

# Benefits Trends Industry Spotlight



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# Introduction



While unique in many ways, the Education industry has not escaped the negative effects of the economic downturn. Administrative professionals in the Primary and Secondary Education segment (referred to as “K-12” throughout this document) in particular are challenged with managing district resources at a time when declining budgets may further exacerbate limited funding, and increased scrutiny is being placed on overall spending. Since the 2008-2009

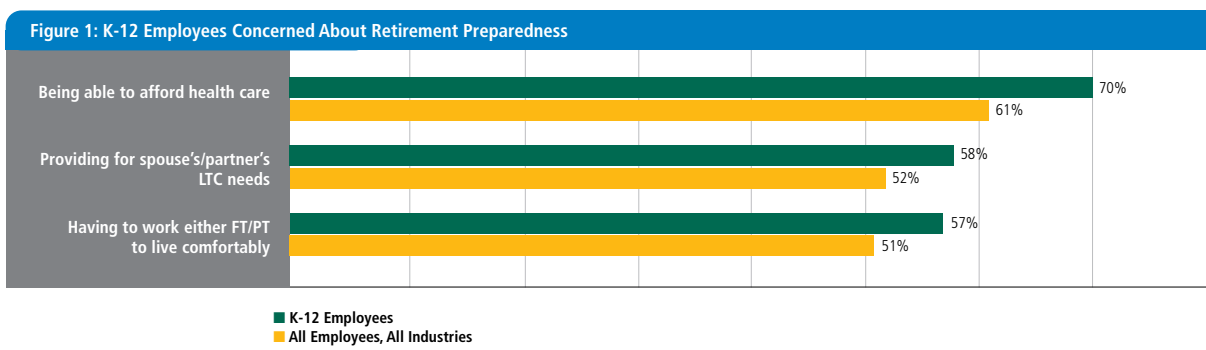
school year budget was passed prior to the current economic situation, the impact for the upcoming year is expected to be much more severe. A study conducted by the American Association of School Administrators (AASA) found that 72% of respondents indicated their district will eliminate positions in the 2009-10 budget, one of numerous measures to be taken in an effort to control costs.<sup>1</sup>

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 component 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 provide a critical foundation for financial protection and contribute largely to employee loyalty, they deserve thoughtful consideration before decisions are made regarding expense reductions. The same AASA study further revealed that layoffs represent the majority (61%) of positions eliminated, but attrition accounts for 25%. Employers in the Education industry may find that by maximizing their benefits investments now, they could see big returns in terms of increased employee loyalty in the future.

The trends highlighted in this report, as identified in MetLife's *Seventh Annual Study of Employee Benefits Trends*, reveal some unique findings relative to K-12 employers and employees. In the following pages, the data will point to specific areas where this segment varies from the total population, illustrate differences in attitudes toward employee benefits between K-12 employer and employee groups, and provide insights into what these organizations can do to maximize their investment in benefits programs.

<sup>1</sup> *Looking Back, Looking Forward: How the Economic Downturn Continues to Impact School Districts*, AASA, March 2009

<sup>2</sup> *Compensation Cost Trend*, Bureau of Labor Statistics, 4th Q 2008



### Employee Concerns Run Deep, Benefits Untapped

Analysis of the K-12 employee survey results reveals a high level of concern with respect to retirement planning and preparedness. Figure 1 demonstrates that employees' top concerns are more pronounced in this segment when compared to employees across all industries, especially when it comes to affording health care, spouse or partner's long-term care needs, and the possibility of having to work full- or part-time in retirement. Meeting these concerns requires a thorough understanding and consideration of financial planning and protection options, including the available employee benefits programs offered through the district. In many cases, Education organizations are already offering programs that could help offset some of these concerns, but employees still express a lack of understanding which points to a need for education and guidance.

Surprisingly, only about one-third (35%) of K-12 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, but it does point to a deeper issue around education and understanding. In fact, a much lower percentage (30%) of K-12 employees understand which benefits options best meet their needs, compared to 43% of employees across all industries.

Taking a look at the benefits that are most valued by K-12 employees further illustrates a lack of understanding about the advantages of the comprehensive benefits programs available to them at the workplace. Figure 2 shows the contradiction in their perceptions: even though they are most worried about having enough money to pay bills during a sudden income loss, disability insurance is ranked 11<sup>th</sup> in their list of most valued benefits. Furthermore, employees in the K-12 segment showed greater uncertainty than employees across all industries in knowing their coverage levels for life and disability, which may indicate that they are underinsured and unprepared to face an unexpected financial crisis.

### Low Awareness Drives Disconnects Between Employers and Employees

When resources are limited, insights into where opportunities exist to maximize the value of benefits programs are especially important. K-12 organizations understand that benefits are important in retaining employees: 62% believe benefits are very important in meeting this objective. However, they may not realize the extent to which specific benefits are valued by employees. Taking a closer look at which benefits are most valued reveals that non-medical benefits are the top factor in employee loyalty at 85%, which is significantly higher than in other industries. Figure 3 illustrates that retirement

Figure 2: Benefits Need to be Understood to Achieve Their Full Protection Potential

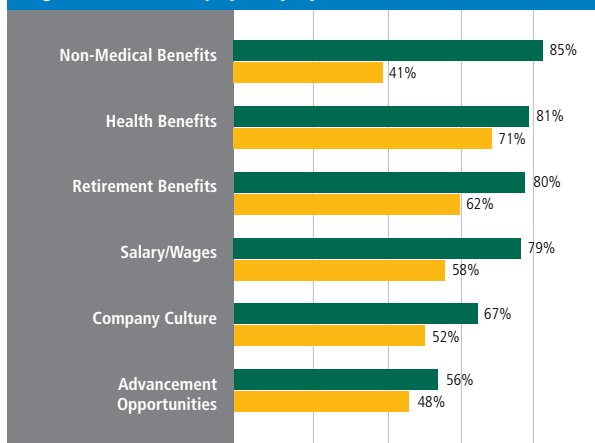
Top Financial Concerns	Most Valued Benefits
1. Money to survive sudden income loss	1. Medical (71%)
2. Being able to afford health insurance	2. Prescription drug coverage (68%)
3. Making ends meet	3. Sick leave (53%)
4. Money for children's education	4. Paid vacation (49%)
5. Having more time to spend with family	5. Dental (44%)
6. Money to buy a home	6. Vision (44%)
7. Job security	7. 401(k)/403(b)/457 plan (34%)
8. Being able to afford quality child care	8. Employer-funded pension plan/defined benefit plan (30%)
9. Care for aging parents/relatives	9. Life (20%)
10. Enough money to allow spouse/partner to stay at home with children	10. Long-term care (24%)
	11. Disability (11%)

benefits also have a great deal of influence. In fact, these factors represent two of the biggest perception gaps between employers and employees.

As the survey results indicate, only 34% of employers in this segment agree that voluntary benefits are a cost-effective way to enhance their overall benefits offering. However, findings show that almost half (44%) of K-12 employees are interested in their employer providing a wider array of voluntary benefits. Part of the reason for this disconnect could be a lack of employee awareness about the options available to them, which may result in the correspondingly low participation in these plans. Similarly, when asked about retirement planning seminars, 66% of employers said they offer these seminars, but only 49% of employees report being aware of them. Employers can use this information to reevaluate their communications strategies with a focus on promoting the programs, raising awareness, and driving employee engagement.

Given the current economic conditions and growing financial concerns, there is an opportunity for employers to help employees understand and identify the right mix of benefits for their situation. Figure 4 shows that K-12 employees report a high level of loyalty to their employer, but they do not feel that their employer is as loyal to them in return. During times of staff reductions and budget cuts employers have the chance to demonstrate their loyalty to employees and reinforce their commitment to them. Following the suggestions noted in the next section may help to cost-effectively attract and retain quality personnel, and help their employees find the security they need now and in the future.

Figure 3: Factors in Employee Loyalty



■ K-12 Employees  
■ K-12 Employers

## What K-12 Organizations Can Do

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

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

Only 27% of K-12 employees agree that their organization's benefits communications effectively educate them, compared to 36% of employees in all industries. Successful communications strategies leverage a variety of 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 for employees.

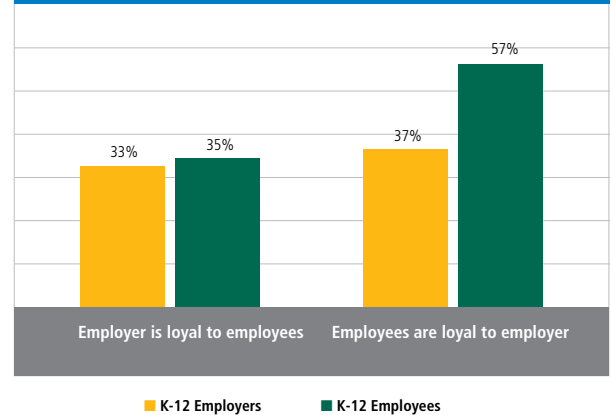
- **Develop Total Compensation Statements**

Provide total compensation statements to articulate the total value of your investment and enhance your perceived loyalty to your employees. More than half (55%) of K-12 employers already offer total compensation statements, and 68% of employers who offer them believe they are effective in helping employees understand the total value/cost of the benefits the organization provides. They can also provide the added benefit of reminding employees of their current coverage levels.

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

Listen to your employees and consider the advantages of voluntary benefits as a way to enhance your benefits offerings. Sharing the benefits costs with employees provides a cost-effective way to meet their increasingly diverse benefits needs and potentially impact employee loyalty in a positive way. Employers who recognize the key role that these 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.

Figure 4: Employers Not Seen as Loyal to Employees



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

Only 24% of K-12 employees are confident in their abilities to make the right financial decisions for their families, the lowest percentage reported across all industries. Online calculators, which can be found on many benefits consultant or carrier websites, 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 with you and find out how various benefits can address key concerns for you and your employees.

As economic uncertainty persists, employees should take full advantage of current benefits programs to ensure protection in the event of a personal financial crisis. School districts can play a significant role in helping employees understand how to make the most of their benefits plans to create a foundation for financial protection—especially since employees show a clear need for education about their workplace benefits. An effective communication and education program can help employees become more engaged with their benefits, tie those optimized benefits dollars to the bottom line and aid in retaining top teachers and staff—Education's most valuable asset.

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**Metropolitan Life Insurance Company**  
200 Park Avenue  
New York, NY 10166  
[www.metlife.com](http://www.metlife.com)

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