Financial Wellness Programs Foster a Thriving Workforce

A report based on MetLife Australia Employee Benefit Trends Study (EBTS 2019)

MetLife

Contents

About MetLife in Australia

MetLife is a leading provider of life insurance, partnering with employers, super funds and financial advisers to help more Australians protect the lifestyle they love.

Our 151-year history and global presence gives us the scale and experience to be a valued and trusted partner in business. We protect customers in more than 40 countries and lead the market in corporate insurance solutions in the US, Asia, Latin America, Europe and the Middle East.

MetLife is the third largest group insurer in Australia, protecting more than 2.6 million people. We support our claimants to get back on their feet financially, having paid out over $420 million in claims in 2018. We provide an exceptional claims experience with access to ancillary support services to promote holistic health and wellbeing.

You can find out more at:

metlife.com.au

Methodology

- Two distinct employer and employee surveys conducted between 4–9 July 2019
- Questions based off latest 2019 MetLife U.S. Employee Benefit Trends Study, however localised for Australian market
- The employee survey included 1,016 respondents, including a mix of full-time and part-time employees, aged 18 and over, at Australian based companies with at least two employees, while the employer survey included 318 respondents with benefits decision makers and influencers at Australian based companies with at least two employees
- A full breakdown of responses is provided at the end of this report. Research conducted in collaboration with independent research partners, Little Triggers

Financial wellness is the state of being in strong financial health so that individuals can successfully manage day-to-day finances, protect against unplanned expenses and financial shocks, and plan and save for future milestones.

Employees have always brought personal stress into the office. But as work and life continue to blend, employees' lives outside of work – and the stress that comes with them – make more of an impact on their work life than ever before.

Employers have a vested interest in helping employees manage their personal stress, ensuring that it does not affect their ability to thrive in the workplace.

Across generations, life-stages, and socioeconomic statuses, the majority of Australian employees agree that personal finances is their number one source of stress. High cost of living, stagnant income growth and high levels of debt are all contributing to financial stress as is retirement savings (or lack thereof).

55% **Over half of employees feel stressed while they are working**

This anxiety can lead to distraction at work, absenteeism, and high turnover – challenges that can have a significant financial impact on a business' bottom line.

According to a recent PwC report[1], Australian workplaces lose approximately $11 billion per year to employee stress and mental health issues. This comprises $4.7 billion in absenteeism, $6.1 billion in presenteeism and $146 million in compensation claims.

1 in 5 employees admit to being less productive at work because of their financial stress

There is also a disconnect between employees' relatively strong perceptions of their finances and their actual financial wellness. This can result in even more stress when they face unexpected financial pressures and fall short of meeting their financial goals.

Increasing employee productivity and reducing employee stress were two of the top objectives for employers when it comes to their benefit offerings. Yet employers appear to be failing to connect productivity and stress factors with personal finances. Our research shows that providing employees with benefits designed to better manage their work and personal lives, as well as benefits that reduced the company's benefits cost took priority over tailoring employee benefits and providing financial education.

Considering the impact financial stress has on business productivity, and employee engagement and well-being, financial wellness should become a top focus for employers, but currently employers have many other competing priorities.

1. https://www.headsup.org.au/docs/default-source/resources/beyondblue_workplaceroi_finalreport_may-2014.pdf

However, employers place far less importance on financial wellness programs compared to other employee benefits strategies. Only 52% said they thought offering financial education to help employees become financially secure was very or extremely important.

To help employees protect their families and plan for their short- and long-term goals, many employers offer a range of benefits such as life insurance (e.g. death, Total and Permanent Disability (TPD), income protection (IP), and Trauma), additional superannuation contributions, cash payments / bonus schemes, and additional paid leave. Yet, financial stress remains for employees. Employers are now recognising they should help employees holistically connect the dots between these benefit offerings, so they understand how to use them to improve their financial wellness. Financial wellness programs are designed specifically to address this emerging need.

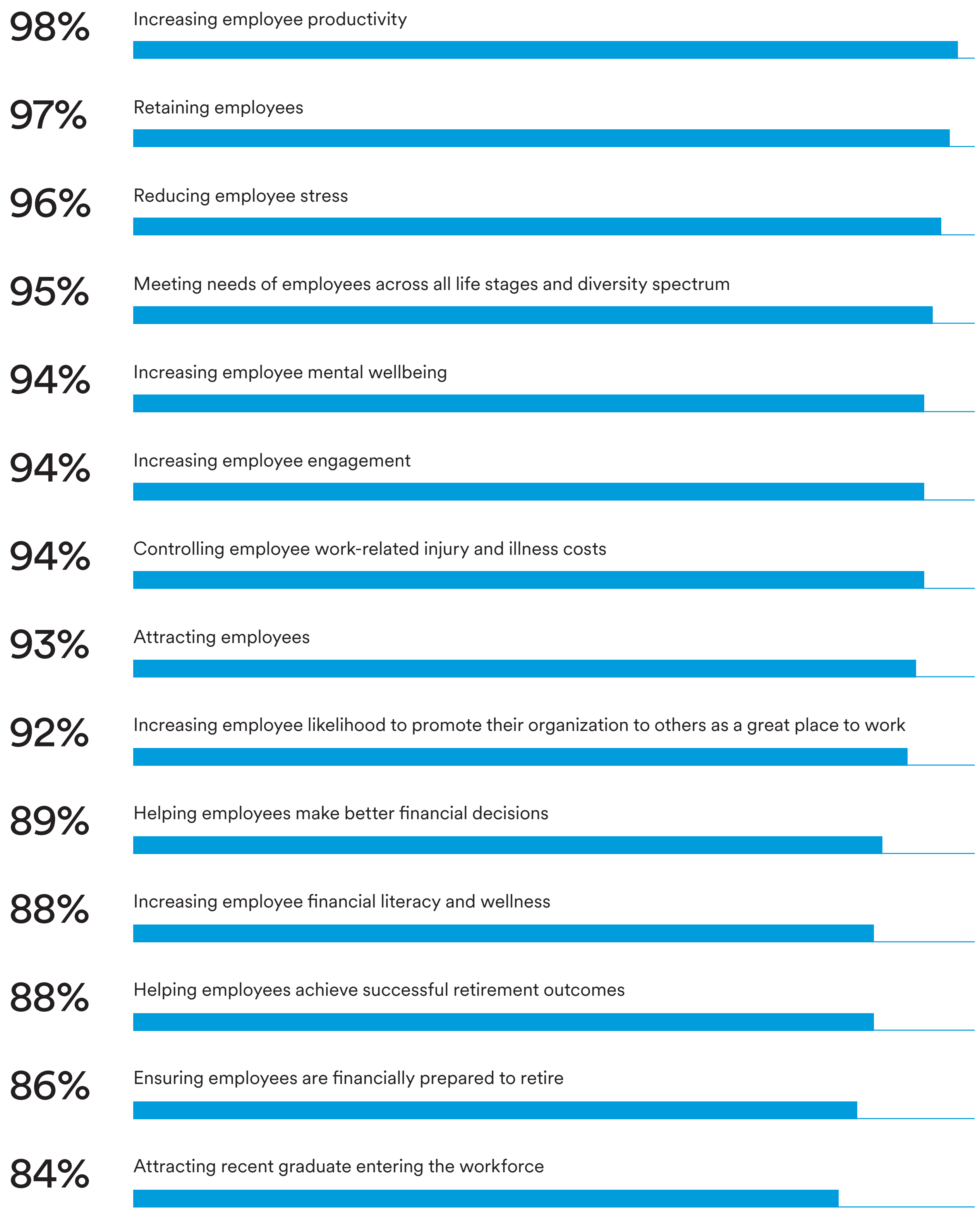
The most successful financial wellness programs are holistic, or all-inclusive, tying together retirement and employee benefits with guidance and resources. By taking a holistic approach, these programs can not only maximise the impact of employers' investments in their benefits programs, but to help employees meet their short- and long-term financial goals, too.

But despite these advantages, many employers haven't been able to gain traction in offering these programs. This is understandable, given that there are so many financial wellness solutions available — and it can be challenging to determine which programs meet employees' needs, create meaningful improvements, and drive clear business value.

Still, it is a missed opportunity for employers. Financial wellness programs are not only in high demand, but, when delivered effectively, can serve as a differentiator in employee satisfaction, productivity, and loyalty.

At MetLife, we are committed to supporting financial wellness in the workplace. We leverage insight across the business internationally, including 17 years of research on employee benefits in the US. In the fifth iteration of our Australian Employee Benefit Trends Study, we have uncovered insights that can help employers understand the positive impact financial wellness programs can have and how employers can develop best-in-class programs to meet their employees' needs.

Employers report their top objectives include...



01

Employees' Financial Perceptions Don't Match Reality

The majority of employees report they are confident about their financial situation, however, personal finances remains their number one source of stress.

63% **of employees feel financially confident**

and

Over 6 in 10 employees feel they are in control of their finances

but

55% **More than half (55%) of employees feel stressed at work more than half the time**

with

#1 **The #1 source of employees' stress being 'personal finances'**

What explains this paradox? While employees say they are confident, their actions and circumstances do not match their perceptions. Many are not successfully managing their short-term expenses, and therefore, are not on track to reach their long-term financial goals — causing a sense of financial insecurity that leads to stress.

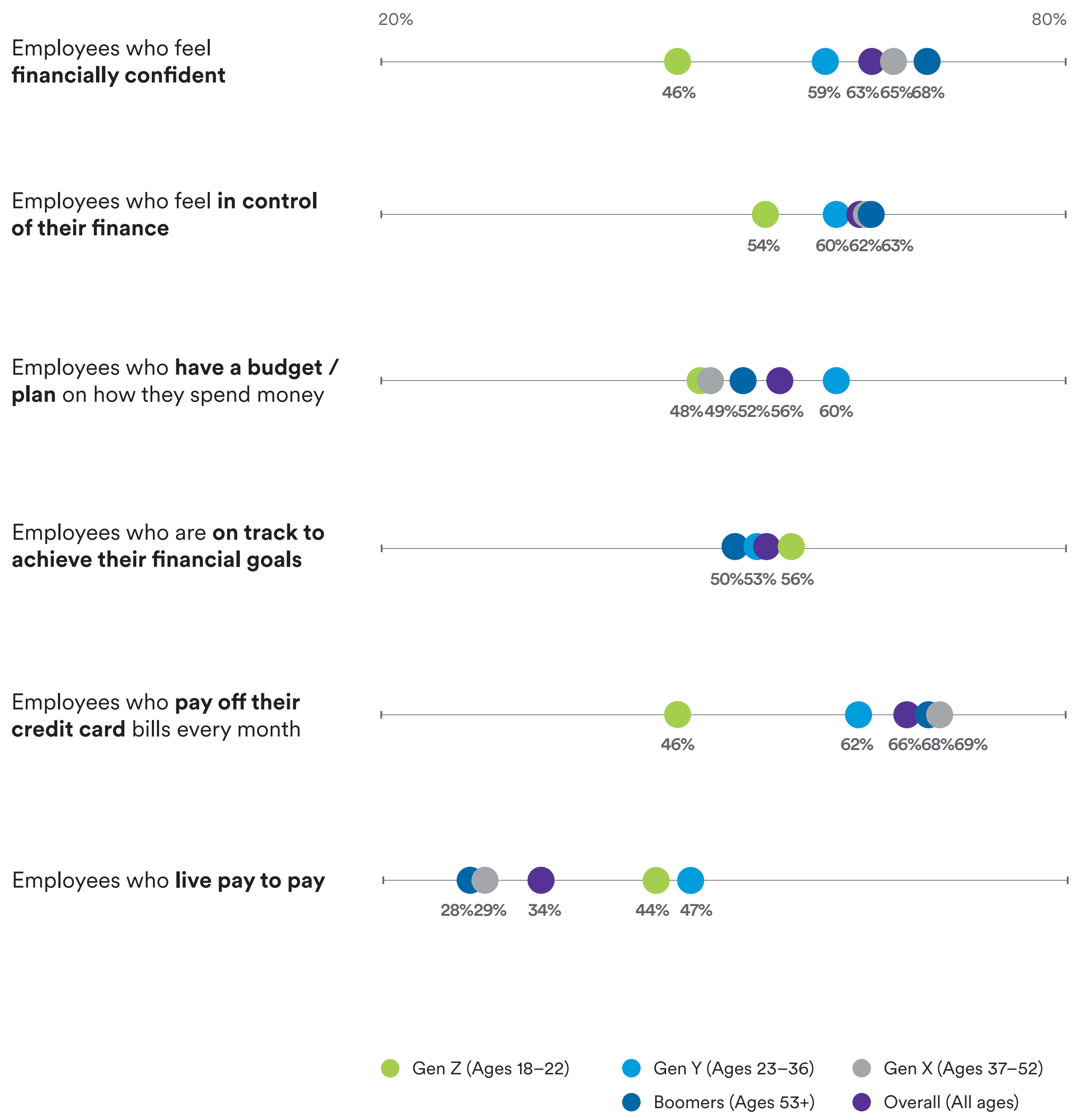
Retirement planning plays a part in this as well. Overall, the average employee plans to retire at age 65, with over 1 in 5 (21%) planning to spend their retirement years travelling. Yet 1 in 4 (22%) are only planning for their savings to last up until 15 years.

This gap between what employees say and the reality of their day-to-day lives highlights the importance of educating employees and providing them with the right resources and tools to assess their true state of financial health. This way, employers can encourage employees to better manage their finances to prepare for situations that are most likely to cause stress.

This disconnect is particularly noticeable among younger employees, who relative to their older counterparts, have a higher rate of overlap in feeling both in control of their finances and living pay to pay. Male, Gen Y and Gen X are more likely to feel confident in their financial situation, but in Gen Y's case this is unwarranted as they are also more likely to live pay to pay.

This perception gap inhibits employees from truly understanding their financial situations and taking the appropriate action to plan and save.

Employees perceptions of their financial situation (% Agreement)



Employees' actions don't match their desire to save for the future

Only 53% of employees have a budget or plan for how to spend their money on an ongoing basis — and actually stick to it.

64% **of employees say they are willing to make short-term financial sacrifices in order to have a secure retirement (consistent across age and gender)**

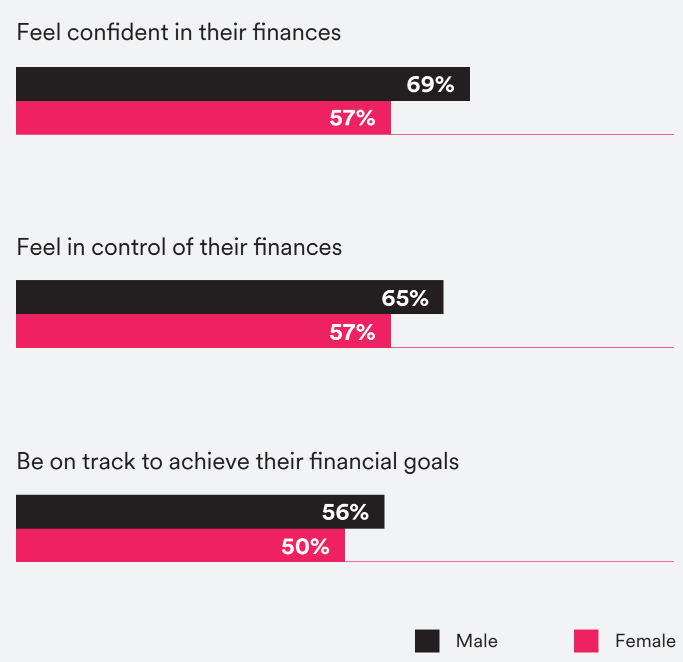
but

56% **of employees are directly allocating part of their pay to a savings account**

There are other pronounced disparities between male and female, with female more likely than male to report living pay to pay — 37% to 31%.

The disparity between male and female increases further when looking at their confidence levels and savings.

Females are less likely to...



Many employees may prioritise their short-term needs at the expense of their long-term goals

Immediate needs and future planning often compete for the same dollars, because of this, most employees — 63% — are behind on their retirement savings goals, even among those older employees nearing retirement. Many younger employees have not even begun to put money away for retirement and just a quarter of boomers are on track to achieve their retirement savings goals – nerve-wracking as retirement fast approaches. Surprisingly, among employees who are confident, only half are on track or have already reached their retirement saving goals. Due to their financial situation, employees are increasingly postponing retirement.

4 in 10 employees say they expect to postpone retirement due to their financial situation

Financial wellness programs can do something salary and benefits alone cannot help employees better understand their financial situations and leverage their benefits, so they can take action to set themselves up for success today and in the future. Employers do not currently place enough emphasis on these programs as a part of their benefits strategies.

By offering a financial wellness solution and connecting it to their benefits offering, employers have an opportunity to help improve employees' financial health — and in turn, reduce employee stress and increase productivity.

	Gen Z (Ages 18–22)	Gen Y (Ages 23–36)	Gen X (Ages 37–52)	Boomers (Ages 53+)
Haven't started saving for my retirement yet	38%	27%	13%	8%
Significantly behind where I had hoped to be at this point	8%	19%	16%	19%
Somewhat behind where I had hoped to be at this point	21%	26%	32%	27%
On track for reaching my retirement savings goals	31%	23%	35%	30%
Have already achieved my retirement saving goals	2%	5%	4%	16%

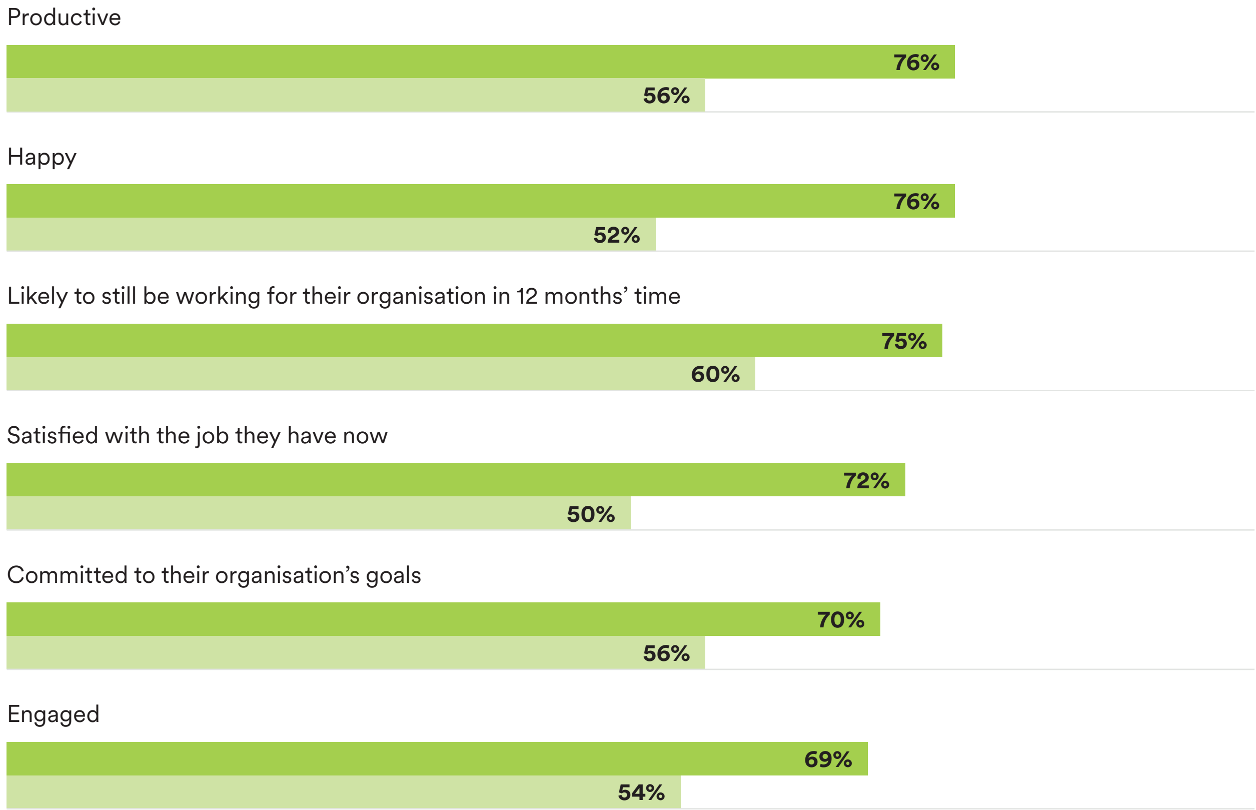
02

Financial Wellness Programs Benefit Employees and Employers

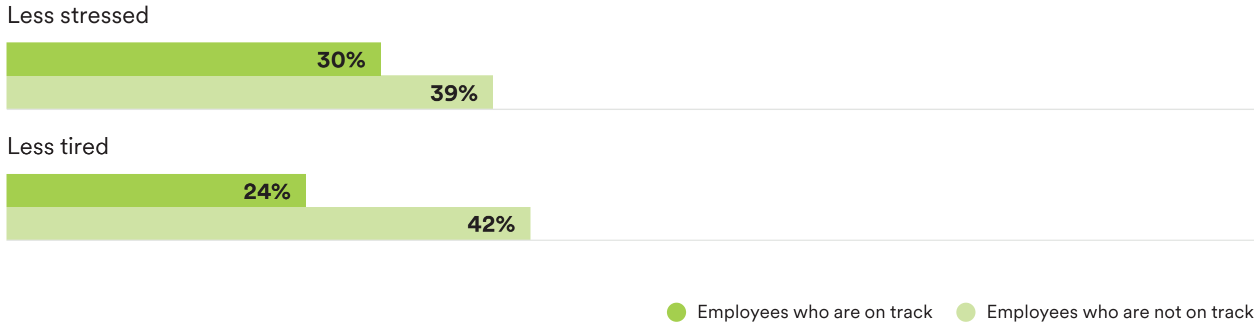
Employers have a vested interest in improving the financial health of their employees. If their employees are financially unprepared to deal with both short- and long-term needs, they are more likely to be stressed, which in turn impacts productivity in the workplace.

Through financial wellness programs, employers can help employees get a better handle on their finances in order to mitigate their financial stressors. More broadly, employees who are on track in their finances tend to be more productive, engaged and loyal — reflecting top business objectives for employers today.

Employees who are on track with their financial goals are more...



They are also...



What is more, improving financial wellness can also improve employees' physical and mental well-being. Stress can physically manifest as headaches, fatigue, and trouble sleeping, and can also cause mental irritability and depression. All these factors prevent employees from bringing their full focus and energy to work and have a negative impact on productivity, which nearly all employers want their benefits package to help increase.

Yet 45% of employees believe their current benefits received from their employer actually improve their financial wellbeing and 42% believe their current benefits package is helping them reduce their financial stress.

72% **of employees say "financial planning tools to help them understand their options and achieve their financial goals" is a must have or nice-to-have benefit**

but

31% **of employees claim to be offered financial wellness programs by their employer**

and

13% **are taking advantage of these programs.**

As work and life continue to blend, employers need to help alleviate the stress employees feel, so they can thrive in and out of the workplace. Financial wellness programs can significantly contribute to these objectives. Through these programs, employers can target employees where they need financial assistance, helping to drive overall engagement. It's a win-win for both employees and employers.

Many employees expect their employers' help with their financial wellness — particularly younger generations — and employers agree they have a role to play.

While the majority of employers agree they have a responsibility for the financial wellness of employees, just 13% take advantage of financial wellness programs offered. Employers can bridge this gap through rethinking their communication strategies and ensuring their benefits are explained in an appropriate way so that employees clearly understand how to make the most of them.

The majority of employees say financial wellness programs will help them understand their needs and achieve their goals. But they lack awareness around whether or not their employers are offering these programs, what these programs look like, how they can participate, and how they can use the programs to address their individual needs. As a result, employees are not taking advantage of the programs when their employers do offer them, hindering their financial progress.

By creating holistic financial wellness programs that tie together benefits and guidance, employers can set their employees up for continued financial success, while at the same time, advancing their own organisational goals.

Employers have a responsibility for the financial well-being of their employees

37% Employees who agree

63% Employers who agree

50% Gen Z (Ages 18–22) who agree

51% Gen Y (Ages 23–36) who agree

33% Gen X (Ages 37–52) who agree

26% Boomers (Ages 53+) who agree

03

How to Build a Best-in-Class Financial Wellness Program

Many employers already offer a variety of benefits that could help employees address their financial challenges. What tends to be missing is a holistic program that ties benefits (both traditional and supplemental) together with multi-channel guidance, tools, and education that empower employees to take meaningful action towards improving their financial wellness in both the short and long term.

Employers have a wide range of options to consider when deciding what financial wellness programs are best suited for their diverse workforce. What may be right for one organisation may not be right for another, so it is important to take a holistic and employee-centric approach in evaluating potential solutions.

A successful financial wellness program must be comprehensive and focus on the three key factors of financial wellness.

Short-term

You can manage day-to-day finances.

Budgeting, debt (including higher education repayment), bills, savings

Protection

You're protected against unplanned expenses.

Emergency funds, insurance coverage

Long-term

You're able to plan and save for future milestones.

Buying a house, planning for retirement, starting a family, or paying for additional education

The following four principles can help employers take action today to develop best-in-class, employee-centric programs that will help reduce one of the big stressors in the lives of their workers.

1. Start by gathering and assessing employee data

The first step employers can take to create a successful financial wellness program is to conduct an employee financial needs assessment. It is necessary to uncover the magnitude to which employees experience financial anxiety and the extent to which those anxieties may be affecting the organisation. Only through a detailed assessment can companies truly identify employees' priorities and preparedness, including any gaps in knowledge or skills.

When conducting a financial needs assessment, employers should gather demographic data — generation, life stage, family structure, and financial to assess the financial health and coverage of employees. Employers should, of course, adhere to strict data-privacy practices, keeping sensitive information confidential or anonymised.

This quantifiable data can help employers define their financial wellness program objectives and tailor benefits accordingly to best help their employees.

2. Ensure a personalised approach

Because today's workforce is diverse and multi-generational, often with unique career paths, employers need to offer and communicate solutions in a way that meet employees' individual needs and support their whole selves.

Boomers who are behind in retirement may need personalised guidance to help them get on track to meet their goals. Gen X employees sandwiched between caring for children and aging loved ones may have a higher need for both child and elder-care. Gen Y employees starting families and buying homes may need education on how life insurance can provide financial protection and how legal plans could assist with real estate matters and wills. Gen Z employees, more recently out of higher education, may value student-loan (StudyAssist / HELP loans e.g. HECS) reduction programs.

3. Make it easy and enticing for employees to participate

A key to continued success of a financial wellness program is its ability to draw employees into the program and encourage them to take ongoing action.

Employers must consider a multi-channel approach, giving employees the flexibility to choose how and when they want to engage and take action — whether it's online at their own pace, or in-person or on the phone with trained professionals. Ideally, solutions should integrate existing employee benefits to deliver cohesive education and coaching across multiple channels.

An effective program also breaks down suggested actions into attainable, goal-based steps. Goals need to be manageable, so employees can see the active progress they are making and feel encouraged to continue. Communications should also be optimised with clearly defined action steps to support ongoing engagement. For instance, if targeting a Gen Y employee who has recently returned from parental leave, employers can highlight the importance of life insurance and legal plans, and then direct that employee to learn more.

4. Measure the impact and value of such programs

The most successful financial wellness programs allow employers to understand the impact they have on an employees' financial health and the return on their investment in offerings. Because employees are constantly evolving, it is a good idea for employers to continuously review and evaluate their workforce, its needs and desires while simultaneously implementing a measurement program that helps evaluate their programs' effectiveness.

While the conventional return-on-investment (ROI) standard of measure, in which dollars invested can be directly tied to cost savings, is important, it provides only a limited view of a program's success.

Increasingly, companies are using value-of-investment (VOI) to evaluate workplace financial wellness programs. VOI considers more than just hard-dollar savings — measuring elements such as employee productivity, engagement, overall job satisfaction, as well as costs associated with absenteeism, disability claims, and turnover. Key stakeholders across the company should work together to determine what metrics should be evaluated to assess program success.

Taken together, financial wellness programs help employers assess employees' financial wellness, holistically address employee's individual needs at scale, and measure and drive return on current benefits.

Employers can take action today to help employees

There are tangible ways to offer a holistic financial wellness program for employees that addresses and attempts to reduce their stress. While some stresses are short term concerns such as paying bills or immediate health needs, the bulk directly relate to retirement and a benefits package should aim to address the short-term, long-term, and unexpected needs of employees through the methods discussed.

While the majority of employers agree they have a responsibility for the financial wellness of employees, just 13% take advantage of financial wellness programs offered. This presents a great opportunity for employers to do the right thing by their staff and stand out from a talent attraction and retention perspective.

Keep in mind these benefits are tied together under a financial wellness program and should be evaluated using the best-in-class measures.

It's not only an opportunity, but a business imperative that employers take action to reduce employees' financial stress. Only 72% of employees thought that the benefits they receive from their company improves their financial wellness, so there is a chance for employers to make significant benefits in the lives of their employees. Employers can differentiate themselves through a financial wellness program that supports employees in their financial decisions to encourage a more engaged, satisfied, and loyal workforce — one that thrives in both work and life.

A well-designed financial wellness program takes a holistic and integrated approach, connecting employer benefits and multi-channel resources to address both short-term and long-term employee needs. The right mix of resources, education, and communication goes a long way in meeting employees where they are in life to get them to take action.

Ultimately, financial wellness programs help all employees — no matter their confidence level, pay grade, or title — understand their current benefits and individual circumstances to take action and improve their financial wellness, now and in the future.

Financial Wellness Programs

(Multi-channel access to help address the **three key elements** of financial wellness)

Short-term expenses	✔ Make it easy for employees to allocate their pay to their savings ✔ Offer webinars and in-person sessions e.g. one on one consultations, workshops, expos etc. ✔ Where appropriate, facilitate education sessions between employees and their super fund/insurance company	✔ Offer programs to help employees manage and pay down their debt, including higher education loan repayment ✔ Offer a range of discounts or rewards on services that employees use frequently
Unplanned expenses	✔ Connect benefits to financial protection (e.g. Total and Permanent Disability (TPD) and Income Protection (IP)) for unexpected injuries and illnesses	✔ Promote health benefits that can help support employees including those returning to work
Long-term goals, including saving for big expenses and retirement	✔ Offer online tools that allow employees to view potential retirement outcomes ✔ Offer personalised financial planner services with one-on-one consultation ✔ Offer tools to help employees save for big expenses, such as purchasing a home, starting a family and saving for additional education	✔ Offer additional super contributions / matching option for salary sacrificing ✔ Offer advice on cash / bonus / incentive payment (if applicable) ✔ Inform employees about share / equity schemes ✔ Offer paid superannuation while on parental leave

EBTS Australia 2019
Employee breakdown

Gender	
Male	54%
Female	46%

Marital status	
Single, not living with partner	25%
Single, living with partner	14%
Married	53%
Widowed	2%
Divorced / Separated	7%

Education	
Year 11 or below	6%
Year 12	13%
Certificate I/II/III/IV	14%
Associate degree / diploma	13%
Bachelor's degree	30%
Postgraduate degree	15%
Professional (e.g. MBA, CPA)/Doctorate degree	10%

Employer size (staff size)	
2–9	25%
10–49	19%
50–199	15%
200–999	15%
1,000–4,999	12%
5,000+	14%

Geography	
New South Wales	31%
Victoria	26%
Queensland	20%
South Australia	8%
Western Australia	10%
Tasmania	2%
Northern Territory	1%
ACT	1%

Employment status	
Employed full-time	68%
Employed part-time	28%
Other	5%

Age	
18–24	9%
25–34	20%
35–44	21%
45–54	20%
55–64	17%
65+	15%

Personal income	
Under $30,000	9%
$30,000–$49,000	18%
$50,000–$74,000	18%
$75,000–$99,000	16%
$100,000–$149,000	16%
$150,000 and over	14%
Prefer not to answer	9%

Family status	
Parent of children < 18 years	31%
Not a parent of children < 18 years	69%

Industry	
Agriculture, Forestry and Fishing	2%
Mining	2%
Manufacturing	5%
Electricity, Gas, Water and Waste Services	1%
Construction	5%
Wholesale trade	5%
Retail trade	10%
Accommodation and Food Services	4%
Transport, Postal and Warehousing	4%
Information Media and Telecommunications	5%
Financial and Insurance Services	7%
Rental, Hiring and Real Estate Services	2%
Professional, Scientific and Technical Services	12%
Administrative and Support Services	4%
Education and Training	10%
Health Care and Social Assistance Arts and Recreation Services	11%
Other/Don't know	11%

EBTS Australia 2019
Employer breakdown

Employer size (staff size)	
2–9	14%
10–49	16%
50–199	23%
200–999	24%
1,000–4,999	14%
5,000+	10%

Geography	
New South Wales	34%
Victoria	30%
Queensland	17%
South Australia	7%
Western Australia	8%
Tasmania	2%
Northern Territory	1%
ACT	1%

Industry	
Agriculture, Forestry and Fishing	2%
Mining	2%
Manufacturing	9%
Electricity, Gas, Water and Waste Services	2%
Construction	9%
Wholesale trade	3%
Retail trade	8%
Accommodation and Food Services	4%
Transport, Postal and Warehousing	3%
Information Media and Telecommunications	4%
Financial and Insurance Services	8%
Rental, Hiring and Real Estate Services	3%
Professional, Scientific and Technical Services	12%
Administrative and Support Services	3%
Education and Training	13%
Health Care and Social Assistance	8%
Arts and Recreation Services	1%
Other/Don't know	5%

Department	
Procurement	4%
Finance/Accounting	13%
Executive/Senior Management (CEO/CFO)	37%
IT	0%
Payroll	4%
Human Resources/People & Culture	24%
Administration	18%

Role in benefits offering	
Final decision maker	36%
A lot of influence	45%
Moderate influencer	19%

Employment status: Full-time	
All	71%
Some	29%
Moderate influencer	0%

Employment status: Part-time	
All	43%
Some	41%
None	8%
N/A – no part-time employees	7%

Employment status: Fixed-time	
All	37%
Some	35%
None	13%
N/A – no fixed-time employees	15%

To find out more about the research, please contact your Relationship Manager or email auservices@metlife.com

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