

# **The MetLife Study of Employee Benefits Trends**

**Findings from a 2001 National Survey**

**November 2001**

## ***Executive Summary***

Earlier this year, MetLife commissioned Harris Interactive, Inc. to conduct a survey of employers examining three major areas of their benefits programs: (1) general strategies and objectives; (2) employers' experiences with voluntary benefits; and (3) the use of internet technology to support employee benefits programs. "Voluntary benefits/offerings" were defined as benefits programs made available through the workplace for which the employee pays all of the cost.

The conditions of a declining economy over the past year, coupled with rising healthcare costs, have put pressure on employers both to configure benefits plans that attract and retain valuable employees and to find ways to reduce or maintain costs. Some of the key findings from the survey include:

- ◆ **Employers view "employee retention" (78%) and "controlling health/welfare benefits costs" (73%) as their most critical benefits objectives. (See page 3)**
- ◆ **In support of these objectives, 58% of employers rate "providing employees with benefits designed to balance their work and personal lives" as one of their most important benefits strategies, followed by "providing investment education on 401(k) plans" (51%). (See page 4)**
- ◆ **Approximately 90% of employers currently offer, or plan to offer in the next 18 months, at least one voluntary benefit. (See page 6)**
- ◆ **Optional term life insurance is currently the most popular voluntary benefit. More employers are planning to add long term care insurance in the next 18 months (12%) compared to any other voluntary offering. (See pages 6 and 7)**
- ◆ **Employers offering voluntary benefits tend to be more progressive in their approach to employee benefits and the use of technology. (See pages 8 and 9)**
- ◆ **More than 40% of employers with 1,000 or more employees and 18% of smaller employers currently offer employees access to an employee benefits website. (See page 10 and 11)**

- ◆ Overall, the percentage of employers using benefits web sites is expected to nearly double over the next 18 months to 57%. (See page 10)

## *Methodology*

Harris Interactive conducted a Web-based survey of 481 benefits and compensation professionals.

The survey was conducted between May 8<sup>th</sup> and June 5<sup>th</sup>, 2001.

Respondents were a random, representative sample of U.S. employers with more than 50 employees.

Government employees were excluded from the sample.

## *Demographic Profile of the Sample*

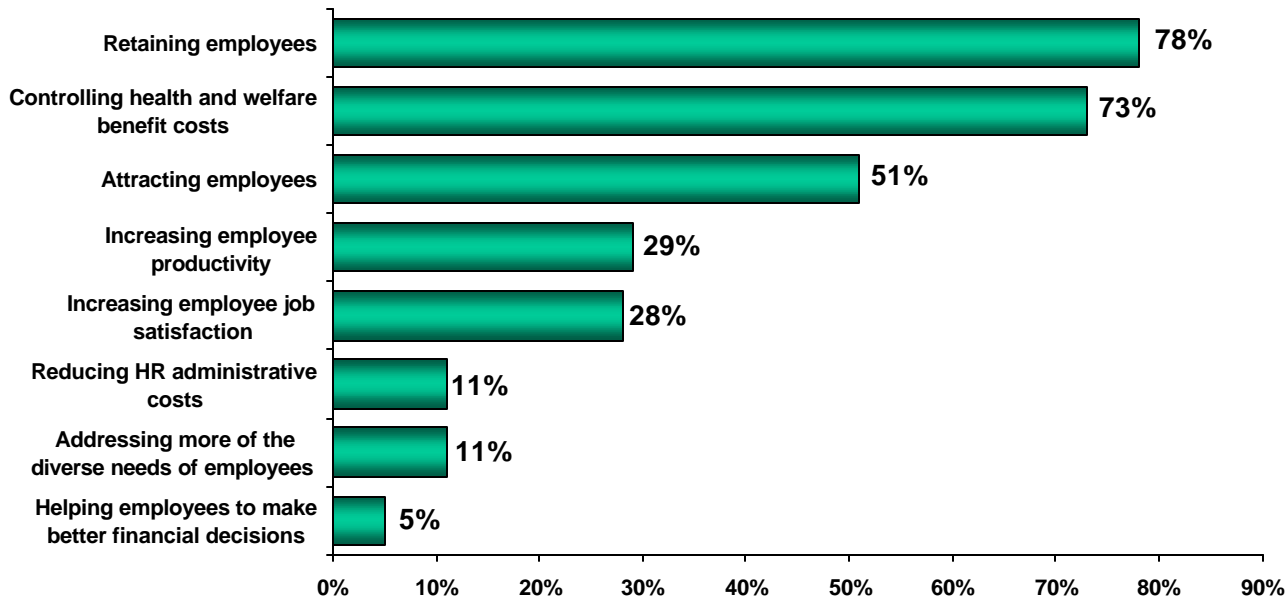
| Number of Employees |     |     | Region   |     |     |
|---------------------|-----|-----|----------|-----|-----|
| 50 - 999            | 244 | 51% | East     | 111 | 23% |
| 1,000 - 4,999       | 158 | 33% | Mid-West | 155 | 32% |
| 5,000 - 9,999       | 35  | 7%  | South    | 125 | 26% |
| 10,000+             | 44  | 9%  | West     | 90  | 19% |

## Key Findings

### I. Employee Retention and Cost Reductions are Top Benefits Objectives

Despite today's softening economy and corporate downsizing, MetLife research reveals that three-quarters of employers named employee retention as their top benefits objective. Graph 1 illustrates how employers rated their top three benefits objectives. Given the high cost of attracting, hiring, training and developing new employees, human resource managers give high priority to creating a benefits program that will enhance employee loyalty. Following closely behind, the second most critical benefits objective is "controlling health/welfare benefits costs" (73%). The respondents ranked these goals ahead of "attracting employees" (51%), "increasing employee productivity" (29%) and employee job satisfaction (28%).

*Graph 1: Most Important Employee Benefits Objectives  
(All Employers)*

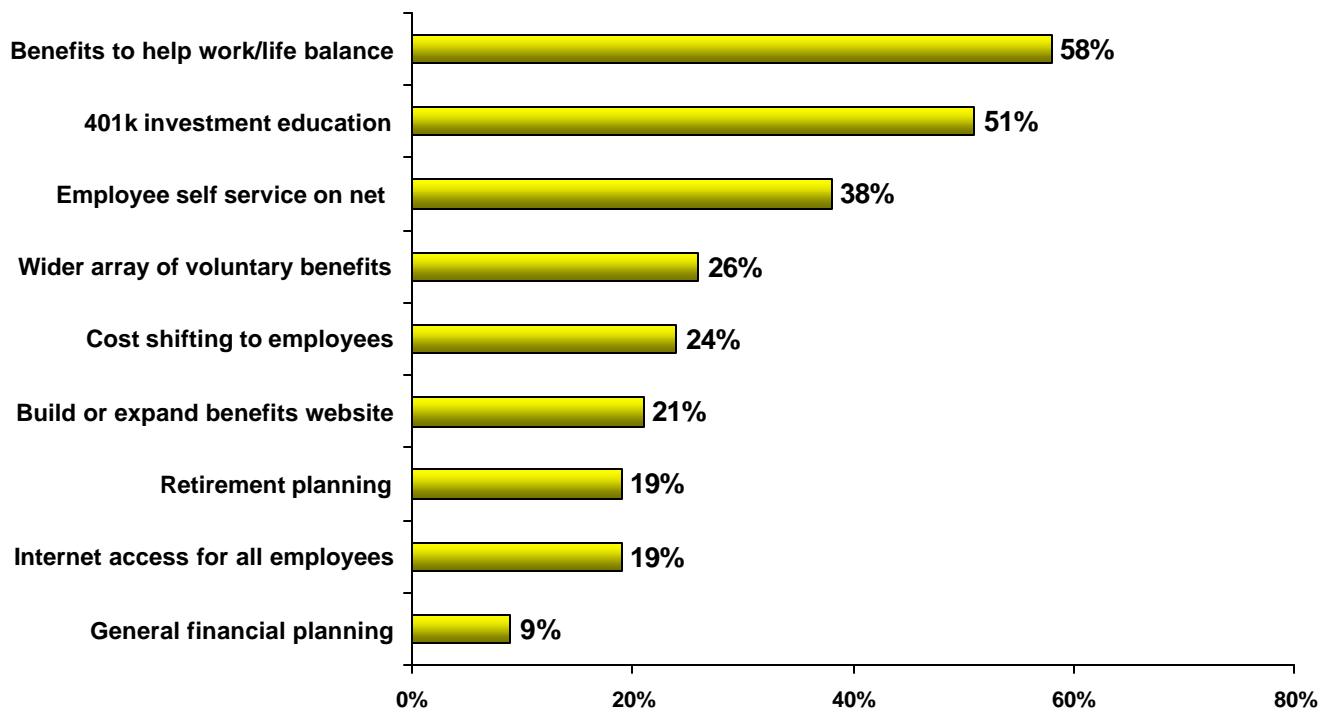


## II. Employers' Top Benefits Strategy: Helping Employees Balance Work and Life

In an effort to address the objectives listed on the previous page, most employers (58%) find that developing a benefits program that helps employees balance work/life is most important (see graph 2). Work/life balance strategies encompass a variety of human resource policies and benefit offerings that help employees take care of family issues while meeting the demands of the workplace.

Another key strategy highlighted by a majority of respondents (51%) is providing increased investment education related to a company's 401(k) plan. While this was one of the top three strategies for all employers, small companies (57%) are more focused on making this a priority than mid-size (46%) and large (41%) firms, where 401(k) plans and related education is already more prevalent.

*Graph 2: Most Important Employee Benefits Strategies  
(All Employers)*

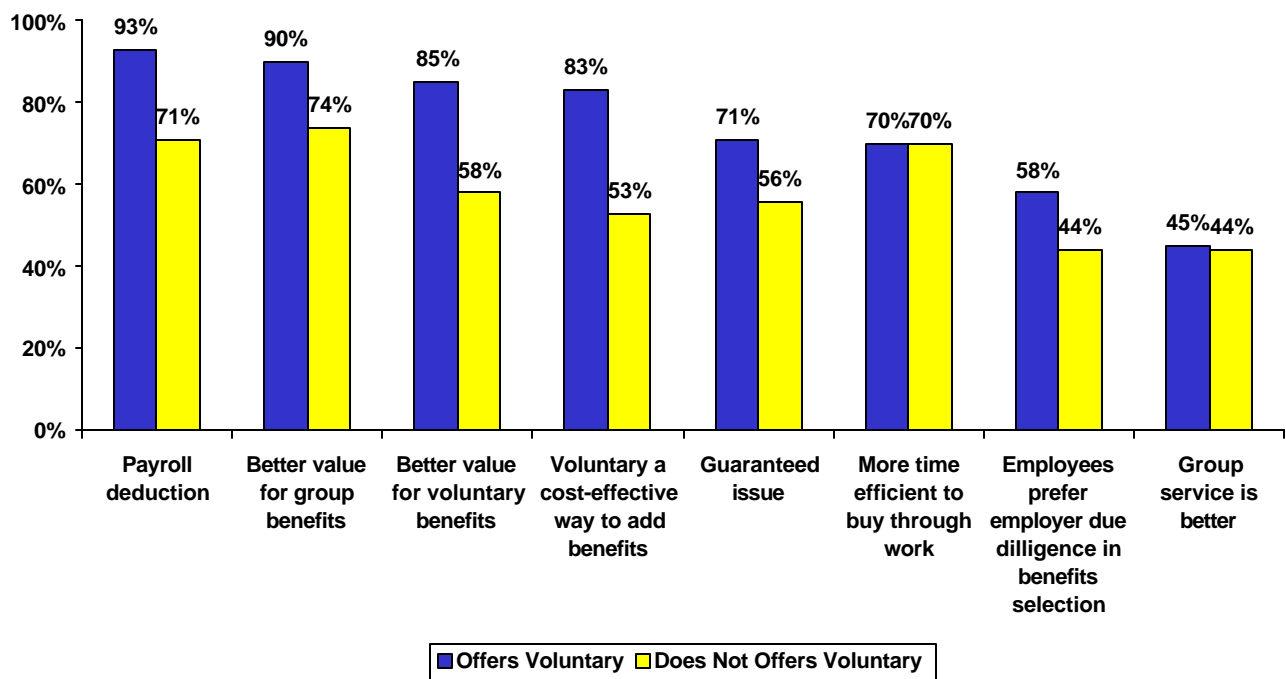


Many employers are also focused on several strategies that together help address the goal of controlling benefits costs—employee self service on net (38%), offering more voluntary benefits (26%), and cost shifting to employees (24%).

### III. Convenience and Better Value Are Top Advantages to Using Voluntary/Group Benefits

The diverse nature of voluntary benefits enables employers to address a variety of employee work/life needs by providing easy and convenient access to a broad range of group insurance and other financial services products – often with group rates and other advantages that might not be available to them as individuals. When asked to compare the advantages of group/voluntary products with products that an employee may purchase individually, “convenience” through methods such as payroll deduction topped the list of incentives (see graph 3). A majority of companies responded that group/voluntary benefits also offered their employees better value. Most respondents believe voluntary benefits are a more cost-effective way to add benefits and more time efficient to buy through work. The “guaranteed issue” feature of many group insurance products means there is less paperwork and no medical underwriting required to purchase the product. When looking at the overall response, companies offering voluntary benefits better understand and appreciate the advantages of group/voluntary offerings than their counterparts.

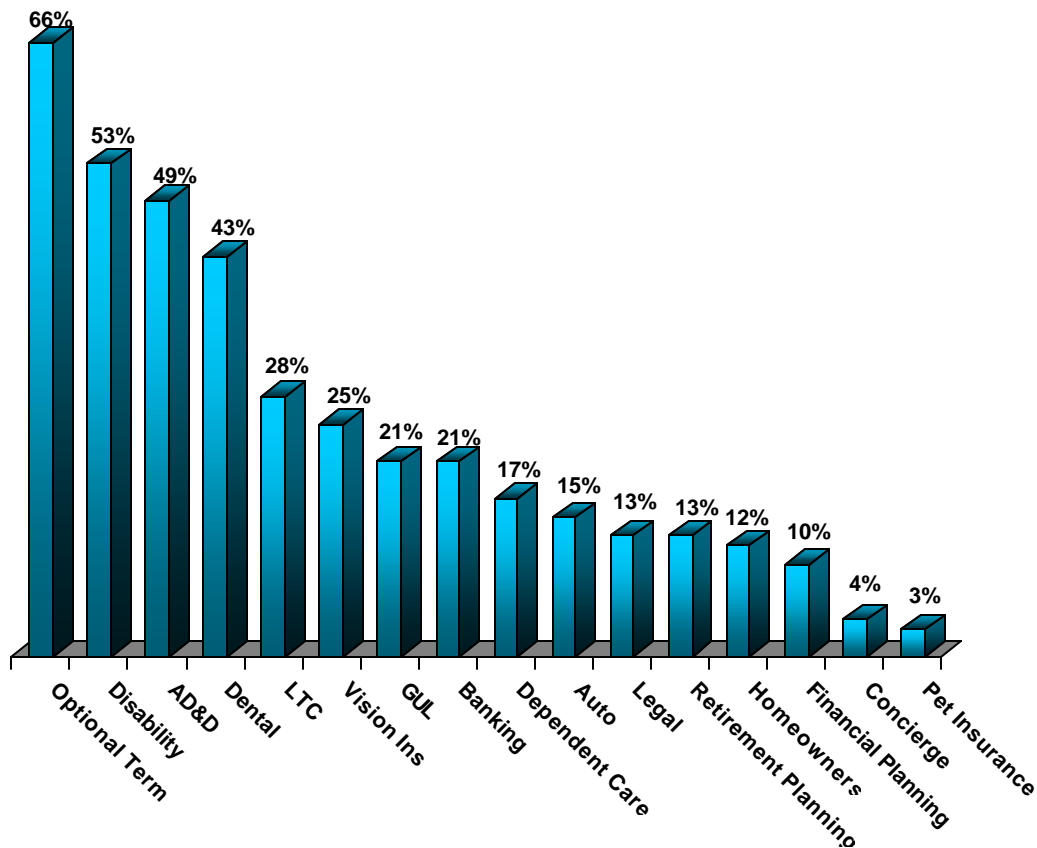
*Graph 3: Group versus Individual Coverage  
(% Agree/Strongly Agree)*



#### IV. Voluntary Benefits Are Becoming Increasingly Popular, But There’s Still Room to Grow

Voluntary benefits programs have become an extremely cost effective solution for employers during a period of corporate belt-tightening, while still enabling them to offer employees a variety of benefits. Nearly nine in ten employers currently offer, or expect to offer in the next 18 months, at least one voluntary benefit. As shown in graph 4 below, optional term life insurance is the most common voluntary benefit (66%), followed by disability insurance (53%) and accidental death and dismemberment (49%). Employees also have an optimistic reaction to these offerings, with 80% of employers reporting “positive” or “very positive” receptivity.

*Graph 4: % Of Employers Offering Voluntary Benefits  
(Base: All Employers Surveyed)*



While this graph indicates significant interest in voluntary benefits, there is still much room to expand. Approximately 12% of employers plan to add long term care insurance as a benefit on a voluntary basis over the next 18 months. With an increasing number of baby boomers reaching retirement age, more and more employees will be taking on the added responsibility of caring for an elder family member. Perhaps employers, recognizing this trend, see long-term care insurance as a way to offset the stress caregiving places on employees. Other offerings increasing in popularity include auto and homeowners insurance (8% plan to add over the next 18 months), pre-paid legal services (8%), retirement planning/financial planning (8%), vision (6%), concierge (6%) and pet insurance (3%).

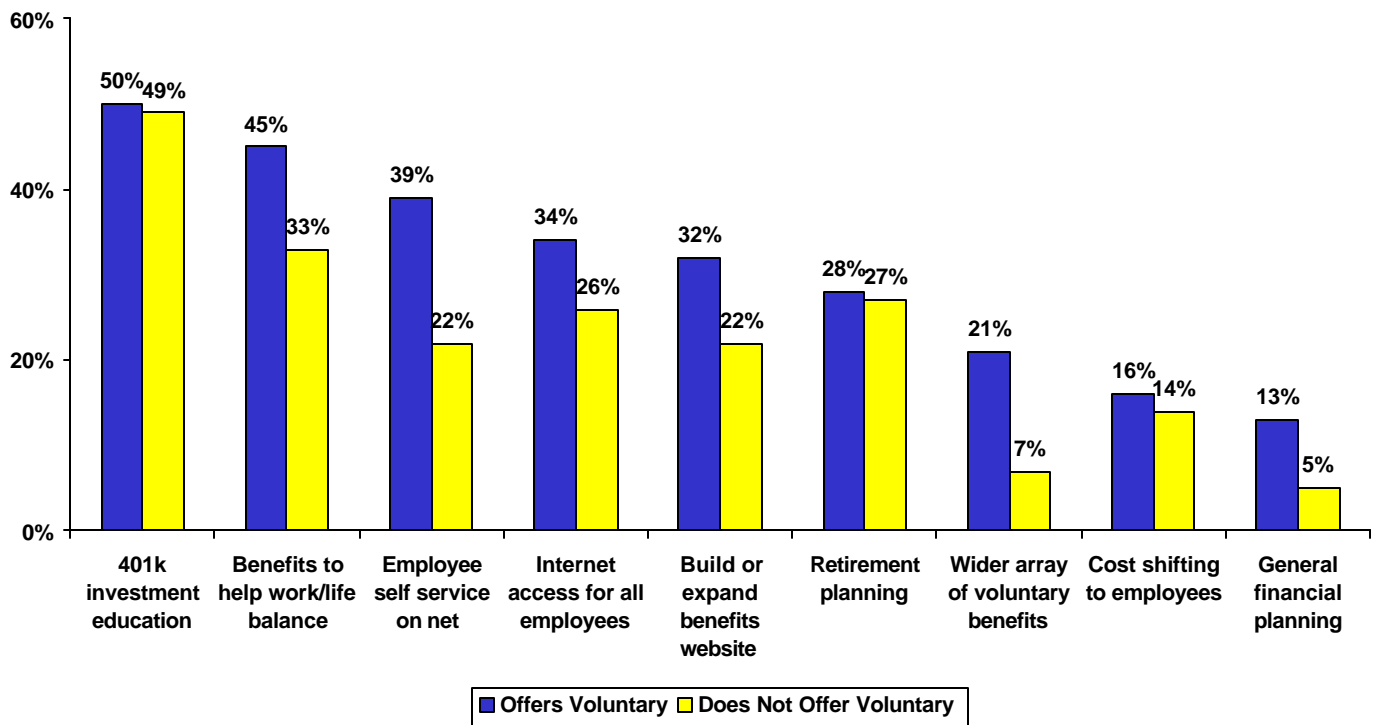
*Graph 5: Voluntary Benefits Employer Penetration  
(In Next 18 Months)*



## V. Companies Offering Voluntary Benefits Are More Focused on Employee Needs

As indicated in graph 6 below, of the employers offering voluntary benefits, 45% place greater emphasis on addressing work/life issues versus 33% of companies who do not offer voluntary benefits. Some of these work/life balance strategies include personal leave, flex time, counseling services, convenience or “concierge” services and a wide array of other voluntary offerings.

*Graph 6: Benefits Strategies of Employers  
(% Extremely/Very Important)*

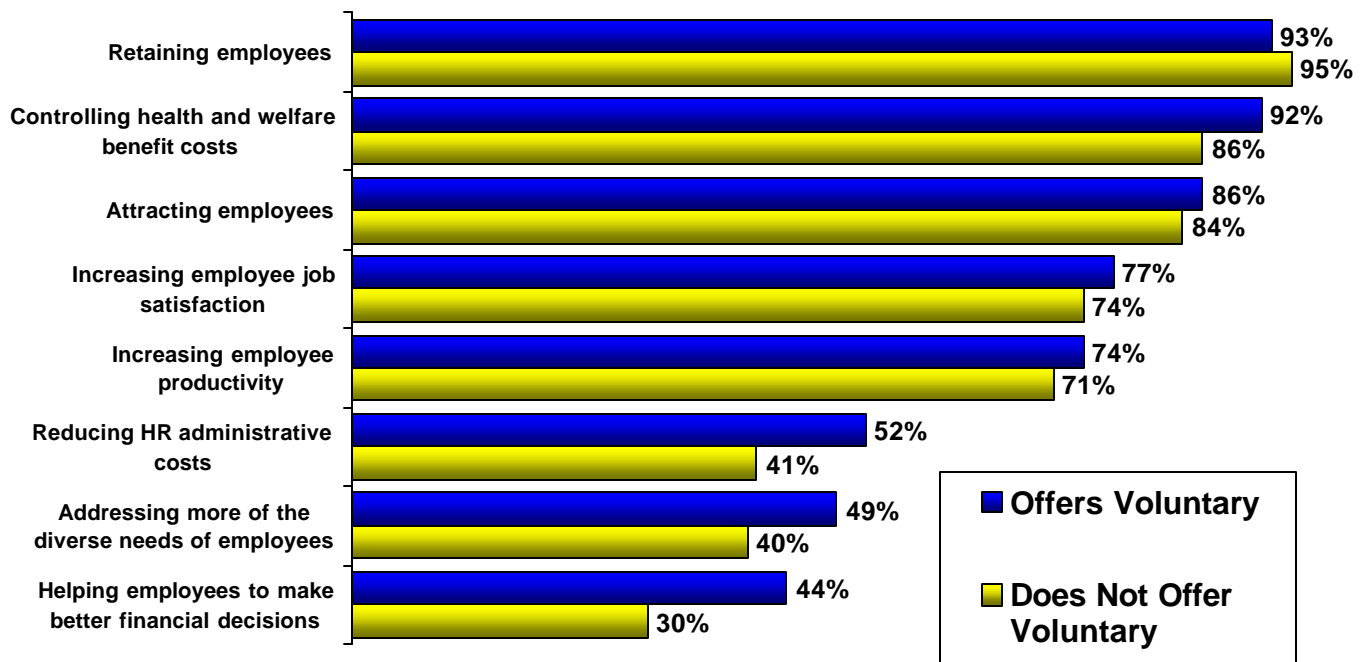


Companies offering voluntary benefits also are more likely to have integrated technology in their benefits programs. Almost 40% of these companies offer employees self-service applications to benefits via the Internet or a company intranet; only 22% of companies who do not offer voluntary benefits do so.

These companies also tend to be more responsive in providing Internet access to benefits plans for all employees (34% vs. 26%) and building or expanding employee benefits web sites (32% vs. 22%).

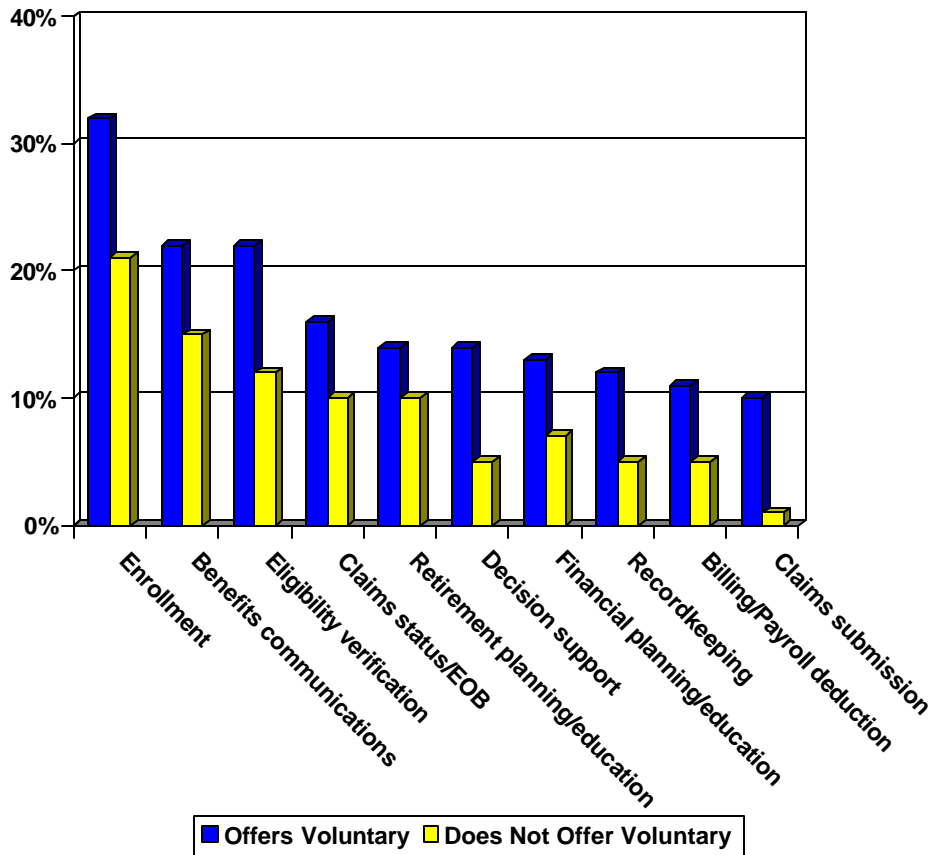
In terms of setting benefits objectives, employers with voluntary benefit programs, again, tend to focus on the development of benefits offerings that balance employee needs. Almost half of the companies who offer voluntary benefits (49%) rate “addressing more of the diverse needs of employees” as a very important or extremely important objective, versus 40% of companies who do not offer voluntary benefits (see graph 7). They also give higher consideration to “helping employees make better financial decisions” (44% vs. 30%).

*Graph 7: Benefits Objectives of Employers  
(% Extremely/Very Important)*



In addition, companies offering voluntary benefits also tend to be more progressive in adopting online capabilities for benefits programs. Enrollment, benefits communication and eligibility verification, respectively, are the top three areas where Internet capabilities are expected to be added within the next 18 months among this group (see graph 8).

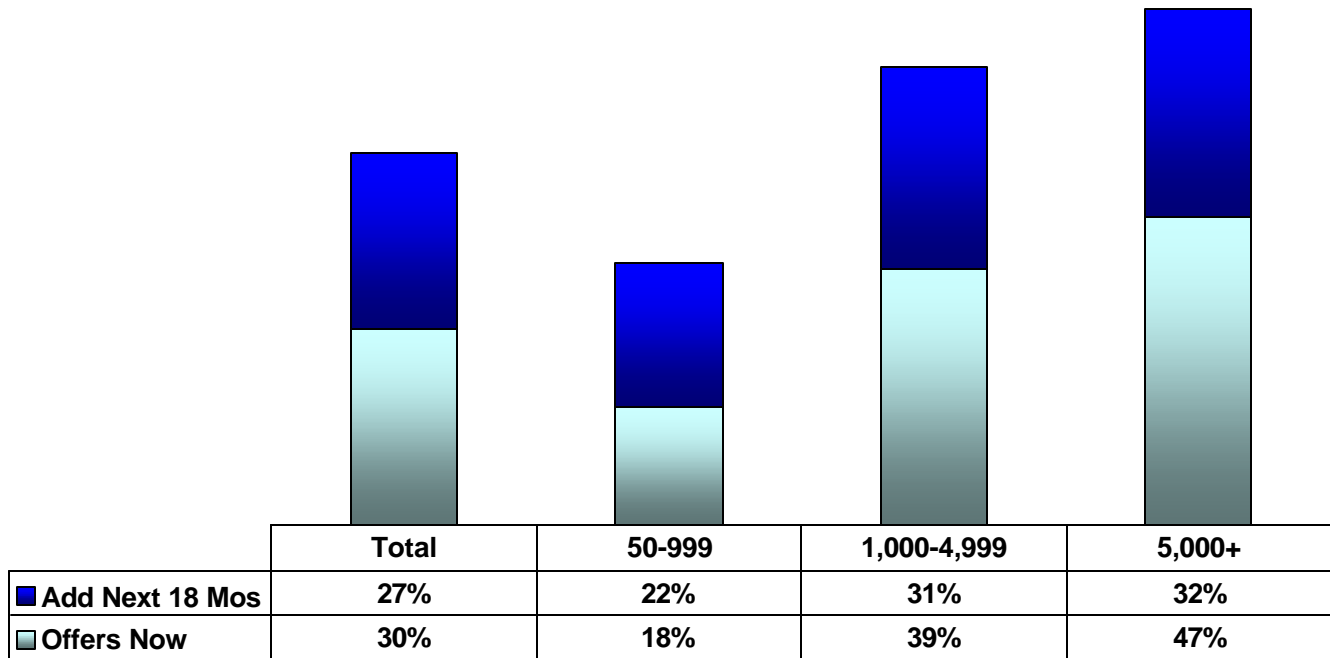
*Graph 8: Planning to Add Internet Feature  
Within the Next 18 Months*



## **VI. Use of Web-Based Benefits Programs Is Expected to Double**

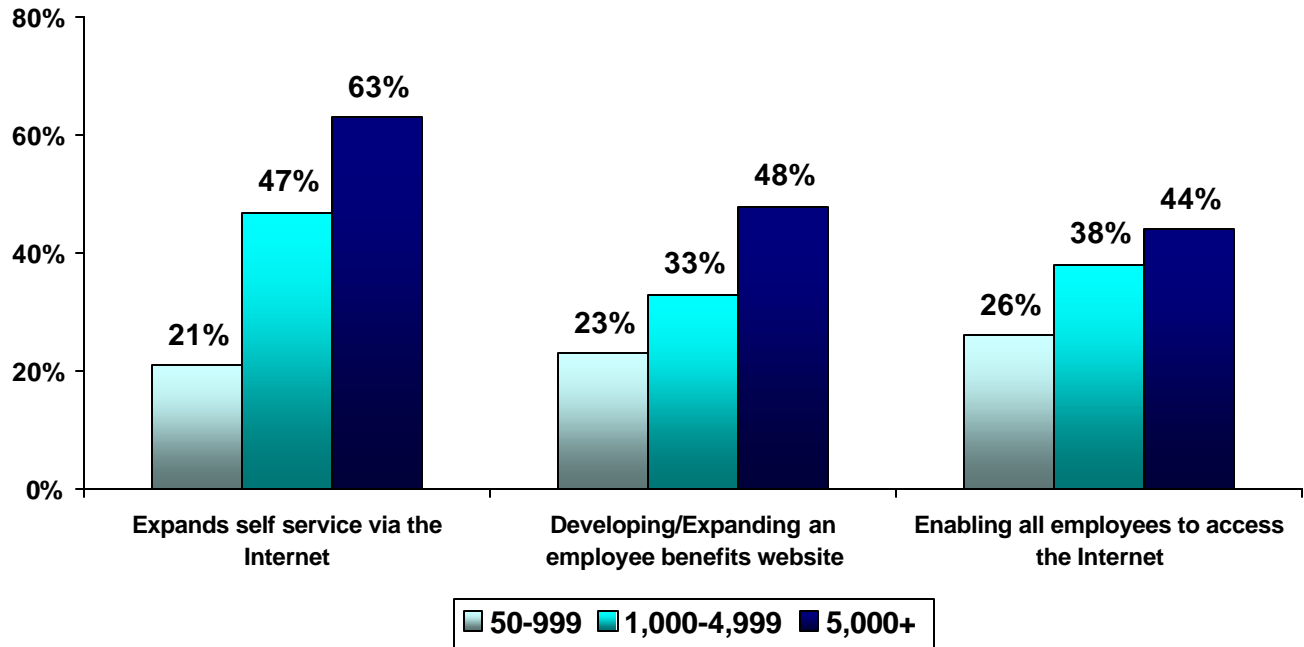
Web-based delivery of benefits is an important area of growth for employers. Survey results show the percentage of employers using benefits web sites will nearly double over the next 18 months to 57% (see graph 9). Currently, more than 40% of employers with 1,000 or more employees and 18% of smaller employers offer employees e-benefits capabilities.

*Graph 9: Penetration of Employee Benefits Web Sites*



In general, large firms are taking the lead in moving to web-based benefits delivery. Approximately 63% of companies with 5,000 or more employees rate “expanding the use of employee self-service via the Internet/Intranet” as their top strategy for harnessing the Internet (see graph 10). A large number also indicated that “developing/expanding an employee benefits web site” (48%) and “enabling all employees to access the Internet” (44%) are very/extremely important strategies, despite the high penetration of technology integration that already exists in this market. Among these employers, benefits communications and retirement planning are the most used Internet features.

*Graph 10: Strategic Importance of the Internet  
(% Extremely/Very Important)*



### **About MetLife**

MetLife, a subsidiary of MetLife, Inc. (NYSE: MET), is a leading provider of insurance and other financial services to individual and group customers. The MetLife companies serve approximately nine million individual households in the U.S. and companies and institutions with 33 million employees and members. MetLife also has international insurance operations in 13 countries. For more information about MetLife, please visit the company's Web site at [www.metlife.com](http://www.metlife.com).



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