

MetLife®



HIGHER EDUCATION

# Benefits Trends Industry Spotlight

Addendum to 8th Annual Study of Employee Benefits Trends



Explorers have long relied on a compass to guide them through uncharted territories in search of world treasures. Its needle serves as a constant and dependable source of direction, turning on a dial but always pointing due north. This is much like the way Higher Education organizations can provide advice and guidance to help faculty and staff navigate the world of employee benefits, which is often mystifying but increasingly valuable.

## Executive Summary

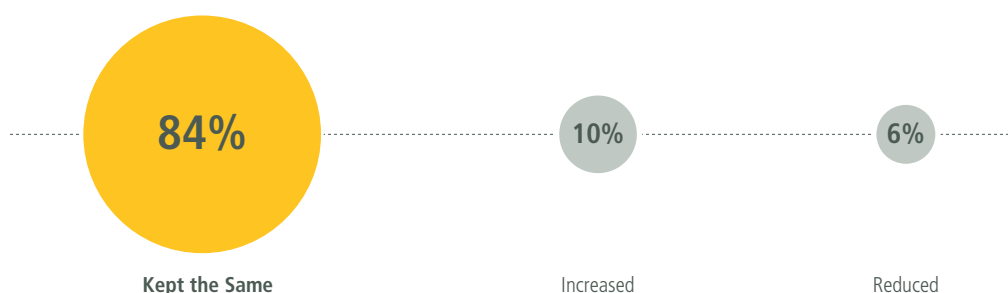
Like other industries, the Higher Education workforce has undergone dramatic changes over the past few decades. There are now four different generations in the workplace, a larger female employee population, and a heavier reliance on part-time and adjunct faculty. A college education, more valuable than ever in today's competitive environment, has become increasingly accessible to students from diverse backgrounds through community colleges; student grants and scholarships; and sweeping technological developments that have enabled the creation and expansion of the virtual classroom. There is no doubt that demand has increased as well, with industry estimates projecting this sector will continue to grow by 12% as a whole between 2008-2018, and post-secondary teaching specifically projected to grow by 15% in the same timeframe<sup>1</sup>. Higher Education will play an important role in America's future and, as employers, they are focused on balancing cost-drivers and attracting and retaining quality employees. They are exploring creative ways to meet more of the diverse needs of workforce, facilitating employee self-service, and promoting overall health and financial well-being. However, they continue to underestimate the power of employee benefits as a factor in driving employee loyalty.

Higher Education organizations did not escape the negative effects of economic events over the past few years, but were perhaps impacted differently than their corporate counterparts. Today, employers across the country are beginning to detect signs of an improving economy. Unfortunately, the financial situation for colleges and universities could get worse before it gets better. In most cases, these institutions rely greatly on state funding, tuition, endowments and private donations. An annual report on state budget allocations for Higher Education found that state-level support for colleges declined in 2010, and nearly 80% of states project revenue deficits in 2011<sup>2</sup>. Not to mention many employees were forced to take unpaid or furlough leave last year, 21% experienced salary freezes, and 33% saw salary reductions<sup>3</sup>.

While perhaps more intense and widespread, these are not entirely new issues for Higher Education institutions. Findings from MetLife's *8th Annual Study of Employee Benefits Trends* support the fact that the Education Industry has been dealing with some level of financial challenges for years. Compared to the broader employer population, a higher percentage of Higher Education employers reported "no impact" in the following areas as a result of the economic downturn: employee morale, hiring efforts, size of workforce and employee productivity. In addition, as Figure 1 indicates, a small percentage of Higher Education employers made reductions in the number of core non-medical benefits (Life, Dental, Disability) over the past 12 months, and of those who kept benefits the same, only 4% expect to make reductions in the next 12 months.

fig. 1

### Changes in Employee Benefits Plans Over the Past 12 Months



## EMPLOYER PERCEPTIONS DIVERGE FROM BROADER POPULATION, AND FROM THEIR OWN EMPLOYEES

Cost control and employee retention, also the top two benefits objectives among all employers across all industries this year, remain the top benefits objectives among Higher Education employers for the second consecutive year. However, three key differences emerged when comparing the rest of their main objectives against those of all employers.

First, a lower level of importance was given to increasing employee productivity among this sector. This does not come as a complete surprise since Higher Education employers stated they were slightly less affected by the recession in this area than the vast majority. Perhaps most Higher Education employers are accustomed to doing “more with less” and, therefore, do not need to focus resources toward this objective. In any case, many employees (39%) saw an increase in workload as a result of the economic decline, but they may not cast that in the same positive light as an employer might.

fig. 2

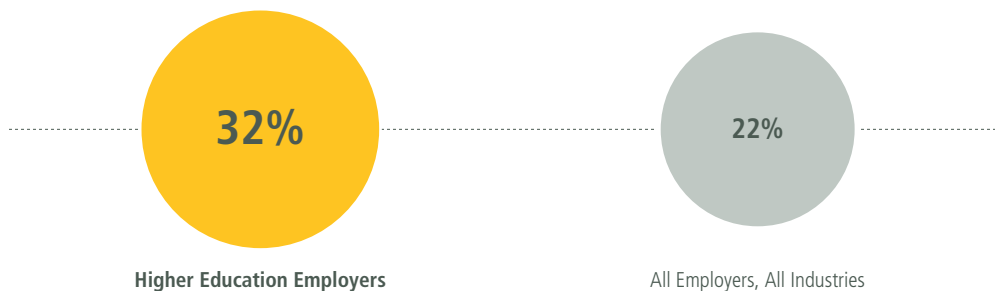
### Employers Most Focused on Increasing Employee Productivity



Conversely, more Higher Education employers have a focus on attracting employees than the overall population of employers. It is critical for these organizations to attract, recruit and retain the highest caliber of faculty and staff possible, and competition for talent is becoming increasingly global in nature. Administrators, faculty and students alike are looking past international boundaries to find the finest institution where they will cultivate, or build the foundation for, a successful career. Despite some detrimental effects of the recession on other industry sectors, rising student enrollments and projected retirements of current faculty still contribute to a favorable outlook for the Higher Education job market.

fig. 3

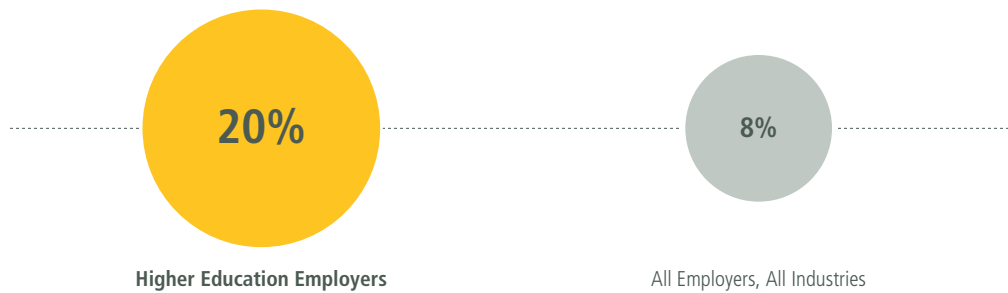
### Employers Focused on Attracting Employees



Higher Education employers also stated a significantly higher emphasis on addressing more of the varied needs of a diverse workforce. These efforts exist in the context of the growing pressure on colleges and universities to meet the needs of students from all over the world seeking a myriad of different degrees, and employers in a wide variety of industries seeking graduates with the knowledge and ability to “hit the ground running.”

fig. 4

#### Employers Focused on Addressing More of the Diverse Needs of Employees



All of these differences can be categorized under the umbrella of competing for, and caring for, top talent. One of the most basic recruitment and retention tools used by employers, including those in Higher Education, is compensation and benefits. When asked how their employee benefits programs compared against those offered by their peers, 98% of Higher Education organizations rated their benefits programs comparable to or better than the competition. However, only 33% said their benefits communications effectively educate employees about these exceptional programs. This is clearly a missed opportunity for employers to maximize return on investment for their benefits programs. This already-low assessment of communication effectiveness is actually inflated when compared against the 22% of Higher Education employees who strongly agree. A great benefits program is only as good as the awareness and utilization that complement it.

The Study revealed additional inconsistencies between the views of Higher Education employers and their employees in terms of what drives employee loyalty. Figure 5 depicts how much various factors are thought to influence employee loyalty. A number of the same disconnects in last year's Study, most notably the gap in the perception of non-medical benefits like Life, Dental and Disability as key influencers of employee loyalty, remain problematic.

fig. 5

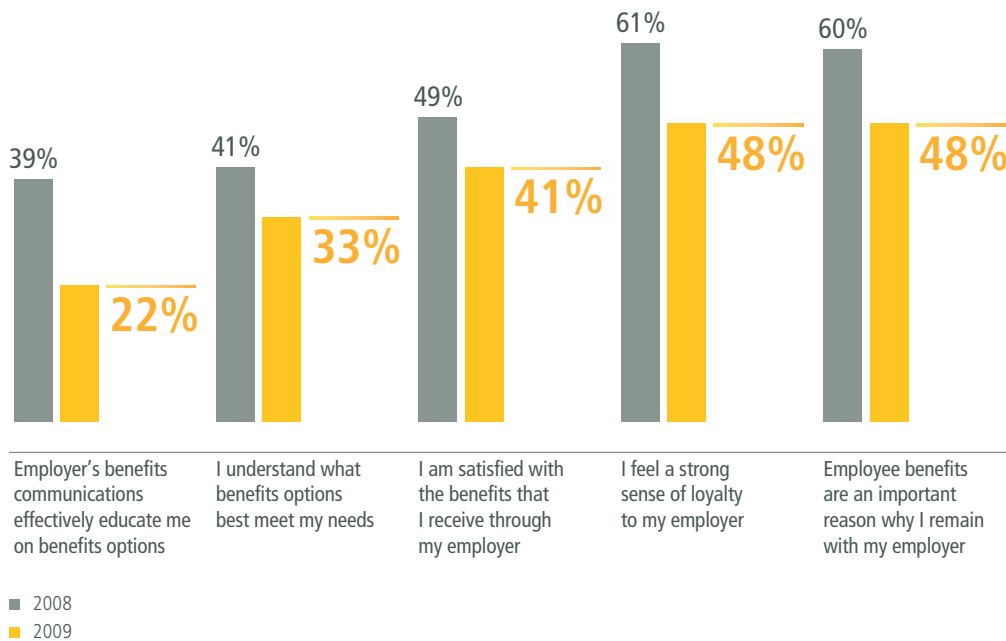
Perceptions of Factors Influencing Employee Loyalty

Loyalty Factors	Higher Education Employer Perceptions	Higher Education Employee Perceptions
Health benefits	64%	83%
Salary/Wages	57%	77%
Retirement benefits	65%	72%
<b>All other benefits (Dental, Disability, Vision, etc.)</b>	<b>45%</b>	<b>67%</b>
Company culture	59%	43%
Work/Life Programs (flex time, job sharing, telecommuting, etc.)	40%	36%
Advancement opportunities	46%	32%

For years, MetLife research has explored the strong relationship between benefits satisfaction and job satisfaction. Further analysis shows there is a correlation between benefits satisfaction and employee loyalty. Given the persistent gap in employer-employee perspectives and the declining level of agreement with a few key statements regarding benefits among Higher Education employees, as shown in Figure 6, it is important for Higher Education administrators to carefully consider the significance of benefits as a driver of both job satisfaction and loyalty—and, potentially, retention.

fig. 6

Higher Education Employee Attitudes About Benefits

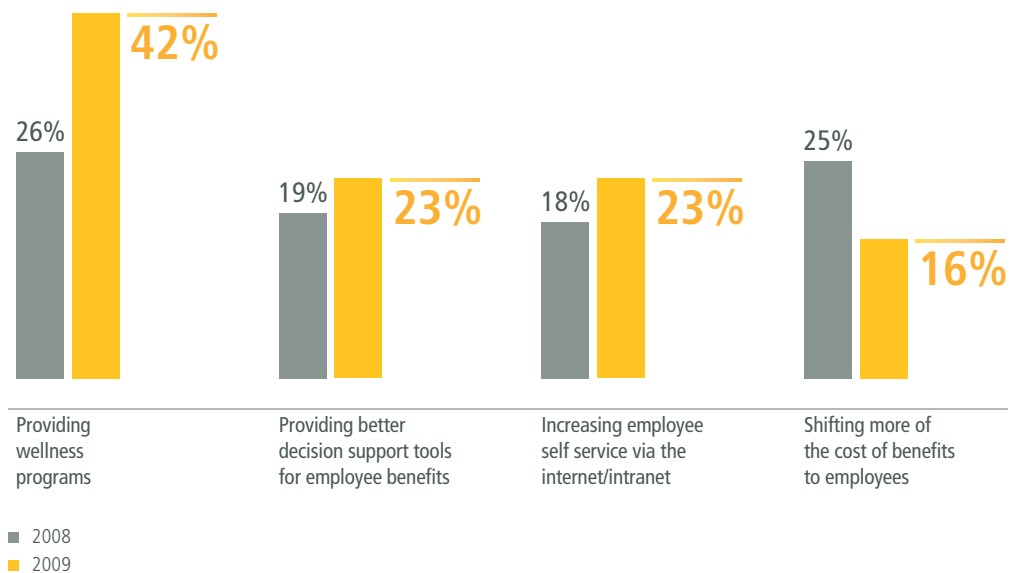


## EMPLOYER BENEFITS STRATEGIES POINT TO EMPLOYEE EMPOWERMENT, BUT EMPLOYEES MIGHT NEED MORE PERSONALIZED GUIDANCE

Higher Education employers' benefits strategies are in line with achieving top benefits objectives, but Survey findings reveal a slight shift in overall prioritization since last year. A few key areas, represented in Figure 7, warrant further exploration. The data implies a focus on creating an environment that facilitates employee self-service by increasing the quality and accessibility of value-add programs and services, employee benefits options, and decision-making tools and resources.

fig. 7

### Higher Education Employer Benefits Strategies



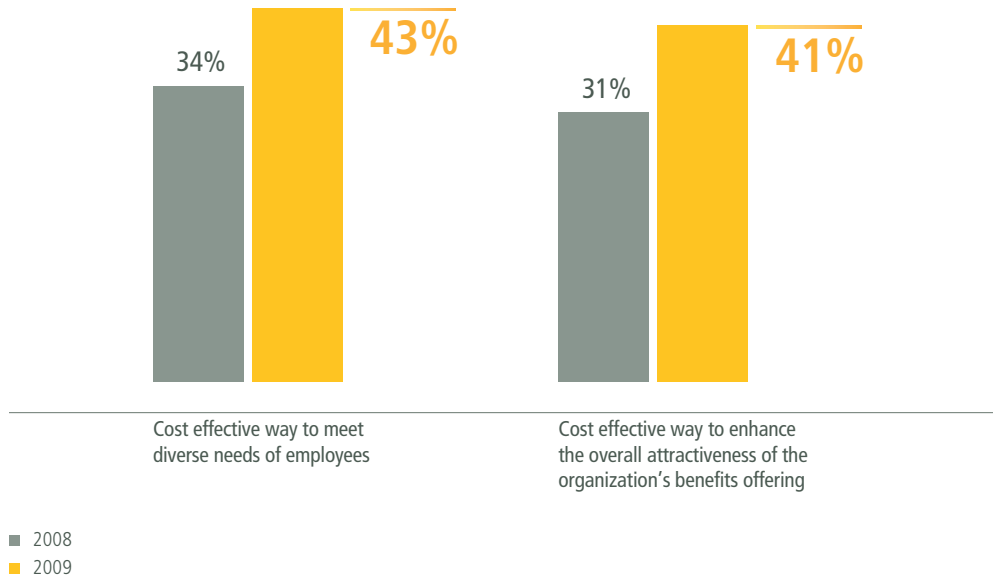
Wellness programs are growing in popularity across all industries, and Higher Education is no exception. In fact, more college and university administrators designate health and wellness programs as their most important benefits strategy, more than employers in other sectors. Nearly 70% of Higher Education employers agree that health and wellness programs can be an effective way to reduce medical costs and increase employee productivity. Creating incentives to drive healthy behavior among employees might be a continuing trend as employers realize that health insurance is not necessarily health assurance, and a healthier workforce is likely to have fewer medical and disability costs. Establishing a culture of health and encouraging preventative behaviors and disease management is becoming an important part of overall benefits education and awareness.

Somewhat conflicting results for Higher Education employers exist around the topic of cost-shifting to employees. While the percentage of those identifying this as a top strategy compared to last year has decreased, there was an increase in the number of employers offering additional voluntary benefits: 20% of Higher Education employers moved benefits from employer-paid to voluntary employee-paid over the past 12 months, and another 22% plan to do this in the next 12 months. Therefore, it is not quite clear if employers feel they have already taken steps to address their previously prioritized focus on cost-shifting, or if other strategies are just that much more important this year.

There are a few key reasons this group finds voluntary benefits worthwhile, and the convenience of payroll deduction is considered a great advantage by both Higher Education employers and employees (71% and 69%, respectively). Figure 8 further illustrates that employers in this industry increasingly view voluntary benefits as a cost-effective way to meet the diverse needs of their employees and to enhance the overall attractiveness of their organizations' benefits offerings.

fig. 8

#### Employers Leverage Voluntary Benefits to Achieve Cost Efficiencies



Higher Education employers also demonstrated a deeper interest in providing better benefits decision-support tools for employees. With technology on the rise and growing capabilities facilitating immediate information exchange, this is neither surprising nor out of reach. The benefits industry produces an almost overwhelming amount of information and it can sometimes be difficult to know where to begin. For this reason, employers can take advantage of the opportunity to provide employees with some general direction and guidance. It appears that administrators across the entire Education industry, are beginning to recognize this need given the fact that 51% of these organizations are offering retirement seminars. Likewise, about one in ten Education employers that do not currently offer retirement seminars to their employees plan to do so in the next 18 months.

These retirement seminars are timely since about half (51%) of Higher Education employees said that the economic events of the past 12 months made them realize they need to more actively manage saving for retirement. Nevertheless, the percentage of individuals in this industry who report being on track for reaching retirement savings goals has dropped to 19% this year (down from 30% in 2008). Even more concerning is the fact that only 27% of Higher Education employees feel confident in their ability to make good decisions about managing their retirement plans (lower than the 42% of all employees across all industries). They are, however, more interested (65% compared to 55% of all employees in all industries) in receiving their retirement plan savings in the form of a steady stream of income rather than a lump sum. Since they would have to invest the lump sum

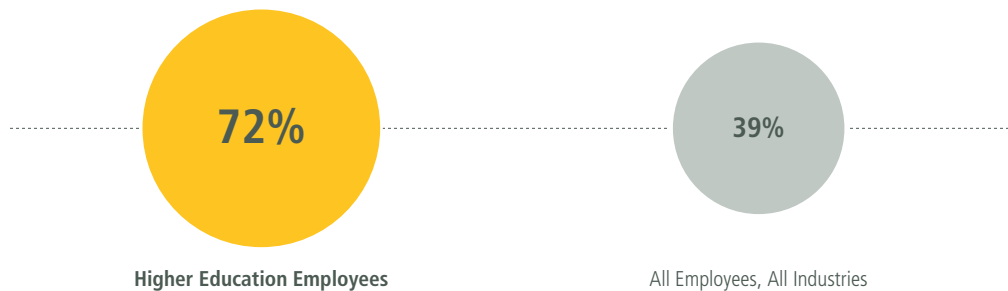
themselves and make it last throughout retirement, it could be inferred that their lack of confidence in financial matters may be a contributing factor. Especially since 51% of Higher Education employees are very concerned about outliving retirement money.

Higher Education employees also remain very concerned about being able pay bills in the event of sudden income loss (65%) and having financial security if a principal wage earner is no longer able to work due to a disability or serious illness (58%). At the same time, they do not appear to recognize the important role disability insurance can play in protecting their income, which can be one of the most immediate ways to address this concern. Only 16% of Higher Education employees (down from 24% in 2008) value disability benefits, indicating that challenges around lack of education and awareness remain.

Figure 9 shows the greater levels of uncertainty that exist among Higher Education employees when it comes to understanding what percentage of their income/paycheck would be protected in the event of a disabling injury or illness. Even more alarming is the fact that only 2% of Higher Education employees increased their disability coverage in the last 12 months even though slightly less than half of those who know their coverage level deemed it adequate. Has Higher Education employees' fear of making the wrong financial decision manifested itself in a state of inaction?

fig. 9

#### Uncertainties Around Disability Insurance Coverage Levels



<sup>1</sup> Bureau of Labor Statistics, U.S. Department of Labor, *Career Guide to Industries, 2010-11 Edition, Educational Services*, on the Internet at <http://www.bls.gov/oco/cg/cgs034.htm> (visited April 19, 2010).

<sup>2</sup> *State Higher Education Report, 2009*, Center for the Study of Education Policy at Illinois State University and State Higher Education Executive Officers

<sup>3</sup> CUPA-HR 2009-10 National Faculty Salary Survey

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# What Higher Education Organizations Can Do

By capitalizing on the opportunity to assist employees in making the most of their benefits programs, employers can achieve cost efficiencies and demonstrate their commitment to retaining top performers. The recession may have prompted more employees to reevaluate their financial security and retirement readiness, but some may need guidance to get themselves on the right track. Here are a few things employers can do to help employees gain the peace of mind that a sound financial safety net can provide.

## **REFRAME RECRUITMENT AND RETENTION EFFORTS**

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Thinking about the gap between employer perception and the reality of what truly drives loyalty among Higher Education employees, organizations should consider wellness programs and voluntary benefits as a way to keep offerings relevant in today's world. They might also utilize wellness programs to create a culture of health at the workplace to help employees become healthy and stay healthy, while mitigating rising health care costs for employees and the organization. Voluntary benefits are a good way to address more of the diverse needs of employees in a convenient, cost-effective manner. After all, medical benefits may become less of a differentiator in recruitment and retention tactics as employers turn to wellness programs and non-medical benefits such as life, dental, disability, voluntary and retirement resources.

## **PROVIDE PERSONALIZED BENEFITS INFORMATION FOR EMPLOYEES**

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There is a big opportunity for employers to maximize the programs they already offer to help deliver peace of mind and positive financial returns. To do so, they must take steps to reevaluate and improve their benefits communications since this is one of the most critical components of a successful benefits program. The number of Higher Education employees strongly agreeing that their organization's benefits communications effectively educate them decreased 17 percentage points in this year's Study. Employers should take the time to assess their communications vehicles and overall process and talk to peer organizations, benefits consultants, or providers for fresh ideas. Evaluating existing channels (home mailings, emails, intranet links, town hall meetings, etc) is a good way to determine the effectiveness of each against the preferences of an evolving workforce. Better yet,

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employers can help employees break through the clutter by delivering a personalized benefits package that outlines costs for some different options. Almost half (49%) of Higher Education employees said this would make their decision-making process easier, up from 35% in 2008.

#### **DON'T MISTAKE "NO NOISE" FOR GOOD NEWS**

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Higher Education employees need help with their benefits decisions, even if they're not actively asking for it. Employers can act upon the fact that only 22% of Higher Education employees feel very confident in their ability to make any financial decisions for themselves and their families. Employee surveys might help determine where employees stand and employers can then choose a few areas to focus on each year. For example, a Higher Education organization might find that their employees are reflective of the overall Higher Education population; 44% of employees in this sector are covered up to two times their annual household income for Life Insurance and think this is adequate, so they might be underinsured. In this case, employers could construct a series of educational support tools and resources, whether customized or off-the-shelf, to inform employees about the need for Life Insurance, help them figure out where they are now compared to where they should be, and point out how the programs available to them can fulfill their monetary protection needs. A well-educated employee may be more likely to adopt behaviors that promote financial well-being. Finally, while it might not be a solution for every organization, conducting an off-cycle enrollment period for employees so they can focus solely on their Life Insurance is another option.

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