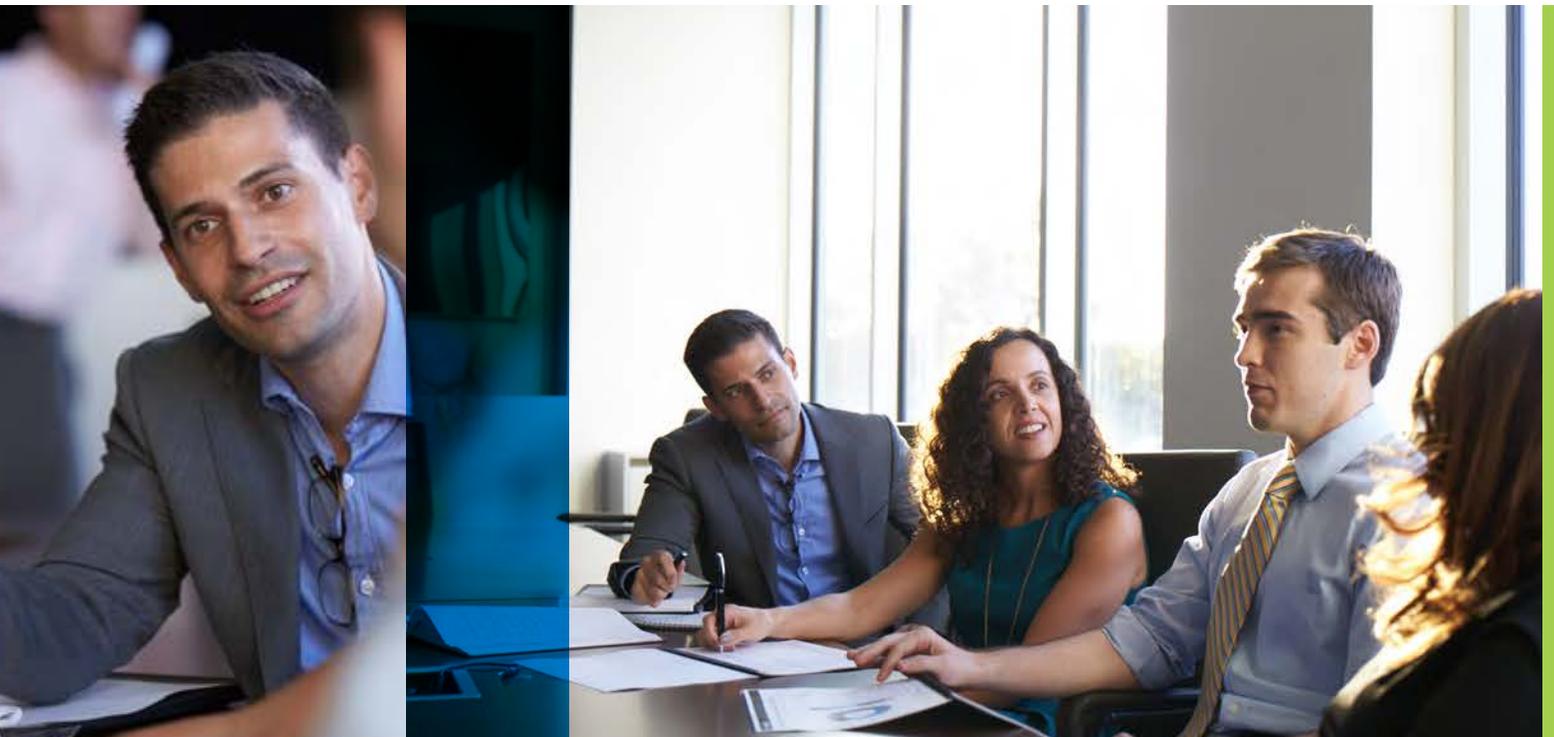


The Benefits Paradox of 2017

How Companies Build Robust Benefit Packages Without Breaking the Bank



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When Sarah Boutwell was job hunting, there was something that she considered just as important as her potential employer's salary and work culture: Employee benefits.

"That was a big factor for me," says Boutwell, a 29-year-old inbound marketer for Austin-based digital marketing firm, Geek Powered Studios. "Even if the pay was good, I still wanted to know how the benefits affected my personal bottom line."

For Boutwell, benefits packages reveal in a tangible way how much a company values its employees. It's part of why she took the job with Geek Powered Studios.

"Knowing that the company cares about my wellbeing is a morale boost for me," she says. "We're not just seats to fill; they care about us as people."

With a national unemployment rate currently below 5%,¹ the employment landscape has never been more competitive. Most employers recognize that benefits help attract and retain great employees. Yet for some, especially small-to-mid-size businesses, balancing the cost of benefits with what employees want and need can be a challenge.

The key, according to HR experts from around the country, is gaining a real understanding of what makes your staff unique and what's important to them — and then finding cost-effective and creative ways to give them what they want.

Why benefits matter

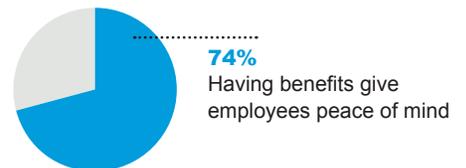
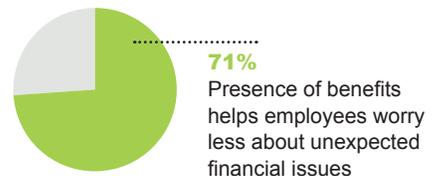
For employees, benefits can be the make-or-break factor when it comes to deciding whether to take a job. Ariel Lopez, the Human Resources Manager for Geek Powered Studios, says that she regularly gets questions about benefits from potential hires early in the process. "Even during the portion where we're courting an employee, benefits are always a part of the conversation," she says.

That's because for many people, employer benefits represent something more than simply part of their compensation; instead employees often view benefits as a critical component to their financial and personal wellbeing.

For Boutwell, with Geek Powered Studios, those sentiments ring true. She recognized the power of employer benefits, especially medical benefits, when she went off her parents' insurance several years ago. She now pays special attention to copays, and health and dental plan packages. Even though she's healthy and rarely goes to the doctor, she has prescriptions, sees a therapist and has needed dental work. The details of her benefits can really affect her finances.

"Even if the pay was good, I still wanted to know how the benefits affected my personal bottom line."

Employees say that having benefits gives them peace of mind, and helps them worry less about unexpected financial issues.



1. Bureau of labor Statistics, Dec. 2016 <https://www.bls.gov/news.release/empstat.nr0.htm>

“Certain packages with different employers meant that I would pay more for these things, and that’s not possible with the way my budget is right now.” In fact, benefits matter so much to Boutwell that she turned down a job offer that provided a higher salary, but didn’t offer health and dental insurance. “I figured out how much that would cost, and it wasn’t worth it,” she says.

“While most employees say benefits are important, the kinds of benefits that matter to one employee may not matter as much to another,” says Mai Ton, vice president of Human Resources at OneLogin, a cloud-based IAM software company headquartered in San Francisco. “Every employee group has unique demographics and needs. For example, an employee base made up primarily of 20-somethings may not value life insurance as much as an older employee demographic or one with many growing families.”

Employees of different generations prioritize benefits based on their particular needs. MetLife’s Annual U.S. Employee Benefit Trends Study revealed that Millennials place dental benefits in their top three “must-have” benefits after medical. Meanwhile, Gen X and Baby Boomer employees consider prescription drug benefits a top three “must-have” after medical benefits. And both Gen X and Millennials place a higher value on vision benefits than Baby Boomers.

Benefits benefit employers too

Offering benefits isn’t just something that benefits employers. Research shows — and many employers recognize — that benefits play a significant role in their company’s growth and success. Charged with overseeing 180 employees around the world, Ton, with OneLogin, says that benefits fit right in with the main mission of her team. “One of our team’s purposes is to take care of our employees so that life distractions don’t interfere with their work,” she says. “We want to take care of their healthcare and other benefits so that employees don’t have to worry about them.”

This kind of employer mindset can pay off in more ways than one. For instance, the Employee Benefits Research Institute reports that when it comes to landing the best hires, 76% of employees say that benefits are a very or extremely important factor in whether they accepted a job offer.

In addition, employees who appreciate their benefits are often more loyal. Seventy percent of employees say that having customizable benefits options that meet their needs increases their loyalty to their employers. It also shows a correlation between the number of benefits offered in the workplace and an employee’s intent to stay with their company, as well as the likelihood that they’ll recommend their organizations as a great place to work.



Employees Top Must-Haves

Your workers know what they want. After health insurance, prescription drug and 401(k) benefits, employees say they are looking for:

1. Dental Insurance
2. Life Insurance
3. Vision Insurance
4. Accident Insurance
5. Disability Insurance

Yvonne Reinke, Director of People Operations, at Illumitex, an LED lighting fixture manufacturer in Austin, has seen that loyalty in action. She notes that employees have commented that they wouldn't go work for a competitor because the company didn't offer comparable benefits. Benefits and productivity are also related. For instance, 59% of employers strongly agree that employees are less productive at work when worried about personal finance problems, and 60% agree that benefits can actually enable productivity. Beyond reducing financial stress for employees, health-related and other benefits can encourage healthy habits, proactive self-care and more work-life balance. MetLife's Study also finds that employees who feel in control of their finances are less likely to postpone important preventive medical and dental care. These advantages of employee benefits can help reduce absenteeism and ensure that employees are present and engaged at work.

The cost conundrum

Both employers and employees see the importance of benefits. But for companies, finding the means to fund them at the level they want to can be a challenge. This is especially true for health insurance benefits. "Cost has definitely been our biggest issue," says Lopez, Geek Powered Studio's HR director. This is common refrain, especially among smaller businesses. In a 2016 survey by the National Federation of Independent Businesses, respondents cited the cost of health insurance as their top concern across 54 categories. In addition, the average cost of providing healthcare comprises 7.6% of a company's annual budget, according to the Society for Human Resource Management's new Health Care Benchmarking Report.

Small and mid-sized companies also wrestle with how to scale their benefits along with increasing headcount. Scaling back benefits offerings is the last thing a company wants to do as it grows, especially as its need to compete for talent. In many cases, employees are often willing to pay for all or part of premium, instead of losing a benefit altogether.

Benefits are important, but they're also part of an organization's larger expense picture. Employers face other expenses including the rising price of commercial real estate and office space in larger cities and the increasing cost of talent, especially when it comes to private industry hires. For example, the Bureau of Labor reports that compensation costs for private industry workers increased 2.3% at the end of the third quarter of 2016, up from 1.9% the previous year. Employers should expect wages to go up another 3% in 2017, as well. For many companies there's a push and pull between all these needs.

Finding the benefits balance

The good news is that companies have options when it comes to offering robust benefits while controlling costs. Human Resource experts say the first step is to get a true understanding of your employees' wants and needs, with the goal of determining what benefits are most important to your employees—and which they care less about. "You really need to listen to your team members and engage with them," says Reinke, with Illumitex.

Benefits Boost Loyalty

Expanding your benefits package can help reduce turnover.



“Pay attention to their complaints. In my experience, if two people say they have a problem with something, then another eight do as well. Take their feedback seriously, get to the root of the problem and then solve it,” Reinke says.

Many organizations rely on regular surveys to garner some of this information. Depending on the size of your company, one-on-one or small group conversations can also help. The key, Reinke says, is to collect this feedback year round, and not just while you’re considering new benefit plans.

Finding a broker who understands your industry and employees is also important. For instance, at OneLogin, a large portion of the employees are younger people, who maintain a healthy lifestyle and don’t utilize doctors or other health professionals often. “It’s crucial to work with a broker who understands your demographic and can find programs that meet the needs of your specific organization,” Ton says. A broker who takes the time to dig into your employees’ behaviors and needs can ensure that your company ends up with the right mix of benefits—instead of putting resources into things people don’t value.

Cultivate creative solutions

Small and medium-sized businesses are no strangers to creativity, and thinking outside the box can help you build a better benefits package. Start by exploring voluntary benefit solutions, which allow you to offer additional benefits that employees can opt to pay for themselves at affordable group insurance rates. This can include accident, disability or even pet insurance. In addition, look to offer other benefits and perks that don’t necessarily cost your company money, such as flexible schedules for working parents or work-from-home days.

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– Yvonne Reinke, Director of People Operations, Illumitex

Why Employers Value Benefits

Employers want benefits that not only help their employees, but also provide a true ROI as well. Here are their top goals for their benefits plans:

- 1. Retaining talent
- 2. Controlling costs
- 3. Increasing loyalty
- 4. Increasing employee satisfaction
- 5. Increasing employee productivity

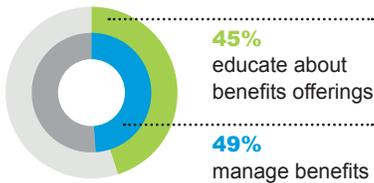


Ton says that some of her employees were really interested in supplemental life insurance and pet insurance. “They have families that they need to take care of,” she says. “We were able to offer them reasonably priced solutions that they could purchase if they wanted.” Voluntary benefits help companies keep their costs under control, while giving employees the chance to obtain the benefits that fit best with their individual situations.

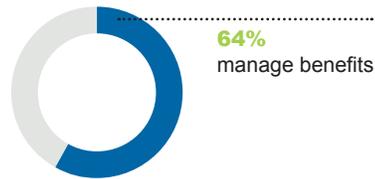
Finally, you want to educate your employees on their benefits, and ensure they’re engaged and taking advantage of all that’s offered. Technology tools can certainly help, providing consistent, easy-to-access information to your employees, as well as streamlining your enrollment and onboarding processes. Employees appreciate the assistance.

Employees report that apps are a preferred way to educate themselves about their companies’ benefit offerings and manage their benefits — especially among Millennials.

Employees prefer apps to:



Millennials preference of apps:



“Technology and a simple platform makes all the difference for us,” Reinke, with Illumitex, says. “Employees are able to enroll on their own and then go back at any time and easily find the answers to questions that they have.” Find ways to reinforce the value of the benefits. Reinke’s company has a system that sends a benefits statement along with paychecks that denotes the portion Illumitex pays for employees’ benefits on each paycheck. “We want them to see the value of it,” she says.

Benefits offer value to both employees and employers, making life easier and less stressful for the former, and improving recruitment and retention for the latter. In 2017, the benefits paradox is real, and small and mid-sized businesses are balancing more costs than ever. But with the right approach and tools, you can offer robust, competitive benefits packages that keep employees happy — and don’t break the bank.

How SMBs Can Compete in 2017

For smaller businesses, offering some of the benefits that giant companies provide — everything from 24/7 free food to on-site gyms to on-call physicians — isn’t feasible.

However, it’s still possible to eliminate the benefits paradox, and provide your employees with a competitive package that gives them what they want. HR experts say you should first make sure that your benefits are comparable with other companies your size and in your industry. A good broker can help you with this research. “You don’t want to be too far afield either way,” Reinke, with Illumitex, says.

Then emphasize what makes your company and culture special and unique on top of that. For Geek Powered Studios, applicants appreciate that the company values work-life balance, and people don’t normally work over 40 hours. “We put a lot of emphasis on that,” she says.

Small and mid-size companies offer opportunities and work environments that many people want. Ensure your benefits can compete, and then highlight what makes your business a great place to learn and work.

How to Add Benefits, Not Costs

A Checklist



1. Understand your company demographic.

Ask employees about their needs regularly.



2. Find a great broker who offers you tailored solutions.

Look for someone who understands your broader industry, your company's growth trajectory, short & long term goals, budget and employee base.



3. Enhance your package with voluntary benefit solutions.

Determine what your employees need, and offer convenient and affordable options for valued benefits they can choose to buy themselves.



4. Think outside of the box.

Consider work-from-home days, paid holidays, flexible schedules, pets at work, etc. All of these can be a nice complement to traditional benefits.



5. Communicate and engage often.

Use technology to increase your reach and make the process easier for everyone.

Ensure your benefits can compete, and then highlight what makes your business a great place to work.

About MetLife

MetLife, through its subsidiaries and affiliates, is one of the largest life insurance companies in the world. Founded in 1868, MetLife is a global provider of life insurance, annuities, employee benefits and asset management. MetLife has operations in nearly 50 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

Serving more than 40,000 small and mid-size businesses in the United States, MetLife has benefit solutions with a range of plan design options to help companies balance costs and employee needs. For more information, visit [MetLife.com/mysmallbusiness](https://www.metlife.com/mysmallbusiness).

About Namely

Namely is the first HR platform that employees actually love to use. Namely's powerful, easy-to-use technology allows companies to handle all of their HR, payroll, and benefits in one place. Coupled with dedicated account support & expert benefit consultants, Namely clients experience the software, service, & consultative support they need to deliver great HR & Benefits packages to their employees in order to better build a strong, engaged company culture.

Namely is used by over 650 clients with over 120,000 employees globally. Headquartered in New York City, the company has raised \$157.8 MM from leading investors, including Altimeter Capital, Scale Capital, Sequoia Capital, Matrix Partners, and True Ventures. For more information, visit [namely.com](https://www.namely.com).

All statistics are from the 14th Annual MetLife Employee Benefit Trends Study, unless otherwise noted.

