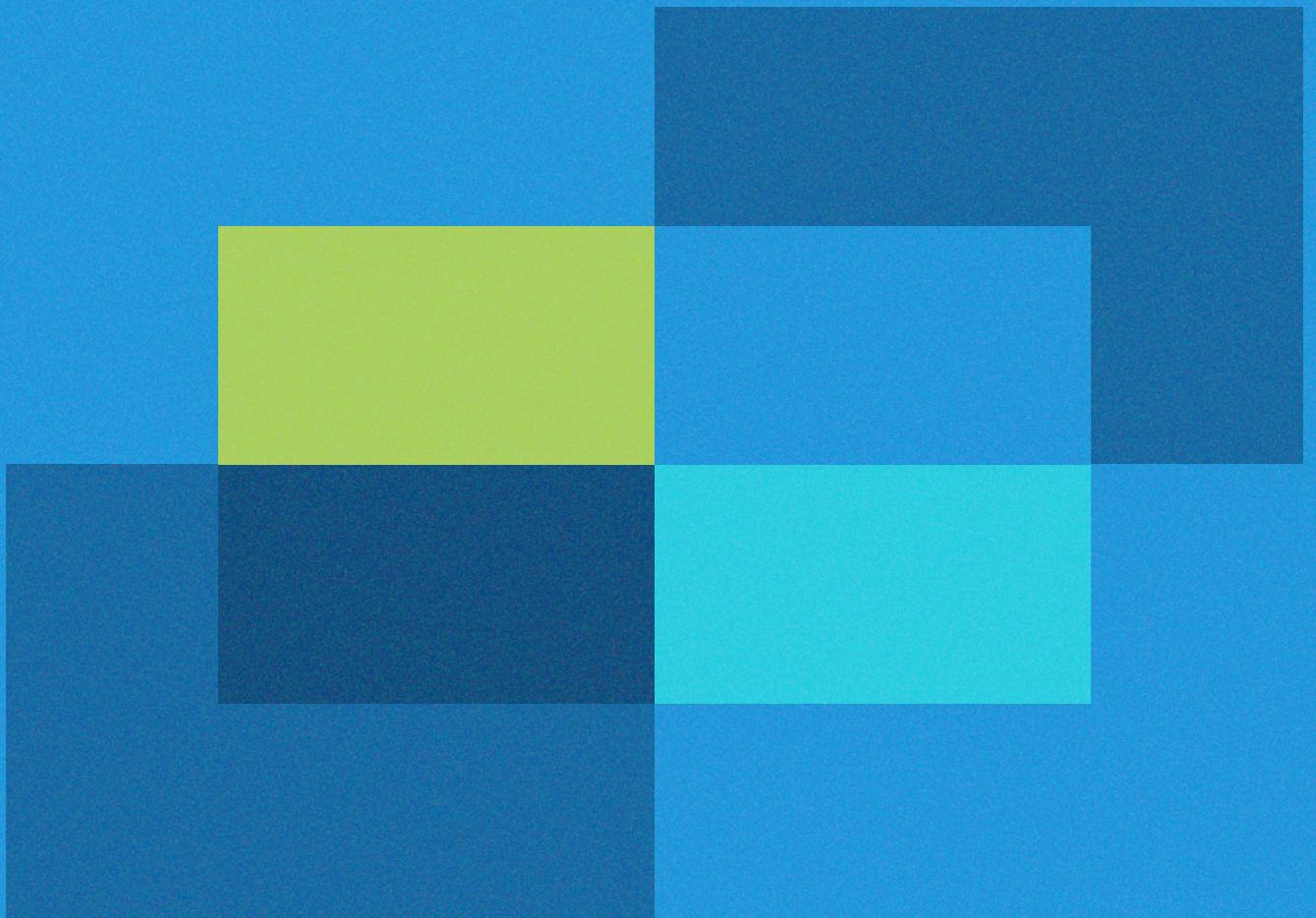




Building Employee Financial Security in Uncertain Times

MetLife's 18th Annual
U.S. Employee Benefit
Trends Study 2020

[metlife.com/ebtsfinwell2020](https://www.metlife.com/ebtsfinwell2020)



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▶ INTRODUCTION

The state of the workplace in 2020 is unlike any other in recent history. Employees and employers are adjusting to new challenges—and opportunities—that have presented themselves in the wake of the COVID-19 pandemic.

▶ Visit [metlife.com/ebtsfinwell2020](https://www.metlife.com/ebtsfinwell2020) to explore additional insights and studies.

Employee well-being is a rising concern for employers as their **workforces are being strained across the full spectrum of well-being; physical health, financial health, mental health and social health.** To recover from the impacts of the COVID-19 pandemic and to adapt to the new realities, companies will need healthy and resilient employees that are motivated, productive and engaged.

Financial health is of particular importance as it is a top concern for employees.

52% of employees are concerned with their financial health in the wake of COVID - higher than physical health, mental health and social health.

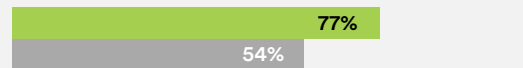
Job security, spouses being laid off and the volatile financial markets are all raising the financial stress, which was also the number one concern for employees in our study last year.

The good news is that employers can make a tangible impact on their workforce’s financial health by offering strong benefits programs that support their employees. Those that have are already seeing positive impacts in their workforces.

Employers who are providing benefits and support that help improve employee well-being have more financially healthy employees

- Providing support
- Not providing support

Financial health



Employee benefits and financial wellness programs are integral to building employees’ financial strength during times of increased stress and uncertainty. Employee benefits provide financial security, especially for unexpected expenses that could further destabilize employees’ financial wellness, while financial wellness programs assist employees in managing their short-term expenses and long-term goals – two areas of significant stress amongst the workforce.

COVID-19 has magnified the need for holistically well and resilient employees. It’s up to employers to help their workforce with the right benefits packages and programs to alleviate the drivers of financial stress.



01

Financial Wellness Is A Top Concern

COVID-19 has created many uncertainties, and finances are no exceptions. Employees state that they are more concerned about their financial health in the wake of the pandemic than they are about their physical, mental and social health. Moreover, they are looking to their employers for help.

73% of employees agreed that employers have a responsibility for the health and well-being of their workers.

Through the early stages of the pandemic, this figure has risen to **80%**

There is a considerable opportunity — and responsibility — for employers to contribute to the holistic health and safety of their workers as they face uncertainty, and in some cases, unexpected financial instability.

68% of employers believe that increasing financial wellness is an important benefits objective (up 5 percentage points from the 17th Employee Benefit Trend Study from 2019).

Employers are also more likely to have a sense of responsibility for their employees' financial wellness, demonstrated by the increased number of employers that are now offering financial wellness programs.

Even with these positive trends:

- ▶ **Personal finances continue to be a top source of stress overall for U.S. employees.**
- ▶ **Only half of employees feel confident in their financial standing (54%),** which includes the ability to live beyond paycheck-to-paycheck and have a three-month savings cushion.
- ▶ **A little over half of employees indicate they're on track to reach their financial goals (53%).**
- ▶ **1/3 of employees** have dipped into their savings to paid for short term expenses
- ▶ **Nearly 50% of employees** live paycheck-to-paycheck

There is also a significant difference in how men and women are perceiving the impact of the pandemic.

Employees who indicate financial stress as their top concern

Women



Men



Overall, women and employees in younger generations report the most financial struggles. Women are more likely to have dipped into their short-term savings and be living paycheck-to-paycheck.⁵ This is also true among younger generations:

Employees who report dipping into savings.

Gen Z



Millennial



Financial stress was the top concern for employees before the pandemic, and the uncertainties of the crisis has only intensified those concerns. Employers need to re-assess the support they are providing to their workforce to ensure their employees can remain secure through the pandemic. By enabling and empowering employees to prepare for financial milestones such as retirement, paying down debts, or equipping workers to handle unexpected financial shocks, employees will be less stressed and more confident.



02

The Causes of Poor Financial Health

Personal finances are the number one source of stress for employees, ranked higher than work and the health of their families, and

43% of employees state they are not financially healthy.

This represents over **50 million workers** in the United States.

For Gen Z and Gen Y, short term factors — such as daily cost-of-living expenses and debt — are major components of poor financial health.⁶ This is also the case for unplanned emergencies, for which younger employees may not have the savings to help them manage the extra financial burdens. Even though younger employees are more focused on the short-term financial needs, as they age, they become increasingly concerned with retirement savings.

Though the short-term matters for Baby Boomers, the longer-term considerations, like retirement security, take precedent as they are typically approaching retirement.

Across all employee generations, women are more likely to cite short-term and unplanned factors as reasons for poor financial health. Factors like cost of living expenses, debt, and a lack of emergency funds are cited as substantial stressors. **For example, women are 10% points more likely than men to worry about having or going into debt.**⁷

Employers need to see the entire picture of their workforce's financial wellness and match them with the right employee benefits, education, guidance and tools. Although the top causes of poor financial health identified by employers are primarily the same as those cited by employees, employers generally overestimate the importance of long-term drivers.

For instance, employers perceive longer-term financial concerns, such as the inability to retire on time, an increasingly complex financial market, and a lack of financial education, as major factors

leading to lower employee financial health. However, these are not stated by employees nearly as much as short-term considerations, such as everyday cost of living expenses, managing debt, and having emergency funds. This disconnect may lead to misaligned financial wellness solutions that do not reflect what employees really need.

Our data also finds **U.S. employees with 3-months emergency savings perform well on the short-term and long-term aspects of financial health**, underscoring that true financial health relies on being prepared for the short term— even though financially healthy employees also tend to have strong long-term solutions in place.



03

Why Employee Financial Health Matters

COVID-19 has created new worries and burdens that are impacting employees across all four aspects of the well-being.

 **1 in 8 employees state they are not healthy across any of the four aspects of health.**

As we assess the pandemic impact, it's clear that subsections of the workforce have experienced large-scale disruptions to their finances.

Unemployment figures hit 14% nationwide in April 2020, due in large part to the pandemic-related economic slowdown. Those who have not lost their jobs still fear the possibility of unemployment in the future. Others may experience significant disruptions to their investment portfolio or may need to tap into savings to pay for unexpected medical bills. An already on-edge population are grappling with increased feelings of financial insecurity on top of their existing concerns. This instability has far-reaching effects and could impact other aspects of employees' well-being.

Employee Well-Being Elements:

- ▶ **Mental health:** Condition of psychological and emotional well-being
- ▶ **Financial health:** State of personal and family financial security
- ▶ **Social health:** Ability to form satisfying interpersonal relationships
- ▶ **Physical health:** Level of illness, injury and general lifestyle

Supporting employee well-being should be a primary focus for companies, as employees who are holistically well are more productive and engaged, and less stressed. These traits are vital to develop resilient employees who can successfully manage through the crisis and are prepared to help their businesses adapt and recover.

While mental health has the greatest impact on overall employee well-being, even before the pandemic, there was a particularly strong relationship between financial health and mental

health. This is cause for concern: In light of **COVID-19, our data shows that 52% of employees rank financial health as the most important aspect of their well-being and that financial health is their greatest concern as they adjust to the current environment.** Mental health, social health, and physical health were each cited at the top concern of 44% of those surveyed.

Finance-related concerns are the number one cause of poor employee mental health, affecting

43% of those who rated their mental health as being low.

These mounting wellness concerns among employees are being potentially underserved by employers who are overestimating the holistic well-being of their workforces. There is a significant gap between employer perception and employee reality, and this is especially true concerning employees' financial health, where the largest gap between employer perception and worker reality exists.

Acknowledging and addressing this gap is essential as organizations search for ways to support their employees and develop meaningful programs to help employees navigate these challenges.

Those who are financially healthy display a more positive experience at work and show good financial behaviors.

85% of financially healthy employees believe they are more productive at work,

compared to

67% of those who do not feel financially healthy

The same holds true for workplace engagement and success.

78% of financially healthy employees feel more engaged at work (versus 57% of those who are not financially healthy)

77% feel more successful (opposed to 53% of not financially healthy respondents).

Financially healthy employees also are more confident in their financial behaviors than those who do not consider themselves as financially well.

54% of financially healthy employees are on track or have already achieved their retirement savings goals.

74% of financially healthy employees also state that they are on track to achieve their financial goals.

On the other hand, employees who are not financially healthy are more likely to engage in negative financial behaviors.

Live paycheck-to-paycheck



Report struggling to pay their bills every month



Fail to pay off debt regularly.



Companies that can address the financial needs of their employees will be better positioned to meet the demands of their workforce both now and in the longer-term as pandemic conditions evolve. Providing greater financial support to employees will be rewarded with more productivity and engagement, as well as resilience to stress.



04

Supporting Employee Financial Wellness

As the COVID-19 pandemic has placed new financial stress on employees, now is the time for companies to re-assess their employee benefit and financial wellness programs to ensure they are providing employees with timely, high-impact support.

The first step is reviewing the employee benefits you are currently providing your employees.

Do these benefits coverage against a range of unexpected expenses that may further destabilize employee's financial wellness? For example:

- ▶ Hospital indemnity insurance provides employees with money to cover medical bills if they are admitted into a hospital.
- ▶ Legal plans may cover the costs for writing wills and power of attorney that could provide extra security for essential workers who may be at greater physical risk.
- ▶ Critical illness insurance may help pay for expenses their medical insurance doesn't cover if they are diagnosed with COVID-19 related illnesses.

These examples are highly relevant to the immediate risks COVID-19 may have on your employees' health and finances. In times of instability, any unexpected expense may have a significant impact on your employees' financial

situation. For example, for a couple in which one partner has been laid off, the expense of unexpected veterinary bill may mean going into credit card debt. For them, pet insurance could be what keeps them financially stable.

Today's workforce is multigenerational and cross-cultural, and their needs and habits differ among these groups — and even within them. In other words, one size doesn't fit all. By offering a range of benefits you provide your employees the flexibility to choose what is the most relevant for their personal situation.

Offering a wider range of benefits does not necessarily translate into additional costs for your business, as many employee benefits can be offered as employee paid, meaning the employee pays the totality of the premiums. Thus, employers have the opportunity to offer additional benefits at no costs to their organizations and employees have the option to purchase additional benefits at group rates.

Support financial wellness by ensuring employees are aware of and understand their benefits package and utilize any financial wellness programs your company may offer.

Here is where engaging communication, education and leadership prioritization are key.

In the near term, companies can increase communications around their financial wellness programs, actively encouraging participation and using leadership to drive awareness.

Another critical period will be this year's open enrollment, when employees have the opportunity to choose new benefits for the following year. Often open enrollment communications focus primarily on medical insurance, but in a year with unprecedented situations causing additional financial stress for employees, it will be important to ensure that your full benefit offering is effectively and thoughtfully communicated to employees.

This is especially important because there tends to be lower awareness and understanding of benefits beyond core offerings like medical insurance and dental insurance.

Employers can also look to increase the number of open enrollment communication touchpoints, especially those that help employees better understand their options, like videos, webinars and decision-making tools. Having employees understand their benefits will be critical in ensuring they have the protection they need to be resilient in the face of increased financial stress.



MetLife’s 18th annual U.S. Employee Benefit Trends Study (EBTS) consists of three distinct studies. The first two were conducted in August and September 2019 (Wave 1) and the third in early April 2020 – during the start of the COVID-19 pandemic (Wave 2). The 2019 employer survey consists of 2,501 interviews with benefits decision makers and influencers at companies with at least two employees.

The 2019 employee survey includes 2,650 interviews with full-time employees, aged 21 and over, at companies with at least two employees. The updated 2020 employee survey (Wave 2) consists of 2,367 interviews using the same criteria (full-time employed at time of survey completion). All studies were fielded by Rainmakers CSI – an international strategy, insight and planning consultancy.

Employees

■ Wave 1 ■ Wave 2

Gender		
Male	55%	52%
Female	45%	48%
Other (including non-binary)	0.1%	0.2%
Marital status		
Married	54%	54%
Single, not living with partner	26%	28%
Single, living with partner	10%	9%
Divorced/Separated	9%	8%
Widowed	2%	2%
Ethnicity		
Caucasian	75%	77%
African-American	13%	9%
Asian	6%	9%
Other	6%	5%
Hispanic	14%	13%
Non-Hispanic	86%	87%
Family status		
Do not live with children under 18	62%	68%
Live with children under 18	38%	32%
Employer size (staff size)		
2-9	7%	7%
10-49	14%	16%
50-199	17%	16%
200-499	11%	9%
500-999	10%	8%
1,000-4,999	14%	10%
5,000-9,999	7%	8%
10,000+	22%	26%
Geography		
South	35%	38%
West	22%	17%
Northeast	22%	23%
Midwest	21%	22%

Age		
21-24	6%	6%
25-34	25%	24%
35-44	23%	22%
45-54	22%	21%
55-64	20%	22%
65+	4%	5%
Personal income		
Under \$30,000	11%	11%
\$30,000-\$49,999	24%	24%
\$50,000-\$74,999	20%	20%
\$75,000-\$99,999	17%	17%
\$100,000-\$149,999	16%	16%
\$150,000 and over	10%	10%
Prefer not to answer	3%	3%
Industry		
Other Services	15%	16%
Health Care and Social Assistance	13%	12%
Educational Services	11%	13%
Retail	10%	7%
Manufacturing	8%	8%
Finance and Insurance	8%	8%
Information Technology	5%	7%
Professional, Scientific & Technical Services	5%	8%
Transportation and Warehousing	5%	3%
Construction	4%	3%
Accommodation and Food Services	4%	2%
Public Administration	3%	3%
Arts, Entertainment and Recreation	2%	2%
Wholesale Trade	2%	1%
Real Estate	1%	1%
Utilities	1%	1%
Administration and Support and Waste Management and Remediation	1%	1%
Information	1%	1%
Mining, Quarrying, and Oil & Gas Extraction	1%	1%
Management of Companies and Enterprises	1%	0%
Agriculture, Forestry, and Fishing	0%	1%

Education		
Some schooling completed/ No high school diploma	1%	1%
High school graduate or the equivalent (i.e., GED)	12%	8%
Some college credit, no degree	18%	12%
Associate degree	11%	12%
Bachelor's degree	35%	40%
Master's degree	18%	21%
Professional/Doctorate degree	6%	7%

■ Wave 1

Employer size (staff size)	
2-9	12%
10-49	16%
50-199	18%
200-499	12%
500-999	10%
1,000-4,999	15%
5,000-9,999	6%
10,000+	11%

Industry	
Health Care and Social Assistance	12%
Information Technology	11%
Manufacturing	9%
Finance and Insurance	9%
Other Services	9%
Professional, Scientific & Technical Services	7%
Educational Services	7%
Retail	6%
Construction	6%
Transportation and Warehousing	3%
Public Administration	3%
Administration and Support and Waste Management and Remediation	3%
Real Estate	3%
Accommodation and Food Services	3%
Wholesale Trade	2%
Management of Companies & Enterprises	2%
Arts, Entertainment and Recreation	2%
Utilities	1%
Information	1%
Agriculture, Forestry, and Fishing	1%
Mining, Quarrying, and Oil & Gas Extraction	0%

Geography	
South	36%
West	21%
Northeast	22%
Midwest	21%

ABOUT METLIFE

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