MetLife

# 2011 Study of International Employee Benefits Trends

Diverse in form but unique in function, bridges evoke our ability to create solutions to complex challenges, to establish enduring connections and to drive progress toward a better future. Global employee benefits act in a similar supporting fashion, enabling companies to achieve business objectives and their workers to meet the needs of the present while building a secure financial future for themselves and their families.

MetLife has a proud tradition of investing in the financial and social well-being of the communities in which we do business. For more than 140 years, we have focused on understanding and serving our customers through various life stages and economic cycles through groundbreaking and reliable research.

Moreover, with the acquisition of Alico in 2010, MetLife now has an even larger global footprint upon which to expand this tradition of excellence in benefits trends research. We will continue to serve as a leading voice on employee benefits by actively influencing public policy, educating the media and developing intelligent and useful products.

# Introduction

**Globalization, along with the financial crisis of 2008-2009**, has put a sharp spotlight on the changing role and complexity of employee benefits as a tool for companies of all sizes and industries. Workplace-provided benefits — including retirement, health coverage, disability or life insurance — often have an important positive socio-economic impact, especially as governments begin to seek savings and cut programs in the face of demographic and budgetary challenges.

At the same time, the current economic climate is pressuring the private sector globally to scrutinize the cost and scope of the benefits provided to workers. There can also be considerable regional differences in what companies can expect to offer without jeopardizing their business objectives. Given the rapidly changing global economy and role of employee benefits, MetLife decided to expand on its first International Employee Benefits Trends Study, published in 2007.

Our 2011 International Employee Benefits Trends Study includes the four countries from the first edition — Australia, India, Mexico and the United Kingdom — plus the addition of a major emerging market, Brazil. The 2011 report contains the results of our surveys of employers and employees from these five countries, which provide a representative sample of different economic and workplace environments.

Australia and the United Kingdom are two mature, industrialized countries that have many of the demographic trends and challenges of economically advanced nations. Brazil and India are two of the high-growth emerging markets, known along with Russia and China, as BRICs, which are expected to dominate the world economy by mid-century. They have similar economic and demographic characteristics and challenges, though India's large population puts it in a class by itself in many respects. Mexico is close to both India and Brazil on many issues, though it has a smaller population and economy than either of them.

As in the first study, the data in this report provide insight into the financial concerns, needs, habits and expectations of employees in each of these five countries. For employers, the report delves into their perceptions on benefits objectives and current practices. Where possible and relevant, we have compared and contrasted with the results of the first study. The report offers actionable conclusions for employers, both domestic and multinational, which can serve as guidelines for future benefits strategies and plans. As the global economy returns to a path of steady growth, the findings of the 2011 report complement the first study and also aid any employer with multinational operations planning to expand internationally.

For more than 140 years, MetLife has been a leading provider of innovative benefits solutions to companies and their employees. Our first employee benefits trends study was launched in the U.S. in 2001 and is now in its ninth annual edition. Moreover, with the acquisition of Alico in 2010, MetLife now has an even larger global footprint, with operations and offices in more than 60 countries on six continents. With this expanded global footprint comes a greater set of capabilities and a keen understanding of the world of employee benefits, such as the future of health and wellness programs and retirement and pension plans for global and local employers. This second international study is one of many tools that MetLife provides to employers, brokers, consultants and other benefits professionals.

We invite you to contact your MetLife representative for a more in-depth discussion about benefits strategies. In the meantime, we hope you will find the information and analysis in this second edition of the MetLife International Employee Benefits Trends Study to be of value in assessing and improving the effectiveness of your company's or client's employee benefits plans.

# Contents

# Global Overview

## GLOBAL OVERVIEW

# Adapting and Aligning Employee Benefits to New Global Economic Realities

DESPITE ONGOING UNCERTAINTIES STEMMING FROM EVENTS IN THE MIDDLE EAST AND JAPAN, THE GLOBAL ECONOMY IS EXPECTED TO CONTINUE TO CHART A GROWTH COURSE IN 2011 AND BEYOND.[1]

**DIVERSE ECONOMIES AND DEMOGRAPHICS — DESCENDING ORDER OF POPULATION SIZE**[2]

| | GDP | POPULATION | LIFE EXPECTANCY AT BIRTH (YEARS) | MEDIAN AGE (YEARS) |
|---|---|---|---|---|
| INDIA | $1.4 trillion | 1.15 billion | 66.8 | 25.0 |
| BRAZIL | $2.0 trillion | 203 million | 73.7 | 29.0 |
| MEXICO | $1.0 trillion | 112 million | 76.4 | 27.1 |
| UNITED KINGDOM | $2.2 trillion | 62.6 million | 80.0 | 40.0 |
| AUSTRALIA | $1.2 trillion | 21.7 million | 81.8 | 37.7 |
| UNITED STATES | $14.1 trillion | 307 million | 78.0 | 36.6 |

1 Fitch Ratings, Special Report: Global Economic Outlook, 3-31-11
2 Source World Bank and CIA World Fact Book and The IMF
3 http://www.express.co.uk/posts/view/235250/How-Britain-is-stuck-near-the-bottom-of-world-pension-league

As they plan for expansion either in major global or home markets, multinational companies and local domestic firms would be well-advised to review their employee benefits strategies to ensure that they are aligned with and support the company's business objectives.

While globalization has had a homogenizing or flattening effect in certain areas, such as the free flow of capital or information transfer with the click of a computer mouse, employee benefits practices can still diverge widely from country to country. Health care, pensions, life insurance, and disability are benefits that are often regulated by governments or provided

> The great financial crisis of 2008-2009 has left a generally high level of financial concern in its wake in these countries.

under state social programs. Government mandate — or the lack of it — will often determine both the expectations of employees and what companies offer.

Retirement benefits provide an apt example. In the two developed economies in this survey, Australia and the United Kingdom, the pension plans are quite different. Australia has its superannuation fund, which is a government-directed compulsory retirement savings plan with contributions from employers and employees. Consequently, private employers in Australia do not usually provide a separate defined benefit pension. In contrast, private companies in the U.K. have long provided defined benefit pensions to their employees, with the government pension amounting to a relatively small sum compared to other developed countries.[3]

But even government mandates can change, especially in the light of stark fiscal and demographic reality.[4] One of the key findings of our 2011 International Employee Benefits Trends Study is that the great financial crisis of 2008-2009 has left a generally high level of financial concern in its wake in these countries, often accompanied by a lack of preparation about how to meet these challenges and return to long-term fiscal health. Staying with the example of retirement: in the case of Australia and the U.K., both governments are implementing changes this year and next year to their pensions systems, changes that will have a direct impact on both companies and their employees. In these countries, the retirement benefits landscape is in flux due to budgetary pressures and populations with some of the highest life expectancy on the planet.

In our three emerging markets, India, Brazil and Mexico, there is also a high level of financial anxiety. This concern is coupled, however, with an even greater lack of preparedness for both retirement and shorter-term financial eventualities in countries whose combined total population is 1.5 billion. Consumer confidence shows signs of improvement, however, particularly in Latin America.[5]

Our research results presented in the five country chapters can help companies devise solutions to meet these benefits challenges in diverse economies with varying levels of development. As from the previous study, multinational companies can extract vital country-specific information and cultural nuances that can provide the foundation for local benefits strategies. Local domestic companies will find data which they can use as benchmarks and input for the formulation of future benefits strategies.

# Global Economy, Local Benefits

In its international employee benefits research, MetLife seeks to identify global and regional trends and benchmark best practices that enable companies to make informed decisions that support their goals and strategy. Employee benefits is a strategic investment in business success regardless of country, currency or culture. By their very nature, the principles and ideas in managing benefits entail both "thinking globally and acting locally." As in our first study, we identified a number of challenges confronting companies that are keen to roll out the right set of benefits for employees in a given market:

- Understanding the impact of the changing global economy on both employers and their workers and how this has affected expectations from our first study.
- Educating employers and HR managers on the connections between providing benefits and achieving objectives.
- Educating employees on how their benefits serve an important function in their financial safety net, thereby maximizing the value of the benefits offering for all stakeholders and helping the employer achieve business objectives.
- Adapting benefit plans to changing government mandates, regulatory requirements and local cultural circumstances.
- Recognizing regional economic differences, particularly in larger countries, and knowing how these are reflected in the types of benefits offered within the countries. Our study looked at regional differences in India and Mexico.

4 http://www.economist.com/node/18502013
5 A Global Nielsen Consumer Report, January 2011, www.nielsen.com

**TOP BENEFITS CURRENTLY OFFERED**

| | #1 | #2 | #3 |
|---|---|---|---|
| **AUSTRALIA** | Income protection | Travel accident | Total permanent disability |
| **BRAZIL** | Term life insurance | Health insurance | Dental insurance |
| **INDIA** | Health insurance | Critical illness insurance | Pension |
| **MEXICO** | Life insurance | Savings fund | Health insurance |
| **UNITED KINGDOM** | Pension | Private medical | Life insurance |

- Aligning global benefits packages and practices — especially those of multinational companies — to local conditions while ensuring flexibility and consistency within the corporate framework.

## Adjusting to and Acting on New Economic Realities

The great financial crisis of 2008-2009 acted like an economic tsunami, lowering the confidence of consumers and dashing some of the employees' expectations for a wider array of workplace benefits we catalogued in our 2007 study. While the gradual return to economic growth worldwide has improved confidence levels somewhat, we found that there are still high levels of financial concern in these markets. More importantly, this concern is accompanied by a general inaction on the part of employers and employees to fill the gaps with either company-paid or voluntary benefits or products bought on the open market from third parties.

Across the board in all five countries, having enough money either to cover a sudden loss in income or just to make ends meet ranks in the top three of employee financial concerns. Underscoring the potential fragility of the recovery, employees in the U.K., Australia and Mexico cite job security as either their first or second concern regarding financial security. Employees in the major emerging markets of India and Brazil, two of the fastest growing economies worldwide, are more confident about their job security.

Even in the U.K., which has the highest level of ownership of financial products among the surveyed countries, two-thirds of the employees surveyed had not taken any steps to determine their disability insurance needs. Yet, anxiety about sudden income loss is on the rise there. The trends are similar in the other mature market, Australia, where employees generally own few financial products outside of those purchased in the workplace.

In Brazil and Mexico, which have large populations of young people, employees cite having enough money for education as a top three concern.

## The Potential of Voluntary Benefits

Employers in all five countries are looking for ways to lower the costs of the benefits they provide and have their employees share some of the burden. Employers who do not offer benefits cite cost as the main reason, though not always. In India, 30% of employers who

do not offer benefits said it was a matter of planning, suggesting a basic lack of awareness of the connection between offering products and achieving their top goal of increasing employee productivity.

As in the United States, there is a growing interest among employees in employee-paid voluntary benefits offered at work.

> Across the board in all five countries, having enough money either to cover a sudden loss in income or just to make ends meet ranks in the top three of employee financial concerns.

Using the U.S. as a benchmark, nearly two-thirds (61%) of American employees say they value voluntary benefits as a way to meet their personal needs; and 52% said they are ready to choose a wider array of voluntary benefits that they pay for themselves. But there is a disconnect in the U.S. between employees and their companies on this topic: more than one in four companies (43%) said they believed their employees were not interested in a wider range of voluntary benefits and only 14% said they were likely to increase the amount of these benefits to choose from.[6]

In some of the countries in our international survey, we found similar but not always identical trends concerning voluntary benefits:

- In Brazil, for example, nearly one-third of women not currently receiving benefits said that they were interested in purchasing products such as personal accident and private pension through their employers but paying 100% of the costs themselves. This is significant because women are a growing component of the Brazilian workforce with their per capita income growing 7.3% from 2000 to 2006 (compared to

2.6% for men). Nearly half of all Brazilian employees who currently receive workplace benefits said they are interested in a wider array of voluntary benefits. A majority of Brazilian employers said they saw value and advantages in offering workers a broader choice of voluntary benefits.

- In Australia, the majority of employers are not convinced that offering voluntary benefits should be part of their strategy, but one in five employees said they would be interested in purchasing products such as income protection. Financial planning services could be one of these voluntary benefits as only 36% of Australian male employees and 24% of female employees said they were confident in making financial decisions. Given the looming labor shortage Down Under, Australian employers might want to consider this option.
- In Mexico, 56% of workers who currently have workplace benefits said they wanted a wider choice of voluntary benefits. About one in four Mexican employees who currently do not receive benefits said they would pay the full cost to get life, disability and health insurance as well as a savings fund via the workplace. A majority of Mexican employers said they saw value and advantages in offering workers a broader choice of voluntary benefits.

In general, our study found that offering benefits on a voluntary basis is a cost-effective way for employers to help employees obtain the right amount of financial protection for their needs.

## Retirement: Aging Populations, Underfunded Accounts

Economic development and industrialization contribute not only to rising standards of living, but also to greater longevity. Worldwide, people are living longer. In the five very diverse countries surveyed, life expectancy ranges from about 67 years in India to about 82 years in Australia. The trend is moving in an upward direction, toward longer lives and extended retirement. In the United States, people who reach age 65 today can expect to live almost another 20 years.[7] In Japan, a woman born today has about a 50% chance of becoming a centenarian.[8]

**TOP THREE FINANCIAL CONCERNS AND WORK/LIFE GOALS OF EMPLOYEES**

| | #1 | #2 | #3 |
|---|---|---|---|
| AUSTRALIA | Enough money to pay bills during sudden income loss | Job security | Enough money to make ends meet |
| BRAZIL | Enough money for children’s education | Enough money to pay bills during sudden income loss | More time to spend with family |
| INDIA | Enough money to make ends meet | Appropriate health insurance | Resources and time to care for aging parents and relatives |
| MEXICO | Enough money to pay bills during sudden income loss | Job security | Enough money for children’s education |
| UNITED KINGDOM | Job security | Enough money to make ends meet | Enough money to pay bills during sudden income loss |

6 9th Annual Employee Benefits Trends Study, MetLife, 2011, pps. 26-27
7 http://www.economist.com/node/18502013
8 World Bank and CIA World Fact Book

Workers in the five countries surveyed are certainly aware that they are living longer. Most workers are also planning to retire in their early 60s, or even earlier in the case of Mexico. The result is that people are anticipating longer retirements than ever before. But this good news creates its own pressures. In our study, "outliving retirement money" is viewed as a major concern for all countries except India. But even in India, the number one retirement concern is having enough money to afford health care, while another top worry is having to work in retirement to live comfortably.

Yet, this awareness that the retirement nest egg might not last one's entire golden years is for the most part not translating into increased savings and planning among the groups surveyed. This is particularly true in our three emerging markets. In India, a full 85% of those surveyed had not taken any steps to plan for retirement. About three-quarters of all Mexican workers had not taken any steps to plan for retirement or determine what their income needs will be when they stop working; about two-thirds of all Brazilian workers are not prepared for retirement.

In Australia, with its higher per capita income and mandatory pension system, about three-quarters of all workers say they are behind in reaching their financial goals for retirement. And only one in four has done any planning beyond that needed for their superannuation fund. Even in the U.K., about one-third of older workers approaching retirement are worried about how to replenish savings that were depleted by the recent stock market crash.

Governments as well as private employers worldwide are assessing their retirement systems and pension plans in light of these demographic realities. More people living longer means the overall public burden of retirement will skyrocket, and it has begun to do so, including in the United States.[9]

A key finding on retirement from our research is that most employees cannot rely solely on government pensions and employer-sponsored plans to have enough money to

**TOP CONCERNS OF EMPLOYEES REGARDING RETIREMENT**

| | #1 | #2 | #3 |
|---|---|---|---|
| **AUSTRALIA** | Outliving retirement money | Being able to afford health care in retirement years | Having to work full-time or part-time to live comfortably in retirement years |
| **BRAZIL** | Being able to afford health care in retirement years | Outliving retirement money | Having enough money to take care of elderly parents or in-laws |
| **INDIA** | Being able to afford health care in retirement years | Having to work full-time or part-time to live comfortably in retirement years | Providing for your own long-term care needs |
| **MEXICO** | Being able to afford health care in retirement years | Having to work full-time or part-time to live comfortably in retirement years | Outliving retirement money |
| **UNITED KINGDOM** | Outliving retirement money | Providing for your spouse/partner's long-term care needs | Having to work full-time or part-time to live comfortably in retirement years |

9 http://www.economist.com/node/18502013

live on for 20 or more years after they stop working. Employees will need to contribute more to their retirement savings. Employers, for their part, should also be more open to offering more flexible types of benefits, including financial planning services for their workers. In the end, having the right amount of information and financial education — and the tools to act on this information — will benefit workers, their companies and society.

## Common Challenges for Both Sides

The 2011 MetLife Study of International Employee Benefits Trends found a number of common concerns among employers and workers that apply to all of the countries in our survey, regardless of size and level of development. Our report also revealed some distinct differences, including among the regions of India and Mexico.

Common challenges confronting both multinational companies and their in-country counterparts are:

- Increasing the productivity of their workers: All five countries have this as one of their top three benefits objectives. It is the primary concern in India and Mexico, and ranks second for Brazil. As the global economy continues to grow this year and competition for customers rises, companies will need to refine their benefits strategies to get more out of their workers.
- Retaining employees: This is the number one priority for the two developed economies in our study. This could present a challenge in Australia and Brazil, which face labor shortages. For example, in Brazil, employees express greater loyalty to employers who provide benefits, while in Australia there is a disconnect between companies and workers, with the former overestimating the loyalty of the latter. Companies in all five countries should also review their benefits policies to make sure there is no disconnect between what they offer and what their workers seek — we saw this in a number of cases in our research.
- Controlling health and welfare benefit costs: This is a top concern for the three emerging markets in our study, which also have the largest working populations. As living standards rise in Brazil, India and Mexico, workers will look to employers to offer more benefits. The continued acceleration of health care costs worldwide presents a challenge that will require creative, long-term solutions involving both the public and private sectors.
- Improving financial planning skills of employees: Many employees do not take the time to do financial planning or needs assessments and are therefore unaware of the options available to them. Preparing for challenges such as income loss or disability requires skills that employees in all countries could use.
- Confronting the retirement issue head on: Pensions are costing more and people are living longer, while government funds face shortfalls. Retirement is an issue that should bring employers and workers together for an honest discussion about contributions, expectations and solutions. Retirement and health care are the benefits issues of the 21st Century.

One final point to bear in mind is that achieving multiple benefits objectives involves a fine balancing act for employers. Focusing on cost control only, for example, may come at the expense of achieving employee productivity or employee retention. Employers need to take a more holistic view of their offerings.

### TOP BENEFITS OBJECTIVES OF EMPLOYERS

| | #1 | #2 | #3 |
|---|---|---|---|
| AUSTRALIA | Retaining employees | Increasing employee job satisfaction | Increasing employee productivity |
| BRAZIL | Increasing employee job satisfaction | Increasing employee productivity | Controlling health and welfare benefit costs |
| INDIA | Increasing employee productivity | Controlling health and welfare benefit costs | Helping employees make better financial decisions |
| MEXICO | Increasing employee productivity | Increasing employee job satisfaction | Controlling health and welfare benefit costs |
| UNITED KINGDOM | Retaining employees | Increasing employee job satisfaction | Increasing employee productivity |

# Conclusion and Next Steps

The above challenges and concerns merely scratch the surface of the global benefits landscape. What can employers do to move the ball forward given the results of our study?

Connecting the dots: Employers across the board need to better understand the value that benefits can offer in helping them address their top HR concerns in this changing global economy. This can be true for employers who already offer benefits as well as those who are considering doing so for the first time. Starting two-way dialogue with employees, through the HR and corporate communication channels, can jump start this process and lead it to success.

Education: In benefit planning, the first step is education. Many employees in the countries surveyed are either unaware of the products and options available to them or lack the knowledge and confidence to research their insurance and savings needs. Employers can stress the value of workplace benefits to employees, such as cost advantages, safety, simplicity and convenience of voluntary benefits. Employers can also get more engaged in financial planning assistance and discuss the introduction of flexible benefits that help employees achieve a better work/life balance.

Expanding to include voluntary benefits: Benefits providers could show employers how voluntary benefits will not add to their costs but still enable them to offer more benefits to employees. Employers seeking to differentiate themselves and attract the most skilled workers could broaden their benefits offerings to include more voluntary benefits, such as disability insurance, life insurance or dental.

Women in the workforce: Our study showed that women in our survey countries, including the mature economies, often have greater financial concerns than men and are interested in benefits such as financial planning. Many women seek financial independence as part of their career goals. Both domestic companies and foreign multi-nationals would do well to pay attention to the goals of their women employees. Benefits providers have an opportunity to educate the female employee population on financial planning to help ensure a secure financial future.

Workers in the five countries surveyed are certainly aware that they are living longer. Most workers are also planning to retire in their early 60s, or even earlier in the case of Mexico. The result is that people are anticipating longer retirements than ever before. But this good news creates its own pressures.

# Australia

# **Market** Profile[1]

- 13th largest global economy
- GDP of $1.2 trillion: Services (71%); Industry (25%); Agriculture (4%)
- GDP per capita of $41,300
- Developed, industrialized country with market-based economy
- Australia is the largest and fastest-growing market in the Asia-Pacific region for retirement income products
- Foreign direct investment net inflows of $22.5 billion
- Population 21.7 million; labor force of 11.6 million
- Life expectancy at birth 81.8 years
- Median age 37.7 years

# **Benefits** at a Glance

Australia has a government-regulated, mandatory retirement savings program called "superannuation," a system that requires employers to contribute a percentage of workers' annual base salary to a fund of the employees' choice. Recognizing that Australians are not saving enough for retirement, the government has proposed to increase the amount from 9% to 12% over the coming years; that increase is still awaiting approval by the Australian Parliament.

All superannuation funds have an investment component, and the government is also making it easier for employees to choose the superannuation fund in which they want to put their money.

Any discussion of employee benefits in Australia must consider how non-medical based insurance coverage is delivered. Most superannuation funds also have, either on a voluntary or mandatory basis, an insurance component for products including term life, disability and income protection. While American-style, employer-sponsored corporate or group insurance is available in the Australian market, most employees obtain their insurance coverage through the superannuation relationship. Such coverage is contracted between the trustees of the superannuation fund and local insurance providers.

While many employers choose a particular superannuation fund in which they fund employees' superannuation contributions, employees can choose to have their dollars directed to a superannuation fund of their choice. It is common for employees to have dollars invested in multiple supernannuation funds, although consolidation is being emphasized.

Employees may purchase additional insurance benefits if offered, and costs are deducted from their investment account.

There is government-provided national health insurance but private supplemental health insurance is available and frequently obtained.

1 Sources for this section are either The CIA World Fact Book or The World Bank or The IMF. All figures are in U.S. dollars.

## AUSTRALIA

# Financial Concerns Loom Over Retirement Savings, Low Product Ownership and Potential Labor Shortage

IN THE WAKE OF THE GREAT FINANCIAL CRISIS, OUR STUDY FOUND AUSTRALIANS EXPRESSING CONCERN ABOUT HOW TO ADDRESS THEIR OVERALL FINANCIAL NEEDS — BOTH NOW AND FOR THE FUTURE.

**EMPLOYEES WHO BELIEVE THEY WILL OUTLIVE THEIR RETIREMENT MONEY**

| | |
|---|---|
| All employees | 39% |
| 18-30 year olds | 28% |
| 31-40 year olds | 37% |
| 41-50 year olds | 46% |
| 51+ year olds | 51% |

Percentages have been rounded to the nearest whole number.

The bright side is that the global financial crisis left the island continent relatively unscathed. A rapid response from the government in the form of a $50 billion stimulus package and the cutting of interest rates to historic lows helped the economy rebound after just one quarter of contraction. Strong demand for natural resources — especially from China — also put the wind back into Australia's economic sails.[2] Global consumer confidence surveys find Australians among the most confident in the world when it comes to believing that their economic lot will improve in the next 12 months.[3]

> The majority of Australians have not taken steps to address their financial security concerns, and ownership of financial protection products is quite low.

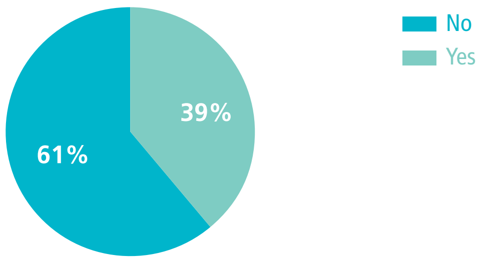
However, despite this optimism and relative resilience of the Australian economy, many Australians said they suffered a variety of economic troubles, including job distress, difficulty in paying bills and debt, or housing problems. In fact, "Having enough money to pay the bills during sudden income loss" tops the list of financial concerns for Australians today, while four years ago this worry had second place. Concerns about job security rose in urgency from the last survey, moving from third to second place among Australians' top financial concerns.

Given this dichotomy between optimism and concern, or perhaps because of it, the majority of Australians have not taken steps to address their financial security concerns, and ownership of financial protection products beyond simple life insurance and

2 https://www.cia.gov/library/publications/the-world-factbook/geos/as.html
3 http://in.reuters.com/article/2011/01/23/idINIndia-54344020110123

"Having enough money to pay the bills during sudden income loss" tops the list of financial concerns for Australians today. Job security moved from third to second place.

**EMPLOYEES WHO HAVE DONE ANY PLANNING FOR RETIREMENT**




Percentages have been rounded to the nearest whole number.

some income protection coverage is quite low. Contributing to this low ownership rate is the fact that few products are owned through the workplace, primarily because most superannuation funds and employers do not offer such benefits, including those to supplement retirement savings.

- Only 41% of those surveyed have taken steps to determine their household's level of income protection needs, even though almost two-thirds of those surveyed aged 41-50 cited a disabled principal wage earner as their highest financial worry.
- Fewer than half have researched their household's life insurance needs, although 47% of those surveyed with children list premature death as a top financial concern.
- Australians own an average of only one financial product through the workplace, and ownership of life insurance, income protection and total permanent disability is low. Those over age 30 own more products (an average of five) obtained outside the workplace.

# Retirement Down Under: Longer Lives Mean Greater Need for Income Supplements

Retirement is clearly the Australians' biggest long-term financial concern. With average life expectancy well into the their 80's, Australians are justifiably concerned about outliving their retirement income.

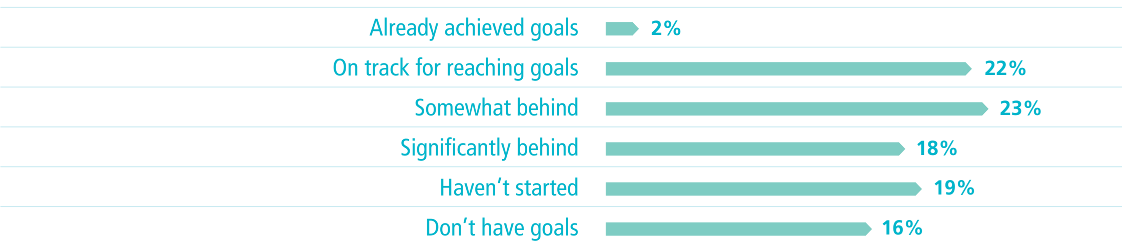
Australia established its current superannuation fund system in 1992 to help finance employees' retirement in light of demographic trends showing an aging population outliving its means to support itself. The program has since had internationally recognized success, with approximately $1.3 trillion in assets today — giving the Australian worker more money invested in managed funds per capita than workers in any other country.[4]

Employers must contribute 9% of employees earnings base to the fund; there is a governmental proposal currently under review which will increase this contribution, if approved, to 12%. The government is also now making it easier for employees to choose the superannuation fund in which they want to invest their money. But only 12% of all employers match the employee contribution to the superannuation fund.

Despite this success and investment, projections show that more than half of all Australians will outlive their retirement savings.[5] Australians are increasingly aware of this, as our 2011 study shows. A majority of Australian workers say they plan to retire at 60, and thus they will need money to live on well into their 80s. It should come as no surprise then that their top retirement concern is "outliving retirement money." Yet, only four in 10 are taking any steps to supplement their projected retirement needs.

About three-fourths of Australians believe they are not accumulating enough wealth and are behind in reaching their retirement financial goals; and the concern about outliving their funds grows the closer the employee is to retirement, with 52% of Australians over the age of 51 years saying they are extremely concerned about outspending their savings — this is up from 49% in the previous study. As Australians decide where to deposit their superannuation contributions, both superannuation funds and employers have an opportunity to provide access to information that will help them make decisions on their future savings choices.

**EMPLOYEES' PERCEPTIONS ABOUT ACHIEVING THEIR RETIREMENT GOALS**




Percentages have been rounded to the nearest whole number.

4 http://www.mpfexpress.com/Downloads/Articles/2011/03/28/mpfx-voice-providers-Q07.pdf

5 http://www.vrl-financial-news.com/wealth-management/life-insurance-intl/issues/lii-2011/lii-256/big-flaws-in-australia%E2%80%99s-super.aspx

A look at the average superannuation fund balance shows the root of this concern. Even among those approaching retirement, those over 50 years, the average account total is $52,500.

> Projections show that more than half of all Australians will outlive their retirement savings. Yet, only four in 10 are taking any steps to supplement their projected retirement needs.

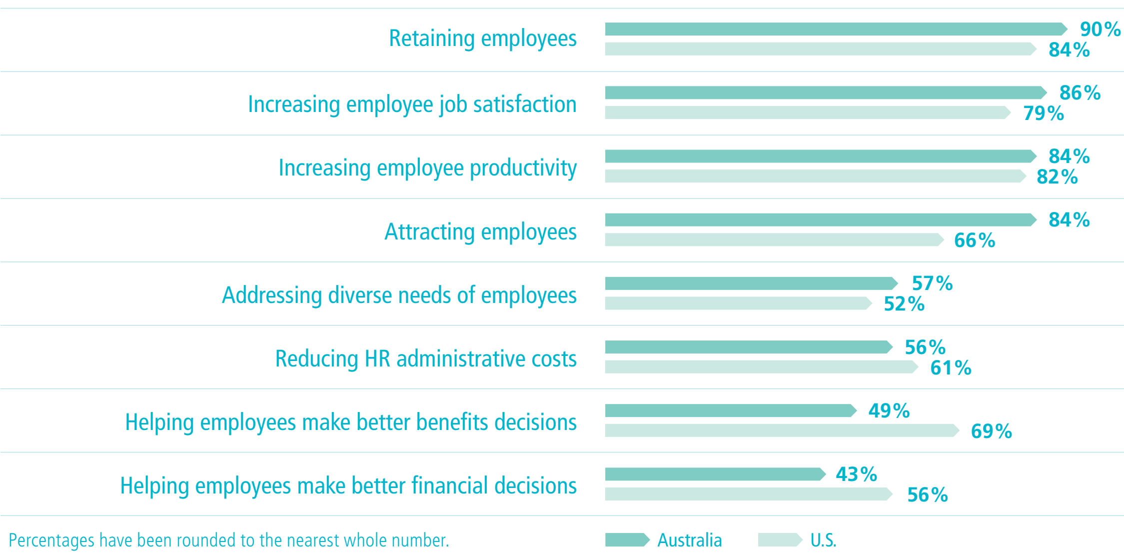
Employees have the opportunity to supplement their superannuation fund through additional contributions. But only 25% of Australian employees contribute more than the mandatory 9% and only 20% opt to have a lower salary in exchange for higher contributions to the superannuation fund (known as salary sacrificing). This could reflect cash-flow difficulties but it could also be an issue of education and understanding of the need to save more.

Even though a wide majority of employees (76%) and a majority of employers (52%) said they were satisfied with their superannuation fund provider, few express interest in purchasing additional financial products and services through their fund.

This could stem from a lack of awareness of what is available. Only about a third of employers use a broker or consultant for employee benefits. Employers that use a broker or consultant do so because they need administration assistance, pricing information and help in both identifying a short list of carriers and in recommending new benefits.

Financial stability and service, including being easy to do business with, are the overwhelmingly top criteria for selecting a benefits carrier in Australia.

## MOST IMPORTANT BENEFITS OBJECTIVES OF ALL EMPLOYERS




Percentages have been rounded to the nearest whole number.

# Workplace: Looming Labor Crunch Puts Spotlight on Benefits

Employers believe that Australia can expect a labor shortage within the next two years and that competition for workers could spike. While 40% expect a shortage of labor, about two-thirds of employers think that they will have difficulty in attracting employees in the next 18 months. This sentiment increases with the size of the company, with fully 75% of those companies with more than 1,000 employees anticipating a hiring shortage.

> There is a link between benefits and loyalty. Of those employees with benefits surveyed, 57% had high job satisfaction.

While economic growth will drive some of this shortage as employers add jobs, more than two-thirds of employers surveyed believe that the aging workforce will also have an impact on the Australian labor market. For this reason, 90% of employers listed employee retention as their top benefits objective. Increasing employee job satisfaction and boosting employee productivity rank as the second and third objectives, respectively.

But there are a variety of disconnects on both sides about the value of benefits in the workplace. About two-thirds of employers are not aware of the role benefits can play in achieving their objectives and of the value they bring to employees. Similarly, only a third of those surveyed see the value in offering a wider array of voluntary benefits to employees. Helping employees make better benefits decisions and improving their financial choices are also ranked very low by employers.

The most important benefits for Australian employees are in the non-insurance area. Specifically, they place high value on flexible working hours, training, and employer contributions over and above the required 9% to their superannuation fund.

For their part, only one in five employees said they are satisfied with their benefits. And nearly all Australian employees say that benefits are not what attracted them to an employer or what keeps them there.

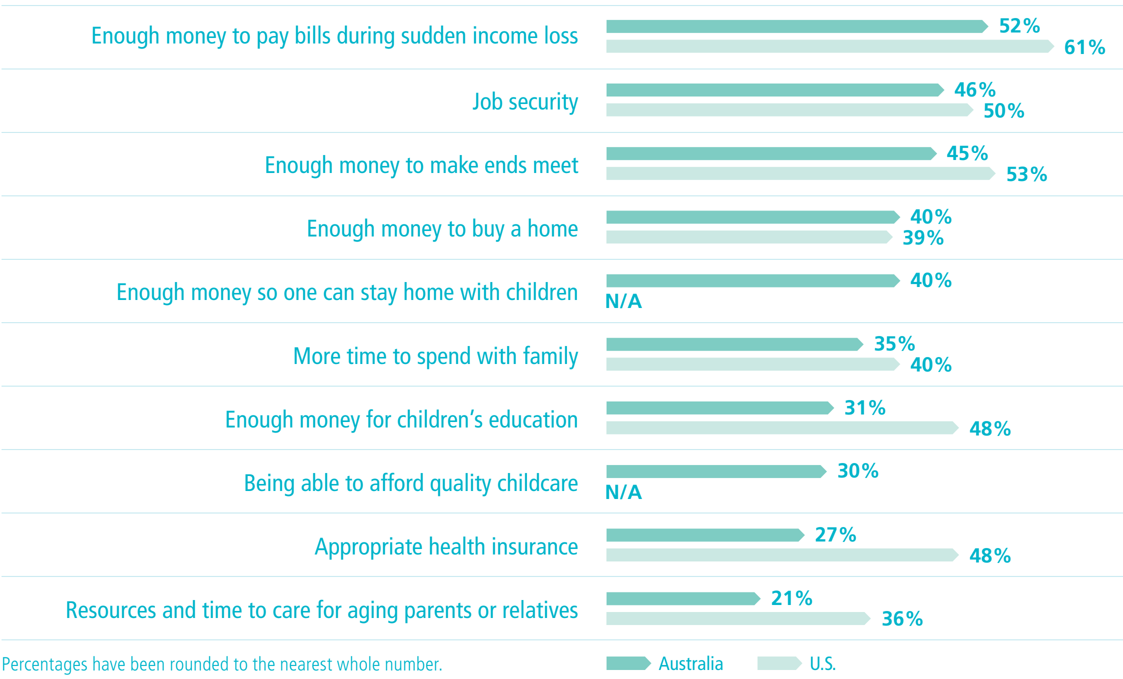
There is, however, a link between benefits and loyalty. Of those employees with benefits surveyed, 57% had high job satisfaction. Similarly, employers who feel their employees are highly satisfied with their benefits also believe their company is loyal to its employees, and that their employees are loyal to the company.

## Workplace Financial Planning: Potential Interest, Growing Need

Although having enough to retire on is a big worry for Australians, it is not the only one. About one-quarter of all employees either live paycheck to paycheck or have some difficulty paying bills. Almost all have some form of debt, although more than a third have no debt beyond a car loan or home mortgage.

While about one-third of Australian employees express confidence in their financial management skills, another third express doubt that they can make the right decision on financial matters. A third of employees consider themselves to be a "beginner investor," which rises to 42% for those under the age of 30. Moreover, only 40% of all Australian employees use a financial professional — banker, planner or insurance agent — although this figure increases to about half for those closer to retirement.

### TOP FINANCIAL CONCERNS OF ALL EMPLOYEES




Percentages have been rounded to the nearest whole number.

The good news is that there is interest among employers and employees about using the services of financial professionals. More than half of employers said they are willing to aid employees by offering financial planning services, including the provision of personalized advice. This is particularly true of companies with more than 1,000 employees, a large majority of which also support employees discussing benefits and financial issues outside the workplace with professionals.

## Conclusion

Australia's economic engine is humming again and the island continent's working population is confident that their financial lot will improve in the coming years. The country's excellent retirement system — the superannuation fund — has laid the foundation for basic coverage for the retirement of its workers. But scratch beneath the surface of this optimism, and there is a thick layer of worry among Australian workers of all age groups about their short- and long-term financial wellness. Many worry about covering current expenses and the majority are not saving enough for retirement. While this concern has yet to translate into action for most, this presents a major opportunity for all sides to consider the expansion of employer-provided benefits and other programs as the primary remedy on the road to financial security.

> In benefit planning, the first step is education. A majority of employees are either unaware of the products and options available to them or lack the knowledge and confidence to research their insurance and savings needs.

Australian companies, moreover, are facing a potential labor shortage in the coming two years. This challenge also presents an opportunity for companies to augment the benefits they provide in order to boost both employee attraction and retention.

- In benefit planning, the first step is education. A majority of employees are either unaware of the products and options available to them or lack the knowledge and confidence to research their insurance and savings needs. Employers and superannuation funds can stress the value of workplace benefits to employees, such as cost advantages, safety, simplicity and convenience of voluntary benefits. Employers and the funds can also get more engaged in financial planning assistance and discuss the introduction of flexible benefits that help employees achieve a better work/life balance.
- To attract and retain workers in the coming tight labor market, employers that have employees as customers can explore both augmented retirement and financial planning options. Employees need to understand that their superannuation fund contributions should be both augmented and supplemented by other investment vehicles. There is a real opportunity to explore more products from the superannuation fund providers and other financial services firms.
- With the economy picking up and the labor market heating up, Australian employers have a real opportunity to explore innovation in benefits packages, including retirement, flexible and voluntary benefits. Australian workers are still under-insured and need more options to buy life insurance, income protection and disability coverage at the workplace. Innovative ways to save for retirement should also be of great interest to company benefits executives and workers alike.

# Brazil

## **Market** Profile[1]

- 8th largest global economy[2]
- GDP of nearly $2.02 trillion: Services (68%); Industry (26%); Agriculture (6%)
- GDP per capita of $10,900
- Brazil is a fast-growing, free-market-based emerging economy with large and well-developed agricultural, mining, manufacturing, and service sectors; commodity-driven exports are leading a strong recovery, with China becoming a major trading partner
- Net inflows of foreign direct investment: $48 billion
- Population: 203 million; formal and informal labor force 92.7 million[3]
- Life expectancy at birth: 73.7 years
- Median age: 29 years

## **Benefits** at a Glance[4]

Government pension is available for men after 35 years' contribution and for women after 30 years. It is also possible to apply for the pension benefit by age — the pension is available for men older than 65 and for women older than 60. Rural workers can apply for the benefit five years earlier. They must have contributed for at least 180 months. It is financed through mandatory payroll taxes, shared by the employer and the employee, revenues from sales taxes and federal transfers that cover shortfalls of the system. This federal system also covers survivor and disability pensions. For people who do not meet the contribution and age criteria, the government applies an adjustment factor to arrive at a pension amount. The maximum value for the pension is R$ 3689.66 (US$: 2,341.16), but this amount changes according to some conditions, including amount of contribution during the employee life, the amount of time contributed and age at retirement.

As in other countries, private sector employees would not be able to meet their financial needs in an extended retirement with just the state pension. But workers in the public sector are in a different situation in Brazil. When they retire, they receive their full salary.

Health care in Brazil is provided by both private and government institutions. Primary health care remains the responsibility of the federal government; some elements of the system, such as the operation of hospitals, are overseen by individual states. Public health care is provided to all Brazilian permanent residents and is free at the point of need (being paid for from general taxation[5]).

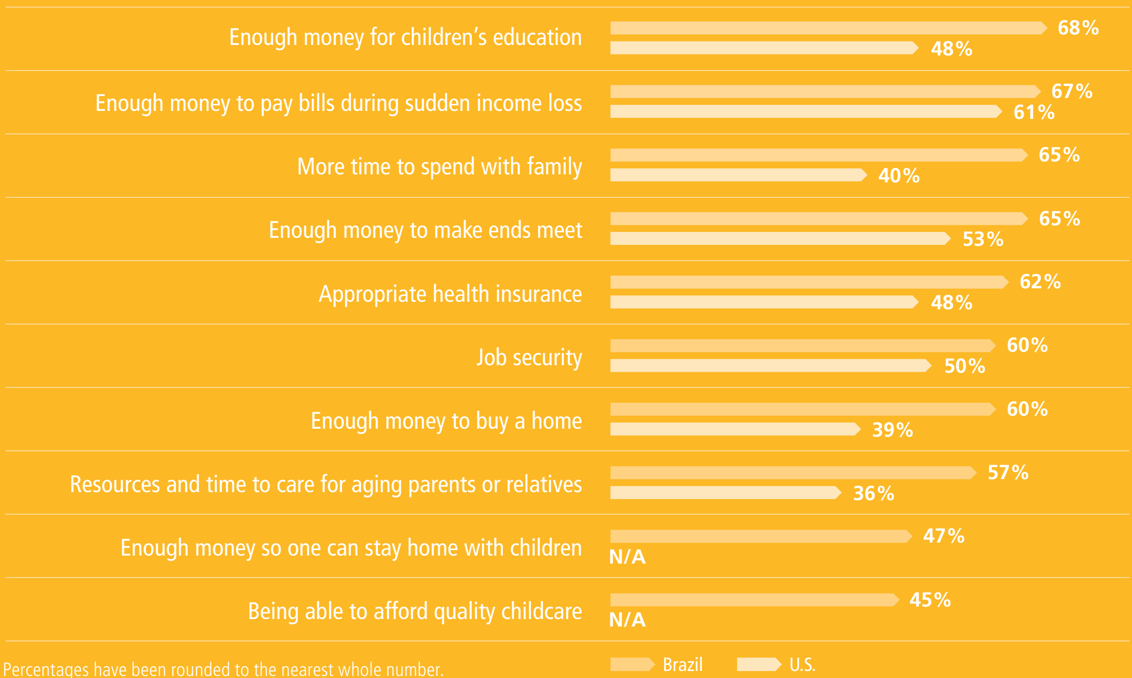
1 Sources for this section are either The CIA World Fact Book or The World Bank or The IMF. All figures are in U.S. dollars.
2 (*The Economist* placed it 7th, ahead of Italy, in 2011)
3 IBGE Census, 2010
4 International Benefits Network and the OECD.
5 http://en.wikipedia.org/wiki/Health_in_Brazil

## BRAZIL

# Largest Economy in Latin America Is a Global Success Story but Workers Are Anxious About Financial Future

BRAZIL, INCLUDED FOR THE FIRST TIME IN OUR STUDY, IS A RAPIDLY GROWING, DEMOCRATIC EMERGING MARKET THAT HAS BOTH THE LARGEST ECONOMY AND POPULATION IN LATIN AMERICA.

**TOP FINANCIAL CONCERNS OF ALL EMPLOYEES**




Percentages have been rounded to the nearest whole number.

It is one of the so-called BRIC countries that, along with Russia, India and China, are predicted to dominate the world economy by mid-century. Current trends seem to bear out this prediction.

Brazil has abundant natural resources and strong industrial development potential. With strong economic growth, Brazil is closing what was once a wide gap between the rich and poor.[6] Economic reforms started in 1994 under the President Itamar Franco government, and continued by his successor Fernando Henrique Cardoso, stabilized the Brazilian economy and strengthened the currency, the real. In 2002,

> Brazil's economy grew about 7.5% in 2010.[6] This strong turnaround and Brazil's accelerating growth as a major emerging market are reflected in a high level of consumer confidence — the highest in Latin America at the end of 2010.[7]

then President Luiz Inácio Lula da Silva continued and expanded this path of reform that has transformed the Brazilian economy. Despite an increasing standard of living, however, much of the population still finds it difficult to save for the future and must work longer to maintain quality of life.

The world financial crisis of 2008-2009 did not spare Brazil, which suffered two quarters of recession as the demand for commodities dropped by large margins. But Brazil, thanks to both sound economic policies and its importance as a world market, has recovered quickly. Its economy grew about 7.5% in 2010.[6] This strong turnaround

6 CIA Factbook
7 A Global Nielsen Consumer Report, January 2011, p. 7. www.nielson.com

and Brazil's accelerating growth as a major emerging market are reflected in a high level of consumer confidence — the highest in Latin America at the end of 2010.[7] Our study found that seven in 10 Brazilian employees said their financial situation would improve in six months.

Despite this optimism, our findings show that the average Brazilian worker also has serious financial concerns. Brazilians are plagued by high levels of debt and worry about an inability to pay monthly bills. Our 2011 study found the following:

- Topping the list of financial concerns for Brazilians is "having enough money to pay for their children's education," with 68% saying they are "extremely concerned." The second top concern, for 67% of those surveyed, is "having enough money to pay bills during sudden income loss" (this is the number one concern of Americans). Finally, 65% of Brazilians fear not having enough money to make ends meet, which is tied as the third top concern with having enough time for family.
- Brazilians also rate as a number one concern the impact of a death or illness on their family's financial security, with 71% "extremely concerned" about this possibility (this ranks third for Americans); and 68% of Brazilians fear their financial security will be affected because of medical bills not covered by health insurance (this is a top concern for American workers).
- Despite this high level of concern, less than half have taken steps to determine their life insurance needs. Men tend to do more planning than women, as well as those employees who are 31-40 compared to other age groups.

In general, Brazilians own few financial products. A savings fund is the most frequently owned product, but barely half

In general, Brazilians own few financial products. A savings fund is the most frequently owned product, but barely half of those surveyed even have this basic instrument. While this phenomenon may have some cultural roots, it is also a result of the fact that the country is an emerging market with a growing yet modest per capita GDP.

7 A Global Nielsen Consumer Report, January 2011, p. 7. www.nielson.com

of those surveyed even have this basic instrument. While this phenomenon may have some cultural roots, it is also a result of the fact that the country is an emerging market with a growing yet modest per capita GDP; many workers have less disposable income to spend on these products or lack the financial education to make decisions about buying them. Many, therefore, rely on their employer for the benefits. Of those who do not own any products, 71% of those surveyed said that this is because their employer does not offer them.

## Top Workplace Benefit: Staying Healthy Is of Mutual Interest and Concern

Given this background, employees who do own financial products are more likely to own them through the workplace. This can be due to the reasons cited above as well as the fact that employers tend to cover some if not all of the cost when they do offer benefits. Health insurance, life insurance and dental insurance are the top products owned. However, term life insurance is more likely to be purchased outside of the workplace.

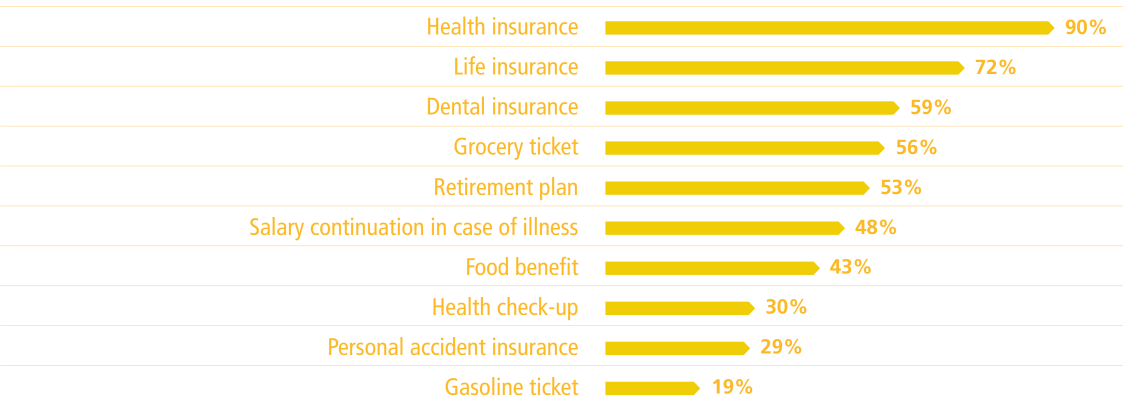
Employees do take advantage of the products that are offered, and those who don't have products through the workplace are interested. At the same time, more than half of Brazilian employees are very keen to select benefits according to their personal needs.

Of most interest to all Brazilian workers is health insurance, cited by 90% as the most essential product. This is followed by life insurance, dental and medical check-ups.

Companies and workers seem to be on the same page regarding the desirability and value of health benefits. Of those companies offering health or dental benefits, 63% see an extremely high value in having an insurance provider offer information or programs that help employees stay healthy, and four in 10 offer such assistance.

Moreover, about half of those Brazilian employers not currently offering health insurance to their workers said they planned to do so in the next three years. About three in 10 employees are interested in purchasing this product through their employer.

**BENEFITS CITED AS ONE OF TOP FIVE "MOST IMPORTANT" BY EMPLOYEES**




Percentages have been rounded to the nearest whole number.

Companies are also interested in supporting their workers' quest for work/life balance; in fact, it is the number one employee benefit strategy among those who already offer benefits. Nearly 70% of employers are interested in providing benefits that improve the work/life balance of their workers. Such benefits include job sharing, flexible working hours and telecommuting.

Brazilian women tend to have higher financial concerns and are even less financially prepared than men for retirement and other objectives. Both domestic companies and foreign multinationals should pay attention to their female workers. They represent a growing segment of the working population in Brazil: the active female working population grew on average 3.6% per year from 2001 to 2008, while the male working population grew only by 1.9%.

Furthermore, from 2000 to 2006, the per capita income for women grew 7.3%, compared to 2.6% for men in the same period.[8] It is also important to note that, in Brazil, men earn more than women for the same work. This trend is changing, though, and women workers are catching up.

## Worker Loyalty and Benefits: Making a Stronger Connection

The top benefits objective of Brazilian employers who offer benefits is to increase the job satisfaction and productivity of their workers. Keeping workers happy in their jobs is cited by 83% of Brazilian companies as their number one objective (the fourth top objective for U.S. companies).

Nearly equal importance is given to the goal of increasing productivity, which follows at 82% (this ranks third for American employers). More than half of all companies said they had increased their productivity.

Employee retention ranks fourth for companies with benefits programs (73% cite it as extremely or very important). Interestingly, retaining employees is the number one objective among employers who do not offer employee benefits — a full 93% say they are extremely concerned, tied with increasing employee job satisfaction.

### MOST IMPORTANT BENEFITS OBJECTIVES OF ALL EMPLOYERS


Percentages have been rounded to the nearest whole number.

**JOB SATISFACTION AND LOYALTY TO COMPANY AMONG EMPLOYEES WITH BENEFITS**


And among all employers, three-quarters rate attracting and retaining employees as extremely or very important.

As with other countries in the survey, there is a potential disconnect for employers, who apparently underestimate the tie between offering benefits and attaining objectives. Like their counterparts elsewhere, Brazilian employees with workplace-provided benefits express higher job satisfaction and loyalty to their employer. This disconnect is magnified when one takes into account that 30% of all employers from diverse sectors in Brazil expect a shortage of labor in the near future.

Nearly 70% of all companies agree with the idea that they have strong loyalty to their workers, while only 49% of the latter feel this way. And the reverse seems to be true as well, with 72% of employees professing loyalty to the company, while only 48% of management feel this is so.

Clearly, offering benefits could help companies not only achieve their top goals — whether those are retaining employees or making them happy — but also overcome a divergence of views on loyalty. Closing this gap is important for both worker morale and productivity, especially since 69% of all workers are worried about being able to afford the benefits package that is right for their family.

Voluntary benefits could play a role in the Brazilian workplace. Employers see advantages to voluntary benefits for their employees, where the ease of enrolling in workplace benefits provides employees with the best products and rates as well as having a payroll deduction, which is a convenient way for employees to make payments. About half of all employees see voluntary benefits as a convenient way to save and to pay for products.

## Retirement/Financial Security: Planning to Retire but Not Planning for It

As in other parts of the world, development and economic growth have positively affected longevity in Brazil. Life expectancy increased more than 10 years since 1980, to 73.7 years, and it is projected to increase nearly another eight years by 2050.[8]

Brazilians, like others in many parts of the world, are not doing enough to prepare for retirement. The average Brazilian worker intends to retire at 56 years; yet only three in 10 have taken any steps to determine their retirement income needs and only one in four has a private retirement plan.

This inaction comes despite the fact that Brazilians have — like Mexican and Indian workers in this study — serious financial concerns about their future. Seventy percent of Brazilian workers say they are extremely

[8] http://www.ibge.gov.br/english

concerned about being able to afford health care in retirement, while 69% are worried about outliving their retirement savings (also the second main retirement concern for U.S. workers).

A majority of Brazilian workers (63%) are also concerned about having enough financial resources to take care of their aging parents or relatives. Our study found that more than half of older Brazilian employees are concerned about becoming a burden on their children. Financing their own long-term care needs is cited as a major worry by 62% of Brazilians. Of those Brazilians who take care of dependent parents, 70% are living from paycheck to paycheck.

This lack of saving for retirement could have multiple causes. First, it's a question of cash flow and affluence. Many simply cannot afford to save money for their golden years and put food on the table day in, day out. As the Brazilian middle class grows, this should improve.

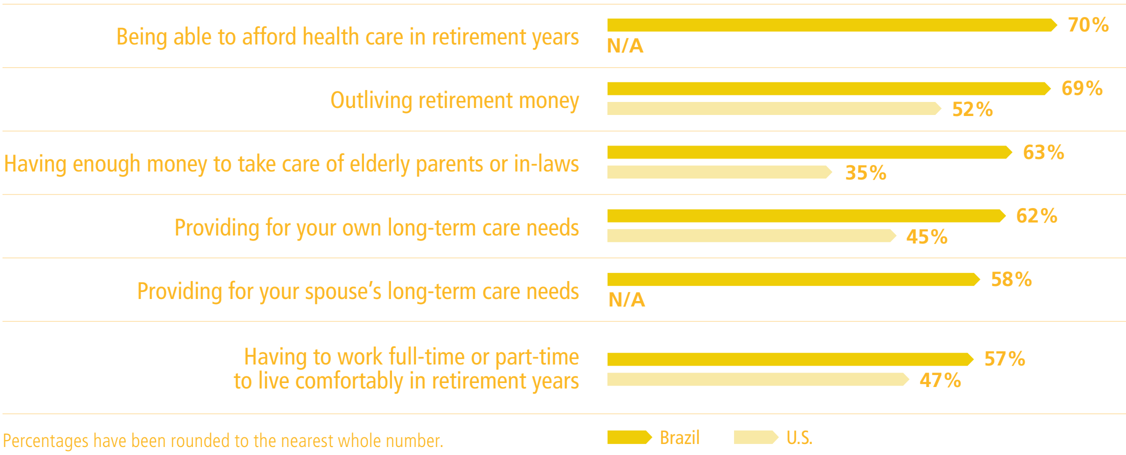
Second, Brazilians are likely counting on their government-sponsored pension to cover their costs and needs in retirement. There is an expectation that this state pension will be enough, despite the fact that Brazilians are living longer.

Third, Brazilians have a lackluster track record of saving. According to a 2009 report from the Economist Intelligence Unit, Brazil ranked last among 24 countries with a savings rate of only 15% of gross domestic product. This compared to 54.5% for China; 31% for India; 24% for Argentina; and 21.7% for Mexico.

The bright spot is that education on financial planning could help Brazilians overcome these obstacles. While two-thirds of Brazilian employees say they are confident in their ability to make the right financial decisions, more than a third have limited time to do the research or consider themselves to be beginner investors, and thus probably in need of planning assistance.

About half of Brazilian workers who already receive benefits said they are interested in their employers providing access to financial planners to help with retirement issues as well as benefits plans advisors. But companies will need some persuading as four in 10 responded that they would not consider any financial education as a benefit for their employees.

## EMPLOYEES' TOP FINANCIAL CONCERNS REGARDING RETIREMENT




Percentages have been rounded to the nearest whole number.

# Conclusion

Brazil is a major force in both its own region, where it is the largest economy and has the largest population, and in the global marketplace, where it belongs to that exclusive club of high-growth BRIC countries. Brazil is also the largest insurance market in Latin America and one of the fastest growing. A net external creditor since 2008,[9] Brazil will only become a more influential economic player as it transitions from an emerging market to a developed one in the coming years. The country has an impressive combination of natural resources, commodities and high value-add industrial manufacturing.

> Offering benefits could help companies not only achieve their top goals — whether those are retaining employees or making them happy — but also overcome a divergence of views on loyalty.

As Brazil develops economically and its middle class grows, there will likely be an impact on the labor market, workplace benefits and what other options employers are willing to provide for their workers. Both domestic companies and foreign multinationals still enjoy a buyer's market for labor but this, too, is beginning to change as 30% of companies expect an imminent labor shortage. To stay ahead of the curve on benefits strategies, domestic and international HR and benefits managers should look at the following options in Brazil.

- Focus on financial education: Brazilian workers are living longer but not saving for retirement. This is an opportunity for benefits providers to work with companies on financial planning and education for employees, who have expressed an interest in obtaining advice. As the middle class grows in Brazil, the market for income supplements to the government pension could also increase.

  With education about financial planning, employees will have a better understanding of the products that can lead them to a more secure retirement. If they have the tools to prepare for a more financially sound future, they can ease the stress of becoming a burden on children.

- Emphasis on voluntary benefits: Benefits providers could show employers how voluntary benefits will not add to their costs but still enable them to offer more benefits to employees. This will also help with their key employee objectives — job satisfaction and employee retention. Since few Brazilian employers offer "executive" benefits, companies could consider starting with voluntary benefits for these key employees since they may have more financial capacity to pay the costs of the benefits.

- Financial independence for women workers: Both domestic companies and foreign multinationals would do well to pay attention to the goals of their female employees. Brazilian women are increasingly an important segment of the workforce and will have more disposable income as they achieve middle class status. Benefits providers have an opportunity to educate the female employee population on financial planning to ensure a secure financial future.

9 https://www.cia.gov/library/publications/the-world-factbook/geos/br.html

# India

## **Market** Profile[1]

- 11th largest global economy
- GDP of $1.4 trillion: Services (55%); Industry (29%); Agriculture (16%)
- GDP per capita of $3,400
- Major emerging economy with rapid growth; poverty is pervasive
- Foreign direct investment net inflows $34.5 billion
- Population 1.15 billion; labor force of 478 million
- Life expectancy at birth 66.8 years
- Median age 25 years

## **Benefits** at a Glance

Retirement benefits are dominated by a government-mandated employer benefit called the Gratuity, by which every employee, upon leaving his or her employer after more than five years of service, collects 15 days of last drawn salary for each year of service.

Workers may also save for retirement with a tax-favored vehicle called a Public Provident Fund, to which some employers also contribute.

The life insurance market is dominated by the government-owned Life Insurance Corporation of India, but private insurers continue to enter the Indian market, as joint venture partners or minority stakeholders in firms.

The Pension Fund Regulatory and Development Authority is expected to pave the way for more modern financial products. In its current form, it offers the cheapest accumulation vehicle for building a retirement nest egg. However, it has seen limited success since the distributors' benefit in offering this as a solution is limited.

Post offices have been offering monthly income products which give a guaranteed payout and are widely accepted as an effective tool to derive an income.

Life insurance companies have been offering annuity products. However such products contribute only about 2% of the product mix for the industry.

1 Sources for this section are either The CIA World Fact Book or The World Bank or The IMF. All figures are in U.S. dollars.

# India's Economic Growth Transforming Society and Raising Expectations

WITH A POPULATION OF MORE THAN ONE BILLION, INDIA IS THE WORLD'S LARGEST DEMOCRACY AND IS EXPECTED TO BE THE MOST POPULOUS COUNTRY BY MID-CENTURY.[2]

### MOST IMPORTANT BENEFITS OBJECTIVES OF ALL EMPLOYERS


Percentages have been rounded to the nearest whole number.

[2] http://www.chinadaily.com.cn/opinion/project/2011-01/11/content_11826903.htm

[3] http://www.worldbank.org.in/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/INDIAEXTN/0,,contentMDK:20195738~pagePK:141137~piPK:141127~theSitePK:295584,00.html

India has a burgeoning middle class and a rising standard of living, but poverty remains a major challenge and social issue. About 410 million people, more than one-third of the country, live in poverty, which has a large impact on the labor market and attitudes toward financial security, retirement and workplace benefits.[3]

India's economic rise is a genuine success story and an engine of transformation for both its society and global markets. India's economy grew at least 7% annually for more than a decade, making it a global economic powerhouse and a core member of the informal club of high-growth emerging markets known as "BRICs" (along with Brazil, Russia and China). Of course, India was not immune to the global economic crisis of 2008-2009; but in a display of resilience, the Indian economy nevertheless rebounded strongly in 2010, with more than 8% growth, driven in large part by domestic demand.

> In part because of the country's strong economic performance and the rise of its middle class, Indian employees are very confident and optimistic.

India's services sector, including outsourcing, is a major source of its economic growth, with both domestic companies as well as many multinational companies investing in and setting up operations there in recent years. In particular, the presence of foreign multinationals, which often offer a more generous or diverse set of benefits, is contributing to a changing benefits landscape in India over the long term.

Increasing employee productivity (91%) and controlling health and welfare benefit costs (88%) are the top two benefits objectives of those companies providing benefits. Those employers who offer benefits could reap the reward of higher worker productivity.

In part because of the country's strong economic performance and the rise of its middle class, Indian employees are very confident and optimistic. India topped a global consumer confidence study released in early 2011, though this figure marked a drop from its record high in 2006. Indians remain worried about inflation, possibly due to rising global food and commodity prices.[4]

When discussing attitudes of employers and employees toward workplace benefits in India, it is essential to bear in mind that the country has a surplus of labor, a young population and a culture — similar to that in Mexico/Brazil — of extended families taking care of aging parents and elderly relatives.

## Workplace: Labor Surplus and Cost Limiting Benefits

While foreign multinationals have caused wages to rise in certain sectors and are influencing the types of benefits offered, Indian employers nevertheless continue to provide only a limited benefit offering to their employees. With the exception of health and critical illness insurance, less than half of all employers offer any other products. The labor surplus and cultural factors, plus the cost of benefits, continue to play a role here and influence employer attitudes as they did in the first survey four years ago.

- Increasing employee productivity (91%) and controlling health and welfare benefit costs (88%) are the top two benefits objectives of those companies providing benefits. This is slightly down from the 96% level for both in our 2007 study. While also of high concern to employers, attracting and retaining employees

4 http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2011-Reports/Nielsen%20Global%20Consumer%20Confidence%20Report%20-%20Q1%202011.pdf

nevertheless rank near the bottom as reasons to offer benefits.

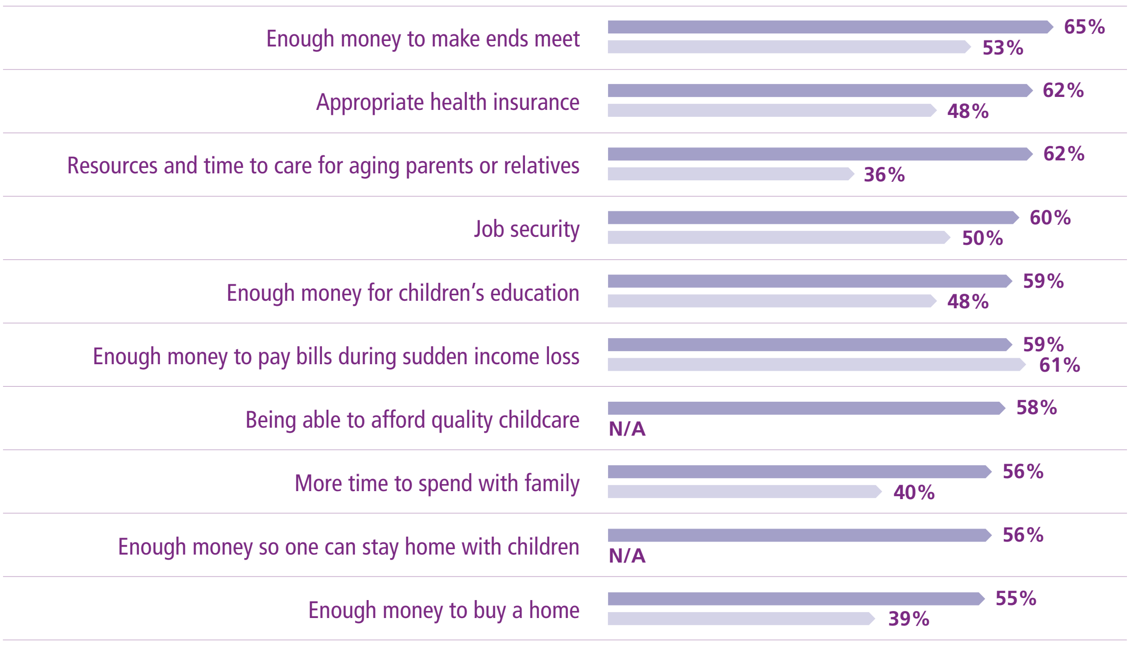
- Indian employees, even those without benefits, express high satisfaction with their jobs and are very loyal to their employer. Seventy-two percent of employees say they are satisfied with their jobs, which is unchanged from four years ago. Employee and employer views on company loyalty are also aligned, with 67% of employees and 65% of employers agreeing that the "company has strong loyalty to employees."
- Seventy-five percent of those Indian employees who do not own any financial products through the workplace say it is because they are not offered by their employer.

Those employers who offer benefits could reap the reward of higher worker productivity, the study found. While 57% of all companies said productivity had increased in the past year, the number jumps to 68% for those companies offering benefits.

Financial planning is another benefit that, while currently eschewed by employers, could improve productivity and job satisfaction while enhancing the financial security of employees. More than half (56%) of all employees consider themselves novice investors, and an equal number is interested in employer-provided financial advice, including for retirement.

A majority of employers and their workers agree on the advantages of voluntary benefits, an attitude consistent with the results of the first survey. Fifty-two percent of companies view voluntary benefits as a cost-effective way to meet diverse needs of their workforce, while employees value the convenience of obtaining them through the workplace (58%) and trust their employer as a source of objective information (51%).

TOP FINANCIAL CONCERNS OF ALL EMPLOYEES




Percentages have been rounded to the nearest whole number.

# Financial Security/ Retirement: A Benefits Market in Its Infancy

Indian employees have significant and wide-ranging financial concerns, with basic needs topping the list. Interestingly, our 2011 results represent double digit improvements over four years ago — and are thus in line with the high levels of optimism and confidence among Indian employees.

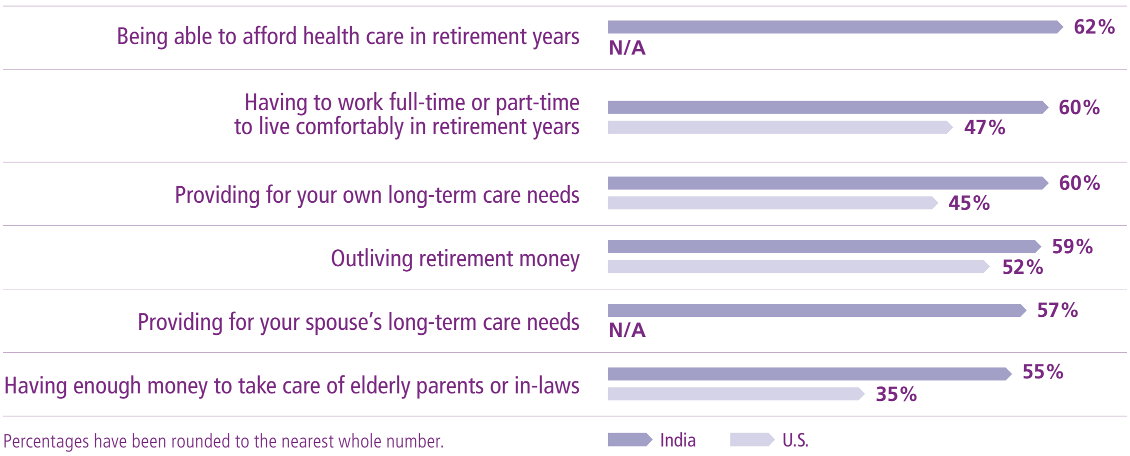
- "Having enough money to make ends meet" is cited by 65% of Indian employees as their number one financial concern; this is an improvement of 15 points from four years ago; Indian employees 51 years and older are somewhat less concerned with making ends meet (54%), which is virtually at parity with the level of concern of their U.S. counterparts (53%).
- Having the right health insurance is the second top concern, but dropped 20 points from four years ago to 62% today (48% of American workers cite this as a high concern); Indian employees cite having enough resources and time to care for relatives as their third top concern — this, too, improved by 17 points to 62% today.
- Two-thirds of all employees in India are extremely concerned about loss of income from premature death or disability, down from 81% in 2007 but still higher than the level of concern of their U.S. counterparts (51%).

Despite this acute concern over financial security, Indian employees own few financial products and are not taking steps to protect themselves. Only 45% of Indian employees have assessed their household's health insurance needs, although this increases to 62% for employees 51 years and older.

> Though retirement looms as a source of financial worry, few Indian employees are taking steps to prepare for it. Only one in four Indians has taken any steps to prepare for retirement and even fewer — one in six — have begun planning for it.

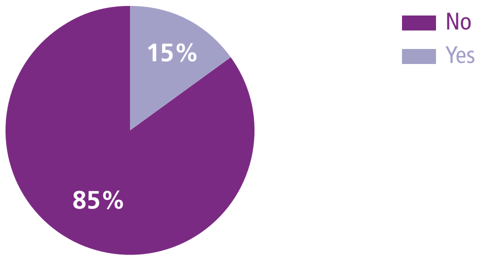
The sole exception is life insurance, where more than 80% have taken steps to ascertain their needs. The majority of employees with life insurance purchase it outside the

**EMPLOYEES TOP FINANCIAL CONCERNS REGARDING RETIREMENT**




Percentages have been rounded to the nearest whole number.

EMPLOYEES WHO HAVE DONE ANY PLANNING FOR RETIREMENT




workplace, while health insurance is obtained predominantly through one's employer.

Though retirement looms as a source of financial worry, few Indian employees are taking steps to prepare for it. Life expectancy overall is 66.8 years in India, a major improvement in the last several decades but still the lowest of the five countries in this survey. Only one in four Indians has taken any steps to prepare for retirement and even fewer — one in six — have begun planning for it.

Cultural factors could be at work here. Fully half of all Indian employees say they do not plan to retire. This could reflect the relatively young age of the working population, an ambitious, entrepreneurial and interested group highly motivated to improve their standard of living.

This could also be related to the tradition of older family members being taken care of by their children in India. While it is not their number one concern, a full 55% of employees in India say they are extremely concerned about having enough money to provide for elderly parents or in-laws. Thus, younger workers could be planning to continue in their jobs in later years to support their aging parents and relatives. With economic development and a more mobile society, this tradition, however, is changing.

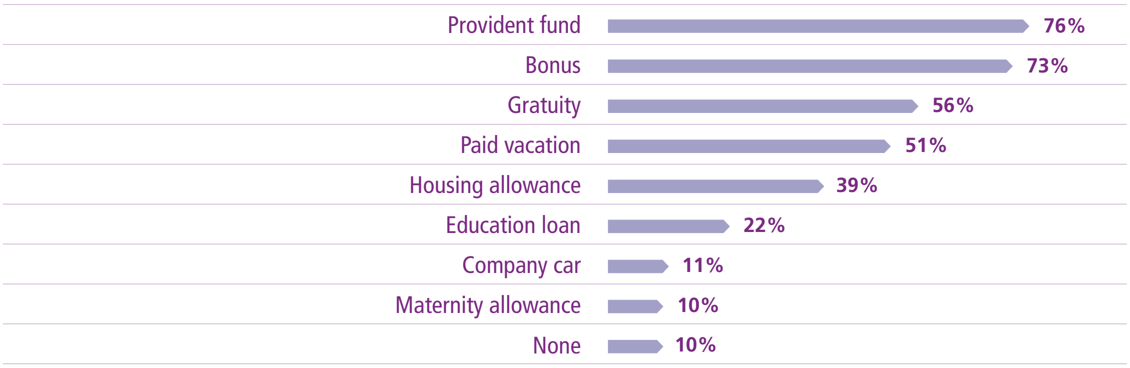
# Regional Differences: It's a Big Country — Adapt Your Benefits Strategy

Significant regional differences exist in India when it comes to workplace benefits. Opportunities abound in all the markets, though to varying degrees and regarding different products. In descending order of population size:

- Mumbai: Employers and employees in India's largest city[5] (16.3 million inhabitants) are relatively less receptive to benefits, though a majority of companies offer packages to executives. Employees in this city on the northwestern coast are significantly unprepared for their retirement but are very interested in receiving retirement advice at work. Retirement planning may be beneficial for this market.
- Kolkata: Employers in India's second largest city (13.2 million), located in the northeast near the border with Bangladesh, are least positive about benefits and their employees have low job satisfaction. There is an opportunity here for benefits providers to educate employers in Kolkata about the direct connection between better benefits and improved employee satisfaction.
- Delhi: The national capital and third-largest city (12.8 million) is most receptive, as employers are positively inclined toward benefits, and employees have high financial concerns and high interest and receptivity toward benefits. Employees have the highest interest in receiving financial, benefits and retirement advice at work. Financial advice based on life stage may be a good opportunity for this city.
- Chennai: Employees in this city of 6.4 million on the southeastern coast expect to retire but few have done any planning. About half are interested in having their employer provide advice for retirement. For benefits providers, retirement planning may be a good opportunity in this market as well, but employers are going to be a challenge.
- Bangalore: Employers in the fifth largest city in India (5.6 million) — a center for software development and outsourcing in the southern middle of the country — offer relatively few products to their employees. No surprise then that workers in Bangalore own fewer financial products. Both groups are also less open to voluntary benefits. Employees indicate some interest in professional help in financial matters. Financial planning may therefore be a good offering for this market.
- Hyderabad: Employees in this city of 5.5 million in southern Andhra Pradesh State tend not to consult with financial professionals but express an interest in getting financial advice through work. Employers are receptive to offering financial advice and are also positive regarding employee benefits. Financial planning is a way to enter this market, and the education of employers and employees on the advantages of voluntary benefits is critical.
- Ahmedabad: Employees in this city of 4.5 million north of Mumbai plan to retire but few have done any planning. More than six in 10 are interested in having their employer provide advice for retirement. Interest in voluntary benefits is low. Retirement planning may be a good opportunity in this market as well.

[5] http://www.citymayors.com/gratis/indian_cities.html. This site is source for all Indian city pop. figures.

**OFFERINGS TO EMPLOYEES BY EMPLOYERS**




Percentages have been rounded to the nearest whole number.

# Conclusion

India is already a major force in the global economy, and this position will solidify and strengthen as the country transforms itself from an emerging market to a developed one in the coming years. Domestic companies are creating jobs in diverse industries from steel and automobiles to software development and agribusiness. Foreign multinationals continue to flock to India for its well-educated, English-speaking and, until now, comparatively inexpensive labor force.

As India develops economically and more of its citizens join the middle class, the labor market, workplace benefits and what employers are willing to provide for their workers could be affected. Both domestic companies and foreign multinationals still enjoy a buyer's market for labor but this, too, is beginning to change. To stay ahead of the curve on benefits strategies, domestic and international HR and benefits managers should look at the following options in India:

- Offering a wider array of benefits or making basic benefits more available may help employers reach their number one benefits objective, which is increasing worker productivity. Health insurance and term life insurance are low-hanging fruit because they are viewed as core products by a majority of employees and with proper management can help companies achieve their second top goal — cost control of health and welfare benefits.
- With the majority of employees both concerned with and unprepared for retirement, companies should consider providing retirement planning services and financial education as a benefit option. India's strong economic growth has made its workforce more mobile, which is affecting the tradition of older Indians being cared for by their children. In this context, companies can take the lead in addressing this trend by helping employees understand what they need to secure their financial and retirement future.
- Exploring the addition of voluntary benefits — with most or all of the cost picked up by employees — could help both sides achieve their financial goals. Since there is overall a strong mutual consensus about the utility of having access to voluntary benefits, companies should seriously consider expanding their offerings to employees to include high-interest items, including life insurance.

# Mexico

## **Market** Profile[1]

- 14th largest global economy
- GDP of nearly $1 trillion: Services (63%); Industry (33%); Agriculture (4%)
- GDP per capita of $9,700
- Free market economy hard hit by the global financial crisis but rebounding in 2011; mix of modern and outmoded industries, and the world's 7th largest oil producer
- Net inflows of foreign direct investment: $13.9 billion
- Population 112 million[2]; labor force 57.8 million[2]
- Life expectancy at birth: 76.4 years
- Median age: 27.1 years

## **Benefits** at a Glance

A mandatory retirement savings system is paid for by employers, at 2% of wages, and managed in individual investment accounts by registered organizations known as Afores. In 2009, the government adopted reforms allowing the Afores, which manage about $100 billion in assets, to gain access to local private equity funds.[3]

Mexico has a decentralized national health system, but employees who can afford private care tend to use it and buy insurance for it.

1 Sources for this section are either The CIA World Fact Book or The World Bank or The IMF. All figures are in U.S. dollars.
2 Source: INEGI 2011 (Instituto Nacional de Geografía y Estadística)
3 Private Equity Manager, 3/9/11

## MEXICO

# Two Steps Forward, One Step Back as Country Copes With Economic Crisis

MEXICO, THE SECOND LARGEST ECONOMY IN LATIN AMERICA,[4] EXPERIENCED THE GLOBAL FINANCIAL CRISIS IN 2008-2009 WITH PARTICULAR FEROCITY.

### TOP FINANCIAL CONCERNS OF ALL EMPLOYEES

| | Mexico | U.S. |
|---|---|---|
| Enough money to pay bills during sudden income loss | 73% | 61% |
| Job security | 71% | 50% |
| Enough money for children's education | 69% | 48% |
| More time to spend with family | 68% | 40% |
| Appropriate health insurance | 67% | 48% |
| Enough money to make ends meet | 65% | 53% |
| Enough money to buy a home | 59% | 39% |
| Enough money so one can stay home with children | 57% | N/A |
| Resources and time to care for aging parents or relatives | 56% | 36% |
| Being able to afford quality childcare | 47% | N/A |

Percentages have been rounded to the nearest whole number.

4 http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/0,,pagePK:180619~theSitePK:136917,00.html
5 World Bank, ibid
6 http://hk.nielsen.com/documents/GlobalConsumerConfidenceReport_Q42010.pdf

Mexico's robust growth from 2004 to 2007 — when the first edition of this trends study was published — gave way to a major contraction of 6.5% in 2009. The country is slowly climbing out of this hole with growth projected at 4.5% for 2010 and 3.8% for 2011.

The global recession has highlighted economic fault lines in Mexico — close to half of all Mexicans still live in poverty[5] — and both the government and private sector have a major challenge to create the growth that will broaden prosperity for a wider swath of the population. A full and realistic discussion of employee benefits in Mexico should take this socio-economic environment into account.

> Despite growing anxiety about their financial future, many Mexican workers say they are not taking steps to address these concerns.

Consumer confidence in Latin America as a whole is increasing, with the region ranking the highest in optimism in recent surveys. In Mexico, confidence is also on the rise, but it is still four points below the global average and well behind Brazil — the other Latin American economy in our survey.[6] Financial hardship persists and Mexican consumers continue to have difficulty paying bills and reducing debt. Having enough money to pay bills led the list of Mexican workers' top concerns of financial security. A full 73% say they are "extremely concerned" about having enough money during sudden income loss.

Despite growing anxiety about their financial future, many Mexican workers say they are not taking steps to address these concerns. Less than half have taken any action to determine their household's life insurance needs and only a quarter have looked into their disability insurance options.

Cultural factors — such as a widespread tendency to avoid planning for the future — play a role, as does the fact that Mexican employers are reluctant to offer benefits beyond those mandated by law.

## A Direct Correlation: Benefits, Loyalty and Job Satisfaction

As in our 2007 study, there is a strong correlation between employer-provided benefits and job satisfaction and loyalty to one's employer. The top benefits objective for Mexican employers is to increase employee productivity (97% of all employers), with the second main goal of improving job satisfaction (91%) — both results are essentially unchanged from four years ago. These objectives and percentages, our study shows, are essentially the same for employers who do not offer benefits.

In 2011, 83% of employees with benefits said they were satisfied with their current job, compared to 59% of those who did not receive on-the-job benefits. The overall job satisfaction rate — with or without employer-provided benefits — is 72%, down from 81% in the 2007 study but still relatively high, indicating that the Mexican labor market favors employers.

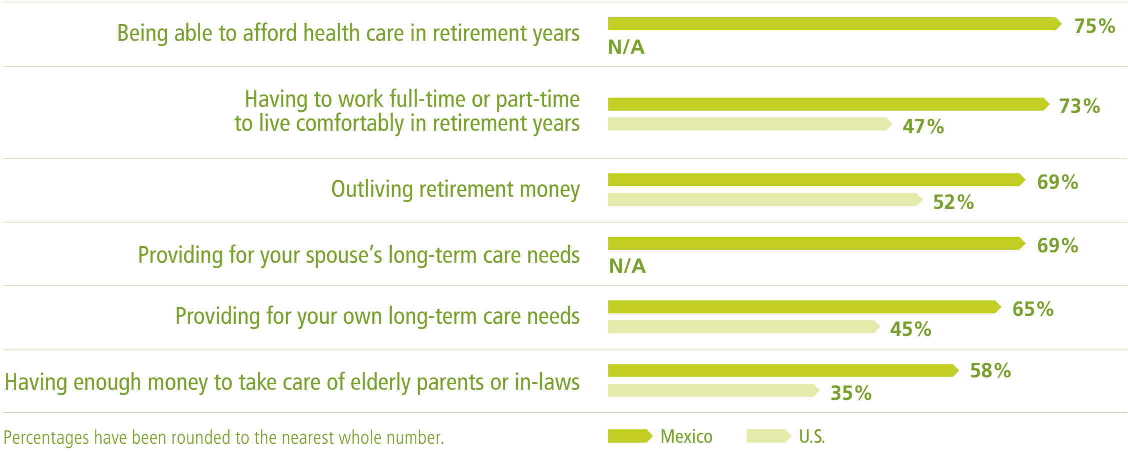
Employees who receive benefits express a stronger sense of loyalty to their employers — 73% — compared to those who do not, at 55%. The overall loyalty figure is 64%. Employees also regard this as a sign of employer loyalty to their workforce with 64% of employees with benefits saying so. And 56% of employees who receive benefits cite it as a reason they stay with their company.

It should also come as no surprise, then, that employees who work for a company with benefits on average stay longer with that company: 7.1 years versus 5.2 years for employees who work at companies that do not offer benefits.

### MOST IMPORTANT BENEFITS OBJECTIVES OF ALL EMPLOYERS


Percentages have been rounded to the nearest whole number.

**EMPLOYEES' TOP FINANCIAL CONCERNS REGARDING RETIREMENT**




# A New Solution on the Horizon: Voluntary Benefits

Many Mexican employers only provide those benefits that are mandated by law, citing high cost as the reason for not providing more financial products and benefits. The burden of paying for these products, especially life and health insurance products, is shouldered predominantly by the employer. Though overall financial product ownership is relatively low throughout Mexico, the workplace is nevertheless where most Mexican employees purchase their financial products, especially those in larger companies and in higher income brackets.

Moreover, there is growing interest among employees of all types in getting greater access to benefits and products.

Those currently without benefits are interested in purchasing financial products through the workplace. Life insurance, savings plans, health insurance and disability insurance were the top four products of interest to these employees.

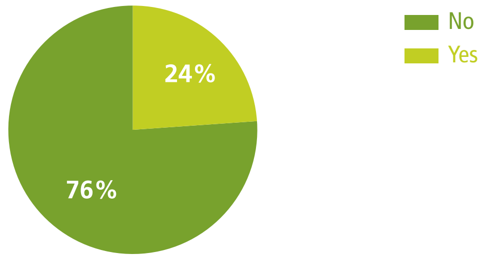
Adding voluntary benefits is also of high interest to 56% of those employees surveyed who currently enjoy some benefits in the workplace. There could be an advantage for both employer and employee in setting up programs of voluntary benefits for the workforce. The addition of a voluntary benefit program could help employers achieve their key goals of improving job satisfaction and employee retention.

# Retirement/Financial Security: More Planning and Education Needed

Mexico introduced its state pension fund system — the Afore — more than 10 years ago to aid Mexican workers in funding their retirement. Collectively, Mexican Afores have about $100 billion in assets under management.[7] But as we saw in Australia with the superannuation fund, this source of pension income will most likely not be sufficient as Mexicans are living longer. Average life expectancy in Mexico is 76 years,

[7] "A Less Taxing Mexico," Private Equity Manager, March 9, 2011

EMPLOYEES WHO HAVE DONE ANY PLANNING FOR RETIREMENT




Percentages have been rounded to the nearest whole number.

relatively close to that of its northern NAFTA neighbors, the United States (78 years)[8] and Canada (81 years).[9]

Given their longevity, Mexicans are justifiably concerned about retirement. But more than one third of those surveyed (36%) don't know at what age they will retire. For those who expect to retire, the median age they cite is 60 years.

The top three financial concerns about retirement are:

- "Being able to afford health care in retirement years"— 75%, up from 71% four years ago.
- "Having to work full-time or part-time to live comfortably in retirement"— with 73% citing this as a top concern, basically unchanged from our previous study and compared to 47% of U.S. workers surveyed.
- The third top concern is "outliving retirement money," with 69% of Mexican workers citing this, up slightly from 67% in 2007 and compared to 52% of their U.S. counterparts.

8 http://www.cdc.gov/nchs/fastats/lifexpec.htm
9 http://www.cbc.ca/news/health/story/2010/02/23/life-expectancy-canada.html
10 Study of International Employee Benefits 2007, p.28
11 http://www.buyusa.gov/mexico/en/financial_insurance.html

Despite this high level of concern, only one in four Mexican employees has done any planning for retirement or taken any steps to determine what their needs would be in retirement. This is still an improvement over the previous study, when only one in five had done any retirement planning.[10] Among those employees who have planned for retirement, about half said they are either on track or have achieved their goals.

Though society is changing, the extended family continues to play a central role in Mexican culture and has an impact on retirement. Since one in five Mexicans currently has parents who depend on them financially, most employees are also concerned about long-term care needs for their parents, as well as for themselves and their spouses.

> Among those employees who have planned for retirement, about half said they are either on track or have achieved their goals.

With most Mexican employees owning only a few financial products acquired through the workplace, it is clear that financial planning continues to elude the majority of workers. But both employees and employers have shown interest in bringing financial planning and education to the workplace.

Of the employees who own a financial product through the workplace, 62% expressed interest in employers providing the services of financial planners (72% for larger companies).

This aligns with the Mexican employers' most important benefit strategies where retirement, general financial planning and retirement education rank in the top four.

## Insurance Market: Large Potential with Regional Differences

Mexico is the second largest insurance market in Latin America after Brazil. According to the Mexican Association of Insurance Services, insurance services have until now experienced low market penetration in Mexico, representing only 1.9% of the total GDP, compared to 12% for the United Kingdom, 9% for the U.S., and 4% for Chile.[11] Given the large market and low penetration, there is a huge potential for insurance services in Mexico.

This market potential was noted in our 2007 study and reconfirmed by our current results. In 2011, only 41% of employees surveyed have taken any steps to determine their life insurance needs, while only 24% have researched their households' disability insurance requirements. But there is interest among Mexican employees who do not currently have benefits through their company to purchase financial products through the workplace.

But employee benefits providers should take into account the significant regional differences that exist in Mexico's key urban industrial centers that were surveyed: Mexico City, Guadalajara, Monterrey and Leon (new for the 2011 study). Mexico City and Monterrey tend to have larger companies, while Guadalajara is home to mid-sized firms and Leon to smaller businesses. Company size affects the kind and quantity of benefits offered as well as the type of employees hired.

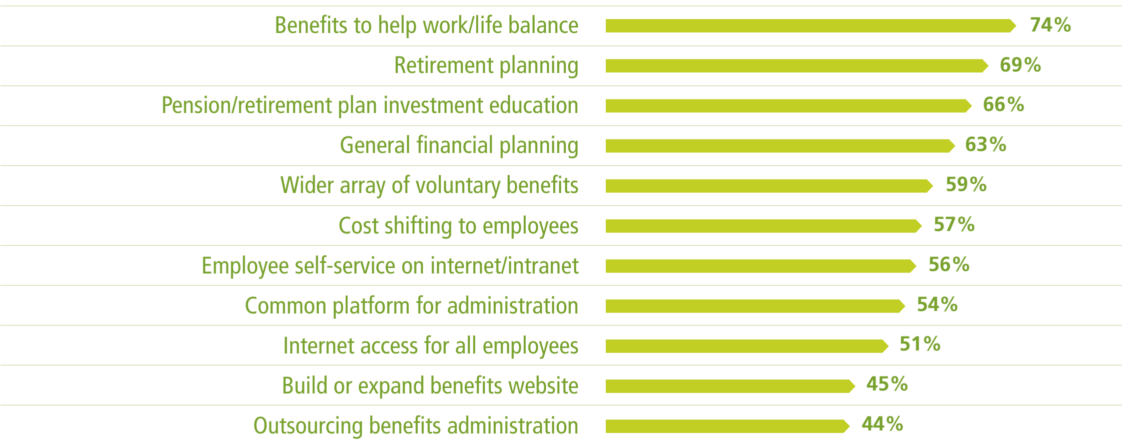
- Mexico City: Employees have the highest financial concerns of those surveyed. They are interested in getting products through their employer but do not see the advantages of voluntary benefits. However, employers don't offer many benefits and are not that interested in offering more in the near future. But many are concerned about a workforce shortage, so educating employers about the link between benefits and retention might be a good strategy in Mexico City. Educating employees about the advantages of voluntary benefits might help as well.

- Guadalajara: Employers offer more benefits than required by law, and employees are more inclined to own benefits through work. But there is a high level of financial concern among employees, with more than half saying they don't know when they will retire and almost 90% having taken no steps to plan for retirement. Workers are more interested in voluntary benefits and financial planning, so education would also work as a strategy in this city.
- Monterrey: Employers tend to offer only those benefits required by law. But they have a somewhat positive attitude toward voluntary benefits and financial planning. Employees in this city are less confident in making financial decisions and significantly unprepared for their retirement. Retirement planning may be beneficial for this market. Education of employers and employees on the advantages of voluntary benefits is crucial.
- Leon: Although employers in Leon offer basically only those products required by law and not much more, they face a possible worker shortage. Employees tend to own products through work and are positively inclined to voluntary benefits. They have moderate financial concerns, with 60% not prepared for retirement. Education on voluntary benefits and financial planning could be a door opener in this city.

## Conclusion

As Mexico returns to the path of economic growth, companies will have the opportunity and challenge of revisiting and revising their benefit strategies and offerings. Mexico is the second largest economy and insurance market in Latin America, so there will be large potential for benefits providers to gain market share if they have the right approach and product set, and tailor this to the existing regional differences this report has outlined.

**TOP BENEFITS STRATEGIES OF EMPLOYERS THAT OFFER BENEFITS**




Percentages have been rounded to the nearest whole number.

A key finding is that more than half of Mexican employers mentioned that they would like to shift the costs of benefits to their employees. Benefits providers can work with employers to find ways to pass on some of the cost to employees. Education can be a useful tool for benefits providers in this regard.

- As a starting point, providers can focus on financial planning assistance and voluntary benefits. These have the advantages of providing benefits to employees without the employer taking on large administrative and cost burdens. Employees in the four main regions expressed varying degrees of favorability toward obtaining voluntary benefits and financial planning assistance through the workplace.
- Employers need to better understand the role that benefits can play in helping them address their top HR concerns — maximizing job satisfaction and employee retention. Employers who offer benefits already see this value, so they merely need to be reminded, and helped to understand the return on their investment. Employers who don't offer benefits don't necessarily realize the value benefits can bring in increased job satisfaction. This is another opportunity for education.
- Retirement, health insurance during retirement as well as life and disability insurance are the top line financial products of interest to Mexican employees. Demand for these products should increase as the Mexican economy expands and grows. Retirement products with tax benefits are also growing in this country.

> There is growing interest among employees of all types in getting greater access to benefits and products.

# United Kingdom

## **Market** Profile[1]

- 6th largest global economy
- GDP of $2.2 trillion: Services (77%); Industry (22%); Agriculture (1%)
- GDP per capita of $35,100
- Highly developed, wealthy country and world financial center
- Foreign direct investment net inflows $25 billion
- Population 62.6 million; labor force of 31.4 million
- Life expectancy at birth 80 years
- Median age 40 years

## **Benefits** at a Glance

The government provides the Basic State Pension and gives tax incentives for workers to fund their own personal pensions. In 2012, the government will introduce a new "personal accounts" retirement program that will require a mandatory 3% contribution from employers, who must automatically enroll their employees. Similar to the trend well under way in the U.S., the U.K. is moving from a classical pension or defined benefit system to a defined contribution system.[2]

The National Health Service provides publicly funded health care, but private health insurance is also common.

The insurance and financial products markets are highly developed and competitive.

1 Sources for this section are either The CIA World Fact Book or The World Bank or The IMF. All figures are in U.S. dollars.
2 Best's Insurance News, March 7, 2011

# UNITED KINGDOM

# Financially Savvy but Underestimating the Value of Employee Benefits in a Changing Economy

HIGHLY INDUSTRIALIZED AND WEALTHY, THE UNITED KINGDOM RANKS AS THE THIRD LARGEST ECONOMY IN EUROPE AFTER GERMANY AND FRANCE AND IN THE TOP 10 GLOBALLY.

**TOP FINANCIAL CONCERNS OF ALL EMPLOYEES**

| | United Kingdom | U.S. |
|---|---|---|
| Job security | 52% | 50% |
| Enough money to make ends meet | 50% | 53% |
| Enough money to pay bills during sudden income loss | 48% | 61% |
| Enough money for children's education | 45% | 48% |
| Maintaining standard of living | 45% | N/A |
| More time to spend with family | 42% | 40% |
| Enough money to buy a home | 38% | 39% |
| Enough money so one can stay home with children | 26% | N/A |
| Resources and time to care for aging parents or relatives | 26% | 36% |
| Being able to afford quality childcare | 23% | N/A |
| Appropriate health insurance | 21% | 48% |

Percentages have been rounded to the nearest whole number.

The recent global recession hit the U.K. economy particularly hard, due to the importance of its financial sector in London, a global capital of finance. Sharply declining home prices, high consumer debt, and the global slowdown compounded the U.K.'s problems, pushing it into recession in the latter half of 2008 and prompting the government to implement a number of measures to stimulate the economy and stabilize the financial markets. In 2010, with burgeoning public deficits and debt levels, the government initiated a five-year austerity program to lower budget deficits.[3]

> Recent consumer confidence surveys have shown an increase in confidence in the U.K., but the country still lags below the global average.

With global stock markets rebounding in 2009 and 2010, there are signs of economic recovery in the United Kingdom. Recent consumer confidence surveys have shown an increase in confidence in the U.K., but the country still lags below the global average.[4] Moreover, this confidence is offset by lingering worries about finances and investments that arose from the financial crisis, especially among those workers closer to retirement age.

Not surprisingly, compared to four years ago, concern about a variety of basic financial issues has spiked among British workers.

- "Having enough money to pay bills during sudden income loss" jumped 10 percentage points to 48% of U.K. employees (compared to 61% for the

3 https://www.cia.gov/library/publications/the-world-factbook/geos/uk.html
4 http://hk.nielsen.com/documents/GlobalConsumerConfidenceReport_Q42010.pdf

U.S.). Women in the U.K. are even more concerned: 59%, versus 42% for U.K. men. "Having enough money to pay for children's education" rose 12% points to 45% of workers (48% in the U.S.).

- Even with the uptick in the economy, concerns over job security also increased 5% from the 2007 study, with 52% of U.K. employees saying they were "extremely concerned" with this (compared to half of American workers); and "having enough money to make ends meet" rose 6%, making it of extreme concern to half of all U.K. workers (a similar number of Americans, 53%, have this worry).

Despite this escalating financial worry in the U.K., benefits providers still have their work cut out for them to change attitudes among both employers and their employees when it comes to purchasing additional products to protect income, safeguard retirement or secure other financial goals like education. But coming changes in the pension system in the U.K., increasing longevity, the governmental austerity program and overall economic uncertainty could pave the way for greater interest in a wider variety of benefits available to employees in the workplace.

## Brits and Workplace Benefits: Room for Expansion and Education

Like their counterparts elsewhere in the European Union, U.K. employees have broad health care and some retirement coverage from national government programs that are supplemented by generous private pensions from employers. All of these benefits are currently under scrutiny as government and employers grapple with financial and demographic pressures to budgets. In terms of favorite benefits, workers in the U.K. list paid vacation and holidays (87%) and sick leave (78%) as the most important benefits received on the job. A financial benefit — company pensions — comes in third with 69%.

Britain also has a well-developed financial services industry that offers access to numerous sophisticated products ranging from insurance and pension annuities to disability and supplemental medical insurance outside the workplace. For these reasons, the majority of employees do not recognize the value of buying additional benefits through their jobs because they buy them independently on the open market.

For their part, U.K. employers provide a minimum range of benefits, essentially pensions, life insurance and private medical (to supplement the national health care coverage). About half of U.K. employers offer executive benefits to their top echelon management, with private medical insurance far and away the most common (68%).

As in the other countries surveyed, the larger companies tend to offer more benefits in the United Kingdom. But employers balk at offering more than a few basic benefits — citing the high cost — and do not see the connection between providing more benefits and attaining their main HR objectives: attracting and retaining employees, increasing their job satisfaction and boosting employee productivity.

Given the higher level of economic uncertainty that now exists since our first study, this negative view of providing/acquiring additional workplace benefits could represent a disconnect for both groups, as well as an opportunity that benefits providers could capitalize on with education and outreach.

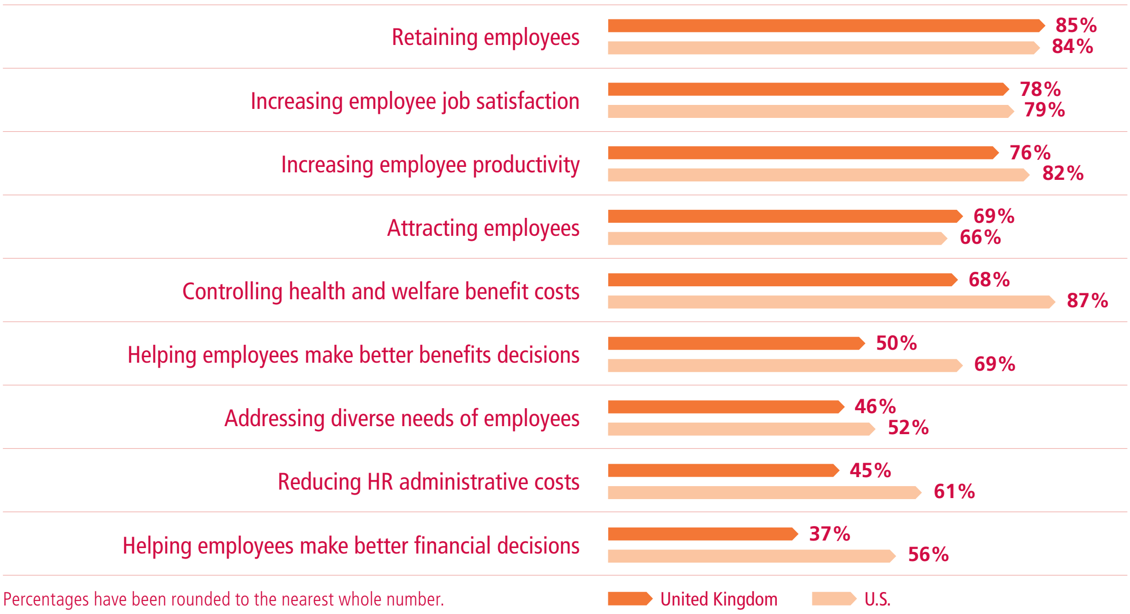
- On the employee side, satisfaction with benefits has increased compared to 2007, with half saying they are satisfied, an increase of 5% over the last study. Moreover, one-fifth of employees are placing greater value on their benefits.

- For their part, employers in the U.K. place the highest priority on employee retention, yet consistently underestimate the power of benefits in driving employee satisfaction. Only 23% of employers think that their workers are happy with their benefits, compared to 50% of employees. There is also a disparity in how job satisfaction is viewed, with only 41% of employers saying their workers are content versus 53% of employees feeling good about their job. Benefits communications in the U.K. could be a factor here, with nearly 75% on both sides giving a low rating to the effectiveness of benefits communications.

- The popularity of voluntary benefits that we see in the U.S. has not reached the same level in the United Kingdom. In the U.S., 52% of U.S. workers said they value the option to purchase voluntary benefits through their employer; but only one in five U.K. employees who receive workplace benefits expressed a desire for a wider array of voluntary benefits through the workplace. With enhanced communications and education around the advantages of acquiring voluntary benefits through the company, U.K. employees would begin to see the value of this approach, such as more choice, better rates and convenience.[5]

Undoubtedly, benefits can contribute to loyalty. When employees are satisfied with their benefits, they have higher job satisfaction. Similarly, employers who feel their employees are highly satisfied with their benefits also believe their company is loyal to its employees, and their employees are loyal to the company. As we noted above, companies need to do a better job understanding the connection between loyalty and benefits and communicating this to their employees. Benefits providers can play an important role here in stimulating this dialogue.

## MOST IMPORTANT BENEFITS OBJECTIVES OF ALL EMPLOYERS




Percentages have been rounded to the nearest whole number.

5 9th Annual Employee Benefits Trends Study, MetLife, 2011

# Financial Security/ Retirement: Complacency Giving Way to Concern?

Workers in the U.K. are confident about both their financial future and their abilities to plan for it. About 75% of them have taken steps to determine their life insurance needs — the highest percentage of any country in this study. Planning for disability, though, is much lower, with only one-third having done so, down nine points from 2007. This drop comes despite the fact that concern about loss of income from disability or premature death actually rose three points each since the last study (to 45%, and 43%, respectively).

Employees in the U.K. have done a good job to date of planning for retirement, with two-thirds having taken steps to determine their income needs in retirement — this applies consistently to all age groups except the 21-30 segment, where 37% (still a relatively solid showing) have done some retirement planning. U.K. workers plan to retire around age 63 and expect to live another 20 years. This is in line with their current life expectancy at birth, about 80 years.[6]

- Whereas more than half of U.S. workers (52%) worry about outliving their retirement funds, only one-third of workers in the U.K. have this concern — this is unchanged from four years ago. Women in the U.K. worry more (42%) whereas their male counterparts are more confident, with only 29% worried about running out of money in their golden years.
- The recent economic crisis, though, is causing some anxiety in the U.K., especially among older workers. About a third of all workers over the age of 51 and between 41-50 years old said they were

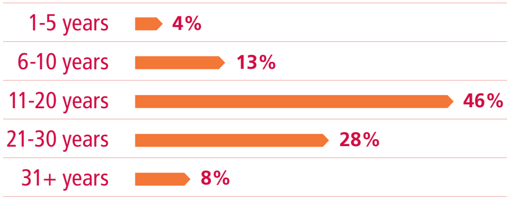
[6] https://www.cia.gov/library/publications/the-world-factbook/geos/uk.html
[7] Best's Insurance News, March 7, 2011

"extremely concerned" about rebuilding their retirement nest egg following the recent meltdown in world markets. Younger workers had no such high-level concerns, given their longer time horizon for savings.

- Compared to four years ago, fewer workers in the U.K. said they have achieved or are on track to attaining their retirement goals. Four percent said they have achieved their retirement goals, down 1% from 2007 (and compared to 5% of their American counterparts). Those saying they were on track dropped nine points to 45%, compared to only one in four U.S. workers in this category.

Upcoming changes to the government pension regulations could also spark more concern among U.K. workers and expose weaknesses in their retirement planning strategies. Similar to the trend well under way in the U.S., the U.K. is moving from a classical pension or defined benefit system to a defined contribution system.[7] U.K. employees who currently enjoy a more generous contribution from their company could lose out in the new regime. In 2012, the government will introduce a new "personal accounts" retirement program that will require a mandatory 3% contribution from employers, who must automatically enroll their employees.

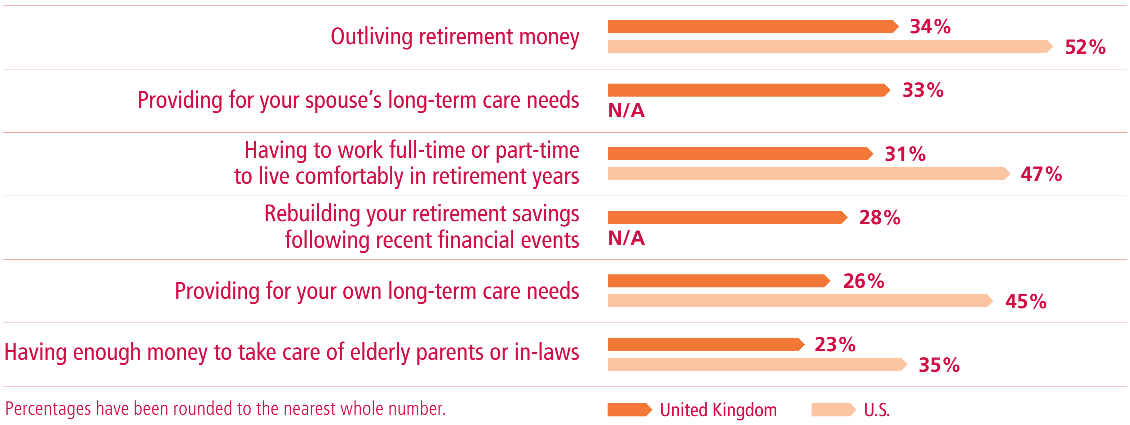
### NUMBER OF YEARS FULL-TIME EMPLOYEES PLAN TO SPEND IN RETIREMENT




Percentages have been rounded to the nearest whole number.

But that is not the only or even the most serious issue. Moving to a defined contribution plan means that the longevity risk is no longer shouldered by employers but mostly by employees, who may not save enough to ensure they do not outlive their retirement money. Employees also need to understand that there might be an income difference between the traditional defined benefit plan from their employer and the new defined contribution system that they must actively invest in. This is an opportunity for benefits providers — such as those offering guaranteed income through annuities and other products — to offer workers in the U.K. solutions for gaps in retirement income. Benefits providers and financial companies expect the defined contribution market in the U.K. to boom in the coming years.[7]

### EMPLOYEES TOP FINANCIAL CONCERNS REGARDING RETIREMENT




Percentages have been rounded to the nearest whole number.

## Financial Planning: High Degree of Expertise Raises the Bar

Unlike many of their counterparts in the other countries in this survey, employees in the U.K. consider themselves to be financially savvy. Only one in five admits to being a novice investor. The fact that workers in the U.K. own a large number of financial products, most of these obtained outside the workplace, is proof of this expertise in personal money matters.

More than half of all of U.K. employees (51%) feel in control of their finances; this is down seven points from 2007, an apparent casualty of the recession, but still ahead of the U.S. at 34%.

Moreover, a full 64% of all workers in the U.K. consult with financial professionals such as bankers, insurance agents or certified financial planners. This is up three percent from 2007, underscoring the desire of employees in the U.K. to repair the damage from the financial crisis.

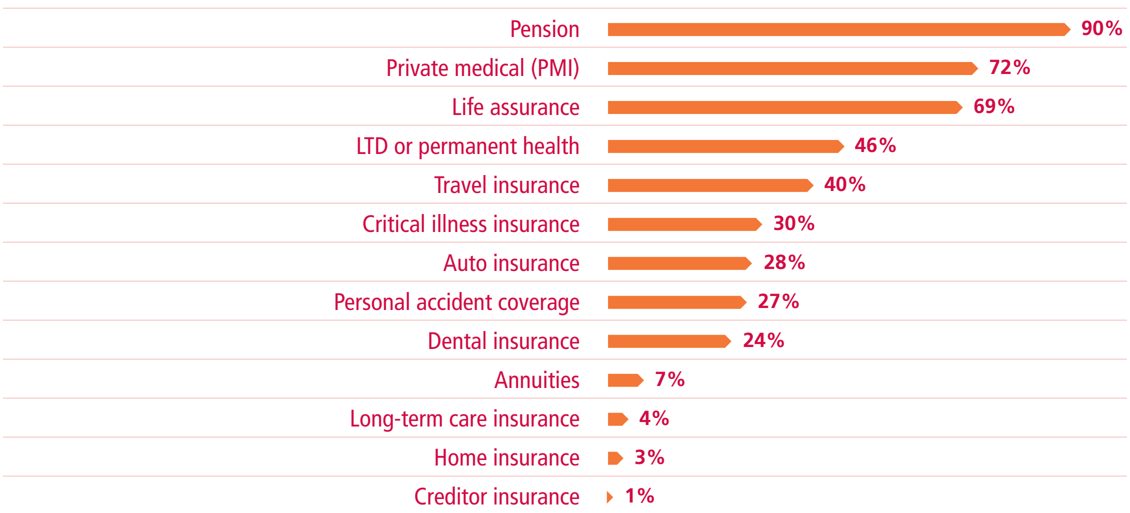
Given the financial expertise of many U.K. employees, benefits specialists will have to devise innovative strategies to gain their attention and interest. Employers showed a slight increase in their willingness to offer general financial planning services to their employees, though not for personalized services. But only one in four workers in the U.K. is even interested in their employer offering such advice.

## Conclusion

The United Kingdom is a wealthy, highly industrialized country with many of the same problems confronting its partners in the European Union as well as the U.S. and Japan. Namely, the demographic challenge of an aging workforce, the high cost of social programs such as retirement pensions and health care, and the need for austerity in budgeting.

At the same time, the U.K. is a mature benefits market with a working population that possesses a high degree of sophistication when it comes to planning for the future and purchasing products to ensure their financial

**BENEFITS OFFERED BY EMPLOYERS WHO PROVIDE BENEFITS**




Percentages have been rounded to the nearest whole number.

security. Culturally, workers in the U.K. are generally independent, preferring to go outside the workplace to buy financial services and products and also seek the expertise of financial planning professionals.

A benefits and financial services provider approaching the U.K. market will need to take these factors into account to design a strategy that is geared for the long term.

- There is an Achilles heel in U.K. retirement planning that can be the basis for a sophisticated financial discussion. The majority of U.K. workers are starting to realize that they might not have sufficient funds for their 20+ years in retirement. Moreover, the coming changes in government pension plans and the possibility that the British have underestimated the financial needs caused by their increasing longevity could further expose an income gap that will need to be covered. As financially savvy as they are, U.K. employees could be in the market for financial planning and investment information as they leave the era of company pensions and enter an era of defined contribution plans. In addition, there could also be growing interest in the U.K. in guaranteed income products such as basic or variable annuities.

- Employers seeking to differentiate themselves and attract the most skilled workers could broaden their benefits offerings to include more disability insurance as well as private medical insurance, which is currently a benefit reserved for top management. This is particularly true if companies are cutting back on their pension plans for retiring workers.

- For the younger working populace in the U.K., financial education and planning programs could be of high interest. Offering them these types of programs could help employers to achieve their benefits goals of worker retention, higher productivity and job satisfaction, and at the same time prepare younger workers for a bigger role in funding their own retirements.

Benefits providers and financial companies expect the defined contribution market in the U.K. to boom in the coming years.

# Methodology

The second MetLife International Employee Benefits Trends Study was conducted between November 2010 and February 2011 by GfK Custom Research, one of the top global market research consultants. Results were obtained through face-to-face, telephone and online interviews. The targeted sample for each country was designed to appropriately represent the full-time employee population base. On the following pages, totals do not always equal 100% due to rounding.

# Australia

## DEMOGRAPHIC PROFILE OF **THE EMPLOYER SAMPLE:**

Interviews were conducted with 258 employers. Eligible respondents were those dealing with employee benefits or employee policies in companies with two or more employees.

**COMPANY SIZE**

| | |
|---|---|
| 2-99 | 21% |
| 100-999 | 40% |
| 1,000+ | 40% |

**AGE**

| | |
|---|---|
| 21 to 30 | 11% |
| 31 to 40 | 27% |
| 41 to 50 | 33% |
| 51+ | 29% |

**GENDER**

| | |
|---|---|
| Male | 43% |
| Female | 57% |

**INDUSTRY**

| | |
|---|---|
| Heavy Industry | 33% |
| Professional Services | 43% |
| Sales/Trade | 20% |
| Technology/Science | 4% |

**DECISION**

| | |
|---|---|
| Final | 10% |
| A lot of influence | 42% |
| Moderate influence | 48% |

**LOCATION**

| | |
|---|---|
| NSW | 41% |
| Victoria | 26% |
| Queensland | 13% |
| Other locations | 20% |

## DEMOGRAPHIC PROFILE OF **THE EMPLOYEE SAMPLE:**

A total of 501 interviews were conducted with full-time employees in companies with two or more employees.

**COMPANY SIZE**

| | |
|---|---|
| 2-99 | 37% |
| 100-999 | 27% |
| 1,000+ | 37% |

**AGE**

| | |
|---|---|
| 30 or under | 32% |
| 31 to 40 | 28% |
| 41 to 50 | 22% |
| 51+ | 18% |

**GENDER**

| | |
|---|---|
| Male | 54% |
| Female | 46% |

**EDUCATION**

| | |
|---|---|
| High school or less | 21% |
| Some college | 36% |
| College graduate+ | 43% |

**ANNUAL HOUSEHOLD INCOME (IN AUSTRALIAN $)**

| | |
|---|---|
| Under $50,000 | 15% |
| $50,000-$100,000 | 48% |
| More than $100,000 | 37% |

**MARITAL STATUS**

| | |
|---|---|
| Married | 42% |
| Single, never married | 17% |
| Domestic partnership | 24% |
| Divorced | 7% |
| Separated | 2% |
| Widowed | 1% |

**CHILDREN**

| | |
|---|---|
| Yes | 35% |
| No | 65% |

# Brazil

## DEMOGRAPHIC PROFILE OF THE EMPLOYER SAMPLE:

Interviews were conducted with 250 employers (193 offering benefits and 57 not offering benefits). Eligible respondents were those dealing with employee benefits or employee policies in companies with 50 or more employees.

| | |
|---|---|
| **COMPANY SIZE** | |
| 50-99 | 29% |
| 100-999 | 56% |
| 1,000+ | 15% |
| **AGE** | |
| 18 to 30 | 43% |
| 31 to 40 | 32% |
| 41 to 50 | 17% |
| 51+ | 8% |
| **GENDER** | |
| Male | 37% |
| Female | 63% |
| **DECISION** | |
| Final | 7% |
| A lot of influence | 30% |
| Moderate influence | 63% |
| **INDUSTRY** | |
| Heavy Industry | 23% |
| Professional Services | 47% |
| Sales/Trade | 28% |
| **LOCATION** | |
| Sao Paulo | 43% |
| Other locations | 57% |

## DEMOGRAPHIC PROFILE OF THE EMPLOYEE SAMPLE:

A total of 500 interviews were conducted with full-time employees (351 with benefits and 149 without benefits) in companies with 50 or more employees.

| | |
|---|---|
| **COMPANY SIZE** | |
| 50-99 | 18% |
| 100-999 | 44% |
| 1,000+ | 38% |
| **AGE** | |
| 30 or under | 44% |
| 31 to 40 | 27% |
| 41 to 50 | 17% |
| 51+ | 12% |
| **GENDER** | |
| Male | 57% |
| Female | 43% |
| **LOCATION** | |
| Sao Paulo | 40% |
| Other locations | 60% |
| **CHILDREN** | |
| Yes | 44% |
| No | 56% |
| **MARITAL STATUS** | |
| Married | 58% |
| Single, never married | 34% |
| Divorced | 2% |
| Separated | 3% |
| Widowed | 2% |

# India

## DEMOGRAPHIC PROFILE OF **THE EMPLOYER SAMPLE:**

Interviews were conducted with 534 employers (274 offering benefits and 260 not offering benefits). Eligible respondents were those dealing with employee benefits or employee policies in companies with 100 or more employees.

| | |
|---|---|
| **COMPANY SIZE** | |
| 100-199 | 28% |
| 200-499 | 24% |
| 500-999 | 20% |
| 1,000+ | 28% |
| **DECISION** | |
| Final | 14% |
| A lot of influence | 28% |
| Moderate influence | 58% |
| **GENDER** | |
| Male | 90% |
| Female | 10% |
| **INDUSTRY** | |
| Services | 44% |
| Heavy Industry | 28% |
| Process Industry | 11% |
| Technology/Science | 9% |
| Sales/Trade | 3% |
| Other | 4% |
| **LOCATION** | |
| Mumbai | 19% |
| Delhi | 21% |
| Kolkata | 14% |
| Chennai | 15% |
| Bangalore | 16% |
| Ahmedabad | 5% |
| Hyderabad | 10% |

## DEMOGRAPHIC PROFILE OF **THE EMPLOYEE SAMPLE:**

A total of 1,090 interviews were conducted with full-time employees (549 with benefits and 541 without benefits) in companies with 100 or more employees.

| | |
|---|---|
| **COMPANY SIZE** | |
| 100-199 | 26% |
| 200-499 | 25% |
| 500-999 | 20% |
| 1,000+ | 29% |
| **AGE** | |
| 30 or under | 32% |
| 31 to 40 | 35% |
| 41 to 50 | 23% |
| 51+ | 9% |
| **EDUCATION** | |
| School up to 5-9 years | 4% |
| SSC/HSC | 16% |
| Some College | 6% |
| Graduate/post graduate (Gen.) | 51% |
| Graduate/post graduate (Prof.) | 10% |
| **GENDER** | |
| Male | 86% |
| Female | 14% |
| **CHILDREN** | |
| Yes | 54% |
| No | 46% |
| **SAVINGS & INVESTABLE ASSETS** | |
| Less than 1 lakh | 42% |
| 1 to less than 2.5 lakhs | 26% |
| 2.5 to less than 5 lakhs | 18% |
| 5 lakhs+ | 14% |
| **ANNUAL HOUSEHOLD INCOME (IN RUPEES)** | |
| 75,000 to less than 1 lakh | 23% |
| 1 to less than 2 lakhs | 18% |
| 2 to 5 lakhs | 12% |
| 6 to 10 lakhs | 28% |
| 10 lakhs+ | 18% |
| **MARITAL STATUS** | |
| Married | 72% |
| Single, never married | 28% |
| **LOCATION** | |
| Mumbai | 26% |
| Delhi | 22% |
| Kolkata | 22% |
| Chennai | 10% |
| Bangalore | 7% |
| Ahmedabad | 5% |
| Hyderabad | 7% |

# Mexico

## DEMOGRAPHIC PROFILE OF THE EMPLOYER SAMPLE:

Interviews were conducted with 250 employers (125 offering benefits and 125 not offering benefits). Eligible respondents were those dealing with employee benefits or employee policies in companies with 50 or more employees.

| | |
|---|---|
| **COMPANY SIZE** | |
| 50-99 | 63% |
| 100-999 | 26% |
| 1,000+ | 10% |
| **AGE** | |
| 18 to 30 | 35% |
| 31 to 40 | 33% |
| 41 to 50 | 26% |
| 51+ | 7% |
| **GENDER** | |
| Male | 67% |
| Female | 33% |
| **DECISION** | |
| Final | 28% |
| A lot of influence | 34% |
| Moderate influence | 37% |
| **INDUSTRY** | |
| Heavy Industry | 36% |
| Professional Services | 25% |
| Sales/Trade | 34% |
| Technology/Science | 6% |
| **LOCATION** | |
| Mexico | 41% |
| Guadalajara | 20% |
| Monterrey | 20% |
| Leon | 19% |

## DEMOGRAPHIC PROFILE OF THE EMPLOYEE SAMPLE:

A total of 439 interviews were conducted among full-time employees (223 with benefits and 216 without benefits) in companies with 50 or more employees.

| | |
|---|---|
| **COMPANY SIZE** | |
| 50-99 | 39% |
| 100-999 | 46% |
| 1,000+ | 16% |
| **AGE** | |
| 30 or under | 29% |
| 31 to 40 | 31% |
| 41 to 50 | 23% |
| 51+ | 18% |
| **GENDER** | |
| Male | 67% |
| Female | 33% |
| **LOCATION** | |
| Mexico | 35% |
| Guadalajara | 23% |
| Monterrey | 24% |
| Leon | 18% |
| **CHILDREN** | |
| Yes | 51% |
| No | 49% |
| **MARITAL STATUS** | |
| Married | 65% |
| Single, never married | 24% |
| Divorced | 5% |
| Separated | 3% |
| Widowed | 3% |
| **SOCIAL CLASS** | |
| B, C+ (High) | 11% |
| C (Mid) | 40% |
| D+, D (Low) | 49% |

# United Kingdom

## DEMOGRAPHIC PROFILE OF **THE EMPLOYER SAMPLE:**

Interviews were conducted with 150 employers (123 offering benefits and 27 not offering benefits). Eligible respondents were those dealing with employee benefits or employee policies in companies with 10 or more employees.

| INDUSTRY | |
|---|---|
| Heavy Industry | 29% |
| Professional Services | 44% |
| Sales/Trade | 20% |
| Technology/Science | 3% |

| COMPANY SIZE | |
|---|---|
| 10-99 | 55% |
| 100-999 | 30% |
| 1,000+ | 15% |

| GENDER | |
|---|---|
| Male | 41% |
| Female | 59% |

| DECISION | |
|---|---|
| Final | 8% |
| A lot of influence | 48% |
| Moderate influence | 44% |

| LOCATIONS | |
|---|---|
| North | 27% |
| Midland | 19% |
| South | 54% |

## DEMOGRAPHIC PROFILE OF **THE EMPLOYEE SAMPLE:**

A total of 500 interviews were conducted among full-time employees (317 with benefits and 183 without benefits) in companies with 10 or more employees.

| COMPANY SIZE | |
|---|---|
| 10-99 | 21% |
| 100-999 | 29% |
| 1,000+ | 51% |

| AGE | |
|---|---|
| 30 or under | 10% |
| 31 to 40 | 21% |
| 41 to 50 | 37% |
| 51+ | 32% |

| ANNUAL HOUSEHOLD INCOME (IN POUNDS) | |
|---|---|
| £25,000 or less | 18% |
| £25,001-£50,000 | 50% |
| £50,001+ | 33% |

| SAVINGS & INVESTABLE ASSETS | |
|---|---|
| Up to £30,000 | 71% |
| £30,001+ | 30% |

| GENDER | |
|---|---|
| Male | 61% |
| Female | 39% |

| MARITAL STATUS | |
|---|---|
| Married | 65% |
| Single, never married | 15% |
| Domestic partnership | 12% |
| Divorced | 6% |
| Separated | 1% |
| Widowed | 1% |

## **About** MetLife

MetLife, Inc. is a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers in over 60 countries. Through its subsidiaries and affiliates, MetLife holds leading market positions in the United States, Japan, Latin America, Asia Pacific, Europe and the Middle East. For more information, visit www.metlife.com.

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