

# Benefits Trends Industry Spotlight



**MetLife**<sup>®</sup>



# Introduction



While unique in many ways, the Education industry has not escaped the negative effects of the economic downturn. Human Resources professionals in the Higher Education segment in particular are challenged with managing resources at a time when traditional revenue sources are declining and greater scrutiny is placed on demonstrating return on investments.

Due to the current economic situation, the majority of colleges and universities are

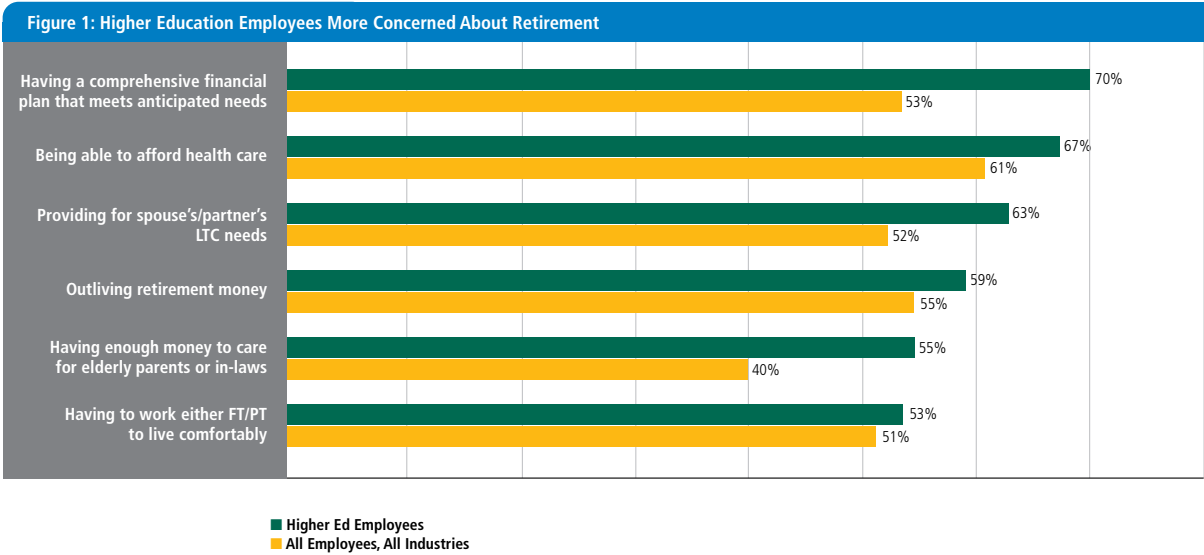
experiencing significant losses from all angles: student enrollments, private donations, and endowments are all lower than prior years.<sup>1</sup> A study conducted by the College and University Association for Human Resources (CUPA-HR) revealed that the most widespread staffing and compensation actions planned in response to these challenging times include delayed hiring, hiring freezes, control of overtime for non-exempt employees, and wage freezes.

Facing cost pressures does not only mean finding ways to reduce spending, but also making every effort to maximize return on investments. Employee benefits programs are an important piece of the pie when it comes to dollars spent on employees each year, representing 26% of total compensation in the Education industry.<sup>2</sup> Since these programs contribute largely to employee loyalty, they deserve a second look before decisions are made regarding expense reductions. In fact, employers in the Education industry may find that by maximizing their benefits investments now, they could see big returns in terms of employee loyalty and workplace satisfaction in the future.

The trends included in this report, as identified from MetLife's *Seventh Annual Study of Employee Benefits Trends*, reveal some unique findings for Higher Education employers and employees. In the pages that follow, data will point to specific areas where this segment varies from the total population, differences in attitudes toward employee benefits between Higher Education employer and employee groups, as well as insights into what organizations can do to maximize their investment in benefits programs.

<sup>1</sup> The Chronicle of Higher Education

<sup>2</sup> Compensation Cost Trend, Bureau of Labor Statistics, 4th Q 2008 (<http://www.bls.gov/iag/tgs/iag61.htm> viewed on 03/27/09)



**Employee Concerns Run Deep, Benefits Untapped**

Analysis of Higher Education employee survey results reveals huge concerns with respect to retirement planning and preparedness. Figure 1 demonstrates that these concerns are more pronounced in this segment when compared to employees across all industries, especially when it comes to having a comprehensive financial plan that meets anticipated needs and caring for elderly relatives. Both of these require an understanding and consideration of all available options, including the employee benefits program offered through the college or university. In many cases, Education organizations are currently offering programs that would help offset some of these concerns, but employees either do not know about them or show a lack of understanding.

Surprisingly, only about one-third (30%) of Higher Education employees consider workplace benefits to be the foundation of their financial safety net. This does not necessarily mean that the benefits are not perceived as valuable. In fact, 60% of employees in this segment say benefits are an important reason for remaining with their employer, which is much higher than the 40% of employees across all industries who say the same.

However, taking a deeper look at which benefits are valued most is an indicator that employees may not be taking full advantage of the comprehensive financial protection products available to them at the workplace. Figure 2 shows the discrepancy in their perceptions: even though they are most worried about having enough money to pay bills during sudden income loss, disability insurance is ranked 10th on their list of most valued benefits. Furthermore, employees in the Higher Education segment showed the most uncertainty of any industry in knowing coverage levels for life and disability insurance, which could mean they are underinsured and unprepared to face unexpected financial risks.

**Balancing Employer and Employee Perception Gaps**

Employees are not alone in tipping the scale in favor of some benefits that could be deemed less important in context of their objectives. Higher Education organizations understand that benefits are important in retaining employees: 59% believe benefits are very important in meeting this priority objective.

Figure 2: Benefits Need to be Understood to be Perceived as Valuable

Top Financial Concerns	Most Valued Benefits
1. Money to survive sudden income loss	1. Medical (70%)
2. Money for children's education	2. 401(k)/403(b)/457 plan (63%)
3. Making ends meet	3. Prescription drug coverage (58%)
4. Being able to afford health insurance	4. Paid vacation (50%)
5. Job security	5. Sick leave (45%)
6. Care for aging parents/relatives	6. Employer-funded pension plan/defined benefit plan (40%)
7. Money to allow spouse/partner to stay at home with children	7. Dental (27%)
8. Money to buy a home	8. Life (27%)
9. Being able to afford quality child care	9. Long-term care (24%)
10. Having more time to spend with family	10. Disability (24%)

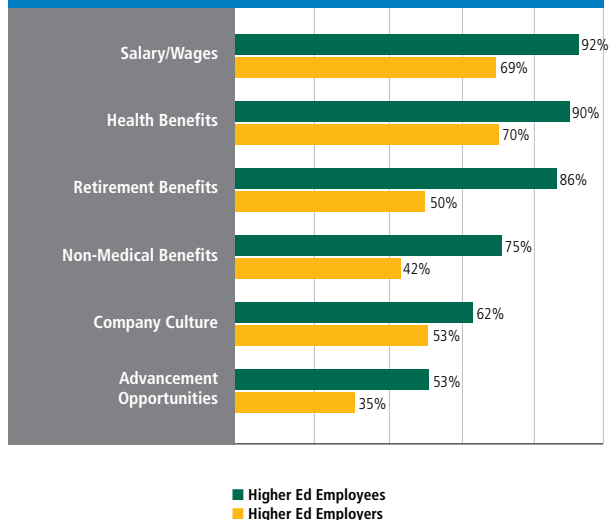
Again, taking a closer look at which benefits are valued is very telling, and reveals that financial security is a clear focus when it comes to benefits of significant importance to employees. However, employers in the Education industry do not realize the importance that both retirement and non-medical benefits play as a factor in employee loyalty (outside of things like vacation days and sick leave), and Figure 3 illustrates that these are the biggest perception gaps between employers and employees. Employers that recognize the key role that workplace benefits can play in creating a foundation for employees' financial security can more effectively design and communicate benefits plans that will have the greatest return on investment for all stakeholders. When resources are limited, insights into where opportunities exist to maximize the value of benefits programs are especially important.

Almost half (45%) of Higher Education employees are very interested in their employer providing ways to convert some or all of their defined contribution plan (i.e., 403(b)/401(k)/457) lump sum money into a stream of income for life at the point they retire. Only 19% of employers in this segment responded the same way. Part of the reason for this could be low awareness about the various funding options that products like income annuities provide, uncertainty around how this applies in context of the "safest annuity provision" of the Pension Protection Act of 2006, and the need to learn more about how it

can provide a good source of financial security to employees in retirement.

The effects of the disparities between Higher Education employers and their employees are further exemplified in how loyal each group perceives the other to be. Figure 4 reveals the fact that employees do not perceive their employers to be loyal to them, giving them much lower marks than the employers themselves. Given the economic conditions and growing financial concerns, there is an opportunity for employers to convey to their employees that they are in this together. Following the suggestions in the next section may help retain quality employees and help them find the security they need now and in the future.

Figure 3: Factors in Employee Loyalty



## What Higher Education Organizations Can Do

By assisting employees in making the most of their benefits programs, employers can maximize their investment. Here are a few things employers can do to help create the peace of mind for their employees that a sound financial safety net can provide.

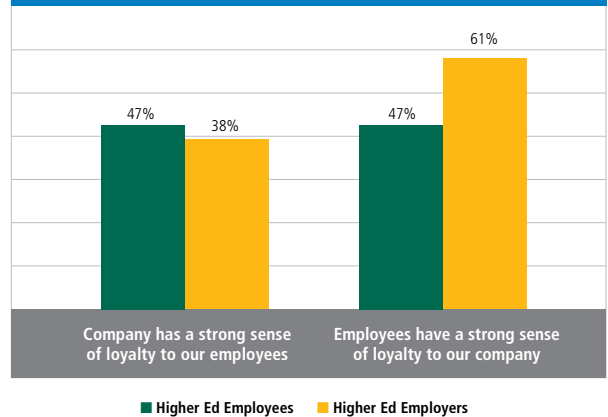
- **Reevaluate Your Organization's Employee Benefits Communications**

Only 39% of Higher Education employees agree that their organization's benefits communications effectively educate them so they can select the options that best meet their needs. Successful communications strategies leverage a variety of existing communications channels (home mailings, emails, face-to-face meetings) to get the word out. Additionally, communicating year-round (upon experiencing a life event, during tax season, etc.) can keep benefits top of mind.

- **Recognize the Value of Retirement and Non-Medical Benefits**

Listen to your employees and begin to familiarize yourself with ways to offer a stream of lifelong income in retirement. You may already know the advantages that income annuities present, but also evaluate them as a payout option for defined contribution plans under the Pension Protection Act of 2006. Provide total compensation statements to articulate the total value of your investment in employees and your loyalty to them. These can serve the added purpose of reminding employees of their current coverage levels.

Figure 4: Employers Not Seen as Loyal to Employees



- **Provide Access to Benefits Tools and Resources**

Only 31% of Higher Education employees are confident in their abilities to make the right financial decisions for their families. Online calculators can be found on benefits consultant or carrier websites, and are a good introduction to the planning process by providing "people like me" information. Consider bringing in experts on specific subjects such as retirement readiness, investment options, or rules of thumb by life stage to boost employee confidence levels. Finally, ask your benefits consultant or carrier to review industry research results and find out how various benefits can address key concerns for you and your employees.

Higher Education employers and employees are in this together. As economic uncertainty persists, employees should take full advantage of current benefits programs to ensure protection in the event of personal financial crisis. Employers can play a significant role in helping employees make the most of these plans now, as well as look at new ways to facilitate the foundation for lifelong income – especially since employees now show a heightened appreciation for their workplace benefits. Reinforcing their loyalty and commitment to employees can lessen the perception gaps between the two groups, help tie benefits to the bottom line, and aid in retaining top faculty and staff – a Higher Education organization's most valuable asset.

**MetLife<sup>®</sup>**

**Metropolitan Life Insurance Company**

200 Park Avenue

New York, NY 10166

[www.metlife.com](http://www.metlife.com)

0905-1598

© 2009 METLIFE, INC. L0409033774(exp0410)(All States)(DC)

PEANUTS © United Feature Syndicate, Inc.