the workplace of the future



The ability for employees to work remotely



Time-shifting and working hours flexibility



Employee mental health, stress, and burnout





Closing the Gap Between Employer and Employee Perceptions

Overall, small business employees have a positive perception of their employer's care and commitment to their well-being. In fact, 58% believe their employer has their best interests in mind, a five-point increase over 2020. Still, there are notable differences between employee expectations and employer points of view.

Valuing Flexibility

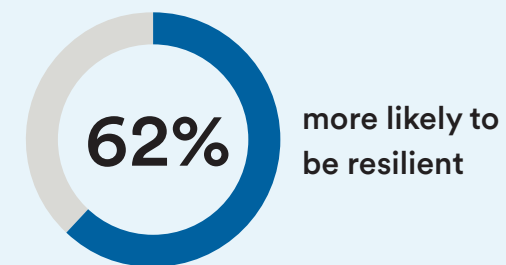
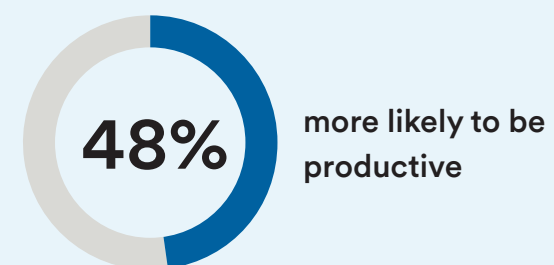
The pandemic accelerated the remote working trend. Forced by the pandemic, many companies and employees shifted to working from home. Along with proving it could be done, the increased flexibility was popular with many employees.

Today, six in ten small business employees say their employer provides the flexibility they need to manage their work and life. In contrast, seven in ten small employers believe they are providing adequate flexibility to employees. This perception gap may have repercussions as companies ask employees to transition back to the office from working at home.

After experiencing the flexibility of working remotely, many workers now consider having the option to work from home at least part of the time as a primary reason for remaining with their employer. Surveys show that up to 39% of employees say they would consider quitting their job if the company doesn't offer the flexibility to work from home at least part of the time.²

The Flexibility Factor

When small business employees feel their employers provide the flexibility they need, they are:



Estimating Financial Health

Many small business employers also overestimate their employees' financial well-being. Overall, the small business workforce is younger, earns a lower average income, and is more likely to have a second job compared to employees who work for larger firms. And 45% report living paycheck to paycheck.

The Small Business Workforce

49%

Are under age 40

42%

Earn less than \$50,000 per year

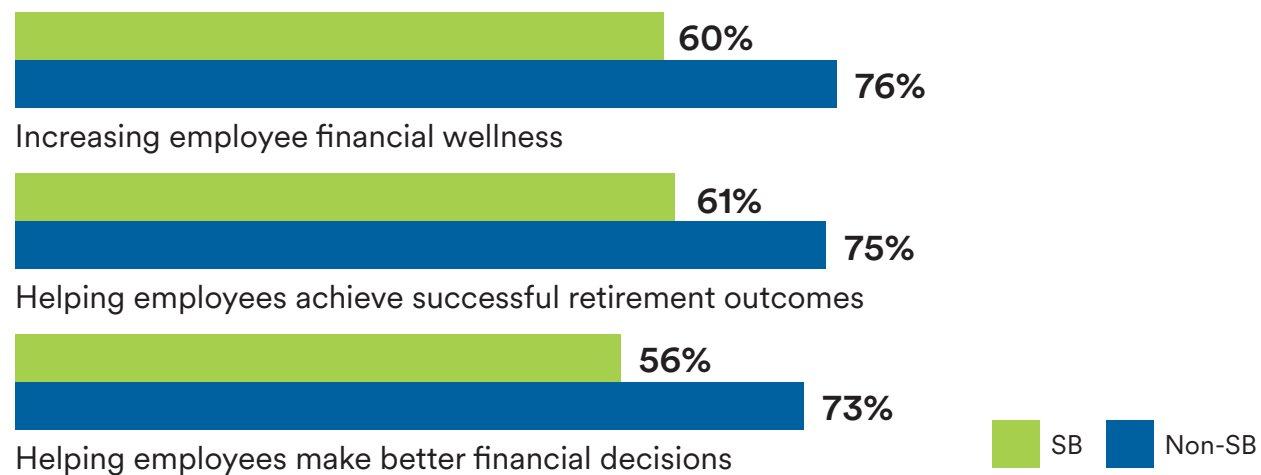


1 in 4
Have a second job

While 87% of small business employees say their finances are a top concern, small businesses are significantly less likely than larger companies to prioritize initiatives and benefits to help employees improve their financial wellness, save for retirement, or make better financial decisions. As a result, 28% of small business employees say financial concerns reduce their productivity at work. And only 53% say they feel confident about their current financial situation, compared to 62% of their peers at larger companies.

Small Business Support for Financial Well-Being Lags

Importance of employer objectives around employee finances



A Look Ahead: The Challenge of Hiring and Keeping Employees

The economic downturn tied to the pandemic has different characteristics from past recessions. For example, the stock and housing markets have continued to boom, and retail sales appear to be rebounding quickly. Still, there are concerns that companies may be facing a mass exodus of employees in a short period of time due to resignations put off during the pandemic or inspired as people reevaluated their priorities, including where, when, and how they want to work.

Economists are calling the potential trend the “Great Resignation.” However, experts say, the hype may be overblown. Despite all the talk – and some trends toward people shifting careers post-pandemic – the number of employees leaving their employers is expected to align with pre-pandemic rates.

Perhaps more concerning is the difficulty many small business owners are reporting as they look to fill open positions. According to the MetLife and U.S. Chamber of Commerce Small Business Index, one-third of small businesses plan to increase their staffs in 2021.¹ But, in many cases, finding the right person is proving to be a challenge.

The U.S. Bureau of Labor reports there are only 1.1 available workers for each job opening.³ Skill gaps between open positions and people seeking jobs are a major factor – and

have been since well before the pandemic. A February 2020 survey by the U.S. Chamber of Commerce Foundation found that while the demand for skilled workers is greater than ever, appropriate talent is often scarce. Seventy-four percent of hiring managers agreed there is a skills gap in the labor market, and 48% said candidates lack the skills needed to fill the open jobs.⁴

Even when skill gaps are not an issue, wages and benefits are playing a role. Workers who traditionally filled minimum wage or tips-based service positions have new options as larger employers raise their minimum pay levels or expand benefit offerings to attract new hires. If smaller businesses are unable to compete with these companies for applicants, many may face difficult decisions to limit the days or hours their business is open or operate at reduced capacity because they're unable to fill open positions.

Along with providing a flexible and supportive workplace culture, small business employers can optimize their employee benefits strategies to help them tackle the dual challenges of finding and keeping top talent.

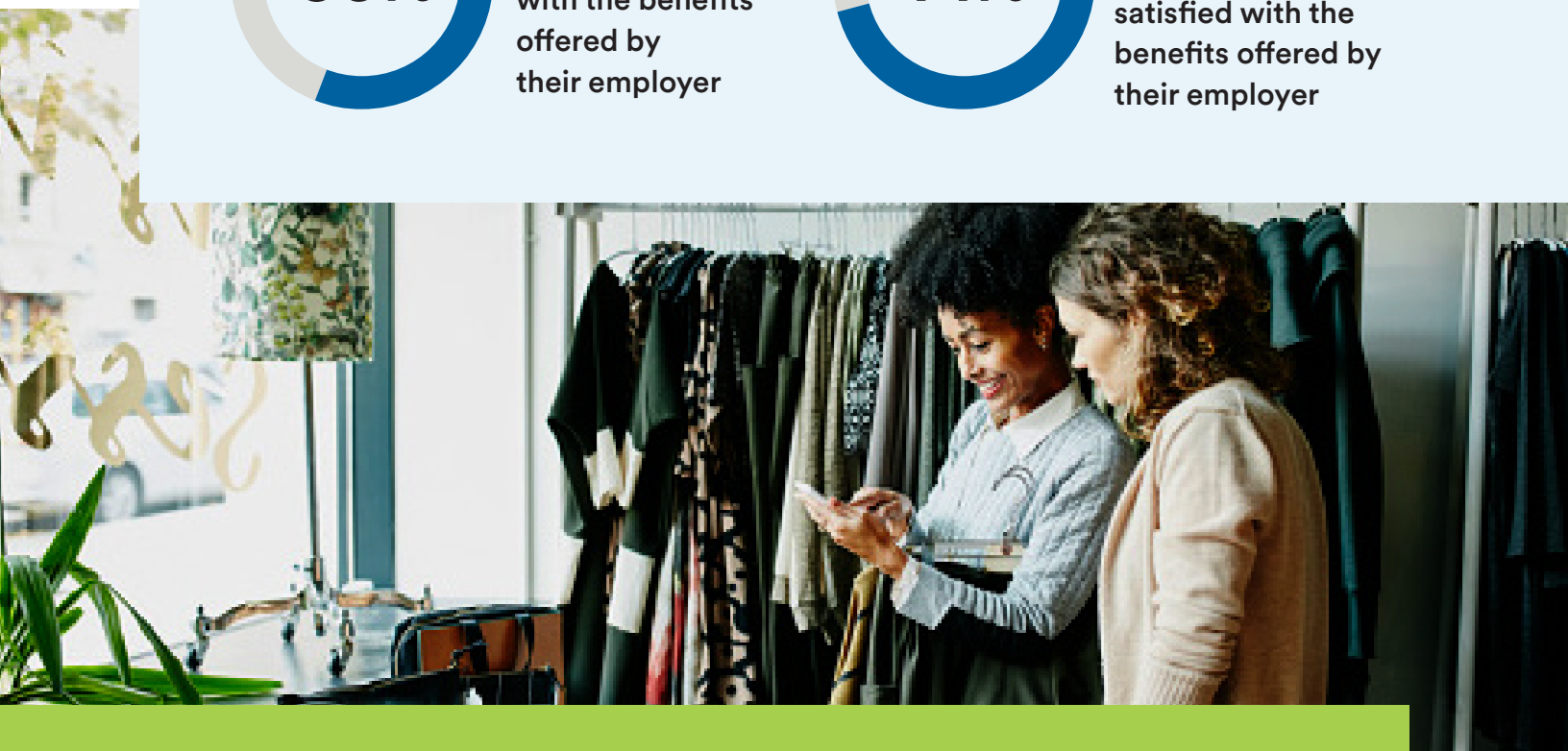
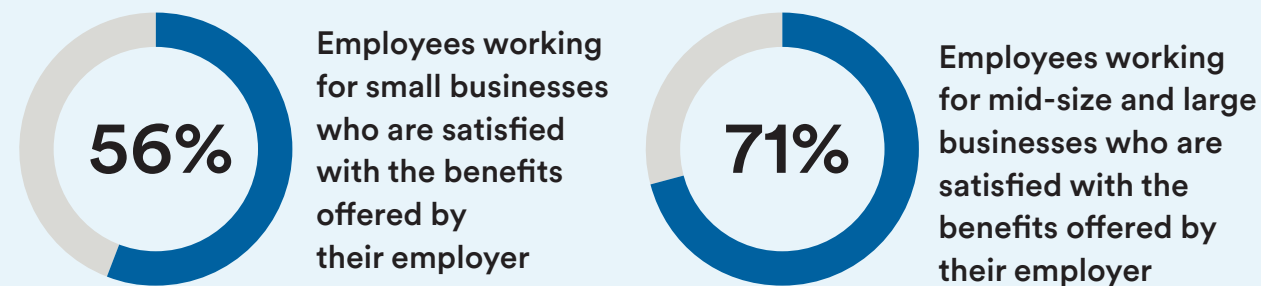


Navigating the Recovery: The Strategic Role Benefits Can Play

As employees look to their employer for greater support in lessening stressors and improving their holistic well-being, and small business employers take on the challenges of attracting and retaining the workforce they need, employee benefits can play a pivotal role.

By definition, benefits provide protection and support to employees when they need it most, helping them manage unexpected expenses that can destabilize their well-being. Fifty-six percent of small business employees say they are satisfied with the benefits available through their employer – a five-point increase since 2020. However, small business benefits satisfaction levels are still significantly lower than mid-size and larger companies’.

More Small Business Employees Are Satisfied with Their Benefits (But Satisfaction Still Lags Overall Rates)



The Growing Importance of Benefits

The pandemic put a spotlight on the protection provided by workplace benefits, with many employees taking a fresh look at the options available to them and how they align with their financial, physical, mental, and social health needs. Today, 55% of small business employees see their benefits as more important because of the pandemic. But they’re less likely to say their current benefits package helps to reduce their overall stress compared to employees at larger companies.

Employees feeling their current benefits package helps to reduce their overall stress



Benefits can play a role in employee satisfaction from day one. Nearly half (48%) of small business employees say the benefits offered by their employer were an important reason why they came to work for the organization. Once they’re on board, employees who are satisfied with their employee benefits options are more likely to be engaged, productive, and resilient at work. They’re also significantly more likely to feel motivated, valued, and appreciated.

Small Business Employees Who Believe Their Employer Offers a Benefits Package that Meets Their Personal and Household Needs Are:

- +18%** more likely to be productive
- +36%** more likely to feel engaged
- +37%** more likely to feel resilient
- +45%** more likely to feel motivated
- +54%** more likely to feel valued/appreciated



This is good news for small business employers and highlights an opportunity to leverage their benefits strategies to help create a more resilient, productive workforce – and drive recruiting and retention objectives. However, many small businesses may not be optimizing the strategic potential.

Even though more than half (54%) cite attracting and retaining top talent as a major challenge and three-quarters (74%) believe providing a wide variety of benefits helps with recruitment and retention, small businesses are less confident that their benefits offering meets their employees’ needs. And, despite these concerns, small businesses are less likely to say they plan to expand their offering. In fact, one-third of small businesses plan to reduce their benefits program or have already done so as a cost-saving measure.

A Missed Opportunity?

Employers saying they offer a range of benefits that meet employees’ personal and household needs



A Small Business Benefits Blueprint

Going beyond the benefits basics doesn’t always require a significant investment in terms of money or time. Often, small businesses can enhance their benefits offering without increasing their budget by adding voluntary benefits that supplement medical insurance and retirement plans. For employees, having access to a range of benefit choices they can choose from based on their individual needs is an appealing and convenient way to address their well-being amid changing circumstances and protection priorities.

Employers increasing range/investment in benefits



Fifty-five percent of small business employees are interested in having their employer offer a wider array of non-medical benefits. And 64% say it would make them more loyal to their employer. When it comes to the options employees are looking for, non-traditional voluntary benefits, like critical illness and hospital indemnity insurance, financial planning tools, health savings accounts, legal plans, and even pet insurance, are all trending upward on the small business employees’ “must-have” list.


Small Business Employee Point of View: Must-have Benefits*

	Must-have	Nice-to-have	Small Businesses That Offer (Among those offering at least one benefit to employees)
Health Insurance	78%	15%	86%
401(k) or Other Retirement Plan	70%	23%	73%
Paid/Unpaid Leave	62%	29%	55%
Dental	58% (+2 from 2020)	34%	61%
Vision	58% (+14 from 2020)	30%	52%
Life	54%	33%	53%
Disability	41%	44%	41%
Critical Illness	40%	42%	16%
Health Savings Account	39%	40%	26%
Accident	36%	45%	23%
Flex Spending Account	36%	40%	17%
Hospital Indemnity	34% (+3 from 2020)	42%	13%
Financial Wellness	34% (+7 from 2020)	41%	23%
Cancer Insurance	32% (+9 from 2020)	44%	10%
Legal Services	31% (+14 from 2020)	38%	14%
Pet Insurance	15% (+4 from 2020)	37%	7%

*among small employers that offer at least one benefit


For small businesses to get the best return on offering additional voluntary benefits, communications become even more important. The value of traditional benefits like health insurance and retirement savings are well-known, but employees may need additional insights to help them fully recognize how non-medical voluntary options can provide much-needed support and enhance financial security.

Grouping benefits by their functional roles and the type of support they provide is an employee-centric approach that makes it easier for people at different stages in life and facing different challenges to see how the benefits offered by the employer can help. The following example provides a sample framework for employers looking to reorient how they communicate their benefits offering and convey the value as employee needs and expectations evolve.



**Build a healthy foundation—
Insuring health inside and out.**

- Medical Insurance
- Employee Assistance Programs (EAPs)
- Mental Health Programs
- Prescription Drug Coverage



**Secure Your Family’s Future—
Finding financial peace of mind**

- Life Insurance



**Enhance Your Health Coverage—
Building on the foundation**

- Dental Insurance
- Vision Insurance



**Safeguard Your Household—
Covering the things worth protecting**

- Legal Insurance
- Pet Insurance
- Auto Insurance
- Home Insurance
- Identity Theft Protections



**Protect Your Way of Life—Protecting
against the unexpected**

- Accident Insurance
- Hospital Indemnity Insurance
- Critical Illness Insurance
- Cancer Insurance
- Disability Insurance



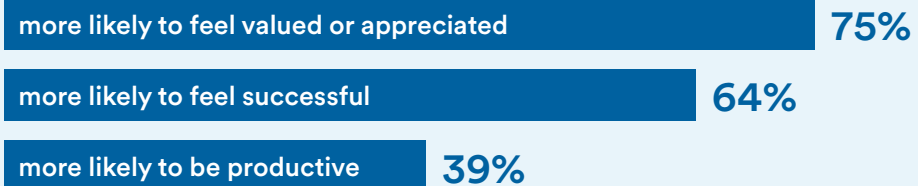
**Reach Your Financial Goals—Taking
control of everyday spending,
savings, and retirement**

- Health Savings Account
- 401(k) and/or other retirement savings
- Financial Wellness Programs

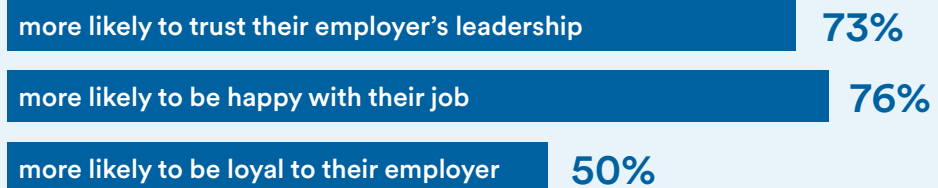
Consistent, employee-centric communications do more than help employees understand how different benefits solve their individual financial challenges and protection needs. They also drive increased employee awareness, engagement, well-being, and appreciation, which support the employer's productivity, satisfaction, and retention goals.

Employee Communications: The Benefits are Clear

Small business employees who say their employer's benefits communications are easy to understand are...



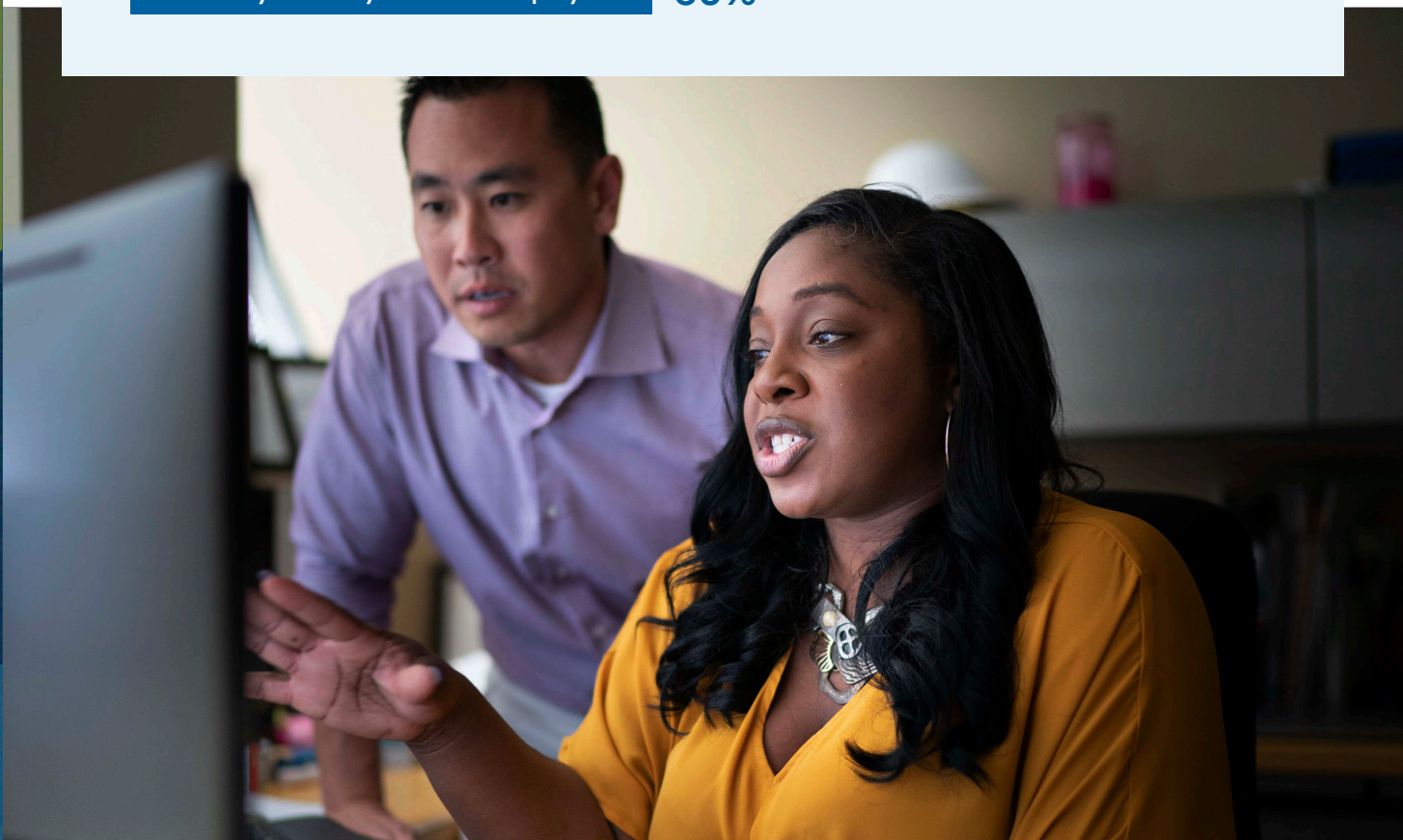
When employees understand how their benefits work through their employer's benefits communications, they're...



Action Items: 5 Forward-Looking Steps Small Business Employers Can Take

After weathering the extreme challenges of the pandemic with their signature resilience and resourcefulness, small businesses are finding their footing as they navigate their company's recovery. With an ongoing commitment to their employees at the forefront, small businesses can emerge stronger than ever.

- 1 Review programs and benefits to optimize opportunities to improve employees' holistic well-being.
- 2 Assess opportunities to offer increased flexibility to employees. Gauge employee interest in pilot programs, and measure the business impact.
- 3 Explore options to enhance benefits offering by adding voluntary benefits that enable employees to address their individual situations, mitigate stress, and increase financial security.
- 4 Apply an employee-centric approach to enhance benefits strategies and communications to highlight how traditional and non-traditional benefits work together to address diverse employee needs and challenges.
- 5 Drive employee awareness and engagement by communicating the value of benefits year-round, not just during annual enrollment.



Methodology

MetLife's 19th Annual U.S. Employee Benefit Trends Study was conducted in December 2020-January 2021 and consists of two distinct studies fielded by Rainmakers CSI – a global strategy, insight, and planning consultancy.

The employer survey includes 2,500 interviews with benefits decision-makers and influencers at companies with at least two employees (n=861 small business, 2-99). The employee survey consists of 2,651 interviews with full-time employees, ages 21 and over, at companies with at least two employees (n=836 small business, 2-99).

About MetLife

MetLife, Inc. (NYSE: MET), through its subsidiaries and affiliates (“MetLife”), is one of the world's leading financial services companies, providing insurance, annuities, employee benefits, and asset management to help its individual and institutional customers navigate their changing world. Founded in 1868, MetLife has operations in more than 40 markets globally and holds leading positions in the United States, Japan, Latin America, Asia, Europe, and the Middle East. For more information, visit www.metlife.com

About Rainmakers CSI

Rainmakers CSI is a UK-based global strategy, insight, and planning consultancy with a focus on delivering game-changing commercial impact. Since our inception in 2007, we've worked collaboratively with leading companies to help define opportunities for brands, categories, and businesses. Our expertise spans not only Financial Services, but also Food and Drink, Beauty, Healthcare, Telecoms, Technology, Entertainment, and Travel. Our programs and client relationships span all continents, with 50% of our work originating in the US. For more information, visit www.rainmakerscsi.com

¹ MetLife & U.S. Chamber of Commerce Small Business Index, Q2 2021. <https://www.uschamber.com/sbindex/summary>

² *Tracking the Return to Normal: Work and Offices*, Morning Consult, May 2021. <https://morningconsult.com/return-to-work/>

³ *Number of Unemployed Persons Per Job Opening, Seasonally Adjusted*, U.S. Bureau of Labor Statistics, April 2021. <https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm>

⁴ *Hiring in the Modern Talent Workplace*, U.S. Chamber of Commerce Foundation, February 2020. <https://www.uschamberfoundation.org/reports/hiring-modern-talent-marketplace>

