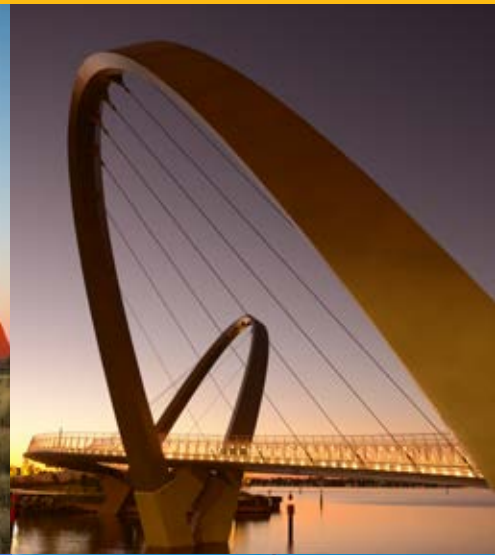


MetLife

AUSTRALIA EMPLOYEE BENEFIT TRENDS STUDY

Valuable Insights From Our Study





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About MetLife and MetLife Global Employee Benefits

MetLife, Inc. (NYSE: MET), through its subsidiaries and affiliates, is one of the largest life insurance companies in the world. Founded in 1868, MetLife is a global provider of life insurance, employee benefits, annuities, and asset management. Serving approximately 100 million customers, MetLife has operations in nearly 50 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

MetLife is a leading provider of innovative employee benefits. It combines local capabilities with global scale to deliver world-class solutions to thousands of organisations. MetLife has employee benefits operations in more than 40 countries and is a leading provider in over half of those countries. It is also one of two founders of the MAXIS Global Benefits Network¹, one of the world's leading international employee benefits networks with a presence in over 110 countries.

MetLife in Australia²

MetLife Australia is among the leading providers of life insurance solutions.³ By partnering with some of Australia's leading super funds, employers and corporates can help more Australians protect the lifestyle they love — and provide help when they need it most. We design and deliver products that meet the specific needs of Australians, putting customers at the centre of everything we do.

Across Australia, MetLife is trusted to take care of the life insurance needs of nearly 2.7 million people.³

With our a long history in Australia and A+ rating from Standard & Poor's for financial strength and issuer credit seven times in a row — Australians can trust we're here to stay.



¹ The MAXIS Global Benefits Network ("Network") is a network of locally licensed MAXIS member insurance companies ("Members") founded by AXA France Vie, Paris, France (AXA) and Metropolitan Life Insurance Company, New York, NY (MLIC). MAXIS GBN ("MAXIS") S.A.S., with registered office at 313, Terrasses de l'Arche – 92 727 Nanterre Cedex, France, is an insurance and reinsurance intermediary (registered with ORIAS under number 16000513 –www.orias.fr) that promotes the Network. MAXIS is jointly owned by affiliates of AXA and MLIC and does not issue policies or provide insurance; such activities are carried out by the Members. MAXIS operates in the UK through its UK establishment MAXIS GBN with registered address at Hackwood Secretaries Limited, One Silk Street, London EC2Y 8HQ and Establishment number BR018216 and in other European countries on a services basis. MAXIS operates in the U.S. through MetLife Insurance Brokerage, Inc., with its address at 1095 Avenue of the Americas, NY, NY, 10036, a NY licensed insurance broker. MLIC is the only Member licensed to transact insurance business in NY. The other Members are not licensed or authorized to do business in NY and the policies and contracts they issue have not been approved by the NY Superintendent of Financial Services, are not protected by the NY state guaranty fund, and are not subject to all of the laws of NY.

² Products and services in Australia are offered by MetLife Insurance Limited which is licensed to transact insurance business in Australia. MetLife Insurance Limited is an affiliate of MetLife, Inc. and a MAXIS Member.

³ MetLife Australia, inforce data analysis, as of June 2016

AUSTRALIA

Introduction

Welcome to MetLife's Employee Benefit Trends Study (EBTS), a comprehensive global workplace study of both employer and employee attitudes across a broad range of subjects. This report represents the 4th wave of studies we've conducted in the Australian market and globally, and focuses on the key takeaways for Australia.

With a vibrant economy and a mobile working population, Australian attitudes towards employment pose some interesting challenges for their employers.

In a country where employment opportunities remain strong and companies are grappling with a talent shortage, Australians enjoy a high degree of choice of employer.⁴ But, as with other markets, business managers and team leaders tend to overestimate the loyalty of their staff, with a significant gap in perceptions of the employer-employee relationship. Therefore, MetLife's EBTS are a vital tool for employers looking to keep employees engaged — by understanding what is important to their employees for job satisfaction.

Our survey results revealed viable alternative solutions to raising salaries by offering more

attractive benefits that are customised to employees' needs. In particular, Australian workers prioritise a healthy work-life balance and seek workplaces with favourable job conditions, such as flexible working hours and working-from-home arrangements. Many also express a preference for employers who provide health and wellness benefits that enhance their physical and mental wellbeing.

However, the research also indicates a lack of alignment between the benefits offered by employers and those desired by employees. An outstanding employee value proposition can help organisations attract and retain key staff by standing out as an employer of choice — while boosting staff satisfaction and overall productivity.

⁴ Manpower Group, "11th annual Talent Shortage Survey," October 2016





MARKET PROFILE



Population: 23.8 million⁵
Age 65+: 15%⁵
Growth rate: 1.3%⁵



Life expectancy at birth:⁶
 84.3 (female), 80.1 (male)



GDP (PPP): \$1.7 billion⁵
 (ranked 12th in world)
Annual GDP growth: 2.5%⁷



Healthcare spending:
 9.4% of GDP⁸
Government expenditure:
 67% of total spend⁸

BENEFITS AT A GLANCE

Life and disability insurance

While most Australians receive life insurance and Total and Permanent Disability cover through their superannuation fund, the average level of default cover is \$200,000 — representing just 20% of the cover needed.⁹

Our research found that 52% of employers offer life insurance benefits and 48% offer disability insurance, helping to fill this gap. However, it also revealed that certain sectors and positions are more likely to receive insurance benefits than others.

Traditionally male-dominated industries, such as agriculture, construction and fishing, may offer life and disability cover, whereas female-dominated industries, such as health and community services and education, are less likely to offer it.

⁵ Australian Bureau of Statistics, "Australian National Account, National Income, Expenditure & Product," June 2016

⁶ Australian Bureau of Statistics, "Gender Indicators, Australia," Feb 2015

⁷ World Bank, "Gross domestic product," 2015

⁸ World Health Organisation, "Health expenditure ratios, by country, 1995-2014 Australia," October 2016

⁹ Rice Warner, "Australia's persistent life underinsurance gap," June 2015

Employers Need to Find Talented Staff — and Keep Them Engaged

While finding and retaining the right people is a growing concern for employers, the real challenge is ensuring their satisfaction and productivity.



Our study found that the outlook for both employers and employees is generally positive — as employee satisfaction remains steady, driving productivity forward. In fact, around three in every four employers reported that staff productivity, absenteeism and engagement stayed the same or got better. Meanwhile, 25% of employers said that their employees had become less distracted while at work.

However, employers still express concerns hiring and retaining skilled employees, with around 35% of companies expecting to feel the impact of the talent shortage in the next 12 months. Of the employers surveyed, 16% found hiring a challenge and the same number reported difficulty in retaining staff. For these companies, the difficulty lied in improving productivity (16%) and satisfaction (14%) to keep staff engaged in the business.

In fact, employers have cause for concern: employee satisfaction with their job is at just 39%. They reported even lower levels of satisfaction with their benefits.

Only 33% were fully satisfied with the wellness programs on offer, 35% with the medical benefits they received. And even fewer were satisfied with their life and accident insurance benefits (19%).

But while roughly six in ten employees were not highly satisfied with their compensation, just a quarter were looking to switch jobs in the next year — a figure which should offer some relief to employers.

Loyalty and satisfaction rates increased notably in management roles, as well as among employees at multinational companies.

The prevailing attitude among Australian employees towards their job, salary and benefits remained relatively high in comparison to other surveyed markets, but they significantly reported lower rates of loyalty to their company. Less than half of workers expressed loyalty to their company (46%). The reason for lesser company loyalty compared to Russia, Poland or the UAE may be cultural — with greater job options available to Australians.

Based on our survey results, we can also see a disconnect between employers' perception of their staff commitment and that of the employees themselves — across companies of all sizes and markets.

56% of employers thought their company was a great place to work, compared with just 39% of employees. And while 55% of employers believed the company was loyal to their staff, only one-third (35%) of surveyed employees shared this sentiment.

The sizeable gap between employers and employees demonstrates a need for greater employer engagement with their staff. At the same time, it presents an opportunity for companies to drive employee satisfaction by offering a benefits package that will make their business stand out as an attractive employer.

LOW SATISFACTION WITH EMPLOYEE BENEFITS



Medical benefits

25%



Life and accident benefits

19%



Wellness programs

33%



Better Benefits = Better Business

Employees expect benefits as part of their employment package — and offering the right benefits boosts positive outcomes right across the business.

Our research showed that almost one-third (32%) of employees felt their company was obligated to provide workplace benefits. For a significant proportion of workers, benefits were an important reason why they chose to work for an employer (27%) and remain at a company (29%).

On average, an Australian company offers between five and six benefits. Larger companies are more likely to be offering a wider range of benefits; an average of nearly two more benefits than small companies. However, the general tendency among employers to overestimate the satisfaction and loyalty of their staff is equally reflected in the value employers place on their company benefits.

Around 47% of managers said their employees are highly satisfied with the benefits they are offered — but in reality, only 30% of employees placed a high value on these benefits, and a tiny 7% were satisfied with their medical benefits and 10% with their life insurance cover.

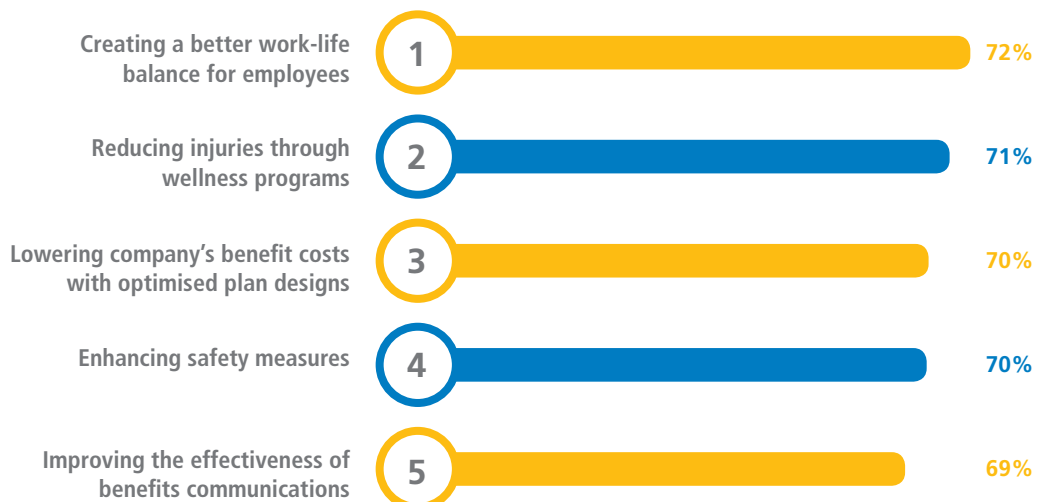
Employers and employees are generally well aligned on what is provided in the benefits scheme. The most popular benefits offered are employee awards (65%), flexible working arrangements (61%), wellness programs (56%), and medical benefits or health insurance (55%).

While all of these are ranked in the top five benefits preferred by employees, income protection is also a highly-sought after benefit — but falls much lower at 46%.

Those employers giving benefits are mostly aiming to boost productivity and employee satisfaction and engagement across the company. 80% of employers were focused on increasing productivity, 78% wished to improve health and wellness, 76% were looking to enhance job satisfaction and 75% were trying to retain employees. Other driving reasons for benefits included reducing workplace injuries (79%) and improving safety (76%).

But the outcomes of offering benefits are far-reaching, with the impact felt across the business and its employees. These results are critical — they help to ensure the value of benefits offered is recognised by employees, and increasing their engagement with, and loyalty to, their company.

TOP 5 OUTCOMES CITED BY EMPLOYERS





Employees Face Barriers to Full Participation in Benefits

While cost remains the biggest barrier to participation, employers underestimate their employee's need for variety and personalisation of benefits.

Although benefits can bring positive outcomes to both employees and the business, employers need to assist their staff in overcoming a range of barriers to access them.

Employers perceive that there were two key hurdles for their employees: insufficient time (35%) and the cost factor (33%).

As a solution, they often offered employee benefits with voluntary participation. More than half of employers saw voluntary benefits as a cost effective way to add value to their overall benefits package. These benefits also offered affordable premiums and greater convenience than employees would find if they bought products outside of their employer.

To engage their staff in wider participation, employers need to be more effective in communicating the value of these benefits to their employees.

But employers also miss a number of key reasons why employees may not take up voluntary benefits. It's not just about cost — although 32% cited this as an obstacle. Employees also said they want greater variety and customisation in the products on offer. Around 23% of employees said that programs were not tailored to their needs, almost as many who reported a lack of time as a key barrier (26%). And, while almost one in two employers believed that employees were more likely to get benefits if the company paid the cost, results indicated this is often not true.

In fact, 37% of employees said they would choose to purchase benefits on their own if they were given a wider array to choose from — and the same number said that having customised benefits would increase their loyalty to their employer.

Employees Are Willing to Invest in Their Own Benefits

Contrary to the belief of employers, employees would be happy to split the costs of certain benefits that they felt were of value.

MetLife’s EBTS suggested that employees were open to sharing the cost with their employers for a range of benefits — but only where they can see the value. Unsurprisingly, those with a senior management position are more likely to buy benefits.

The benefits employees were willing to split the costs for, depends largely on their age. Employees aged over 41 were much less likely than their younger peers to say they would purchase some benefit if they have to pay for some of the cost — but 68% of workers aged 51 to 60 would pay for medical benefits, as their health becomes a more pressing concern.

On the other hand, employees aged 31-40 were much more likely to pay for health and wellness programs, life insurance, discounts for health activities, EAPs and volunteer days.

Compared to other markets surveyed, Australians were less inclined to buy insurance or other benefits through their employer. 59% of employees said they would pay for life insurance and 57% would purchase disability insurance. This may be because our superannuation system means many Australians already access a default level of life and disability insurance cover through their super fund.

The greatest opportunity for employers is in the benefit programs employees would be most likely to contribute to. A proportion of employers are making the most of these: with 41% planning to offer employee awards and incentives in the next three years, 35% looking to offer flexible working arrangements, and 34% planning to expand their health and wellness offering.

TOP 5 BENEFITS EMPLOYEES WOULD SPLIT THE COST FOR



A Healthy Work-life Balance Matters Most

Employers can reduce staff stress through better work-life balance, broadening benefits offered and improving perceptions of job security.

To gain an understanding of the key barriers to staff retention, we narrowed down a pool of employees who were considering changing employers in the next 12 months, and asked them their reasons for moving.

We found that salary was given as a major factor for over half of employees looking for a new job, but reducing work stress was the second

most important motivator (31%), followed by increased job security (30%) and improved benefits (28%).

This presents an opportunity for employers to increase staff retention by broadening the benefits they offer to include health and wellness programs that relieve stress and improving their employees' feelings of job security.

TOP MOTIVATORS TO RETAIN TALENT



51%
Salary increase



30%
Reduced work stress



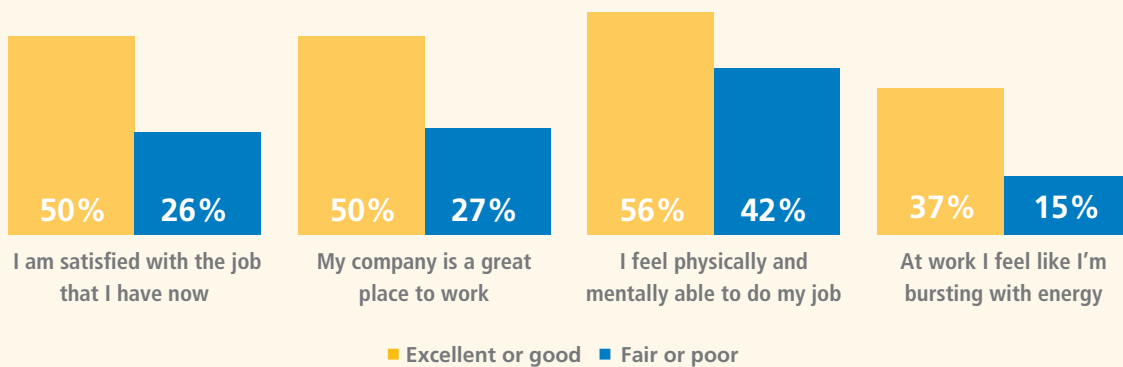
30%
Job security

GOOD HEALTH IS LINKED TO EMPLOYEE PRODUCTIVITY AND JOB SATISFACTION

One in two employees (53%) in Australia felt they were in excellent or very good health. Significantly, our study showed that improving employee health can influence positive emotions towards working.

We gave employees a number of statements about their job and their company, and asked whether they generally agreed or disagreed. The respondents who felt they were in excellent or very good health expressed much higher feelings of positivity.

EMPLOYEE HEALTH



Employees Prioritise Their Mental Health

Our research showed that employers tend to underestimate their employees' concern with their emotional wellbeing and overall mental health, focusing their benefits programs on their employees' physical health.

When asked the greatest health fears for their employees, employers were most likely to say cardiovascular disease (43%) and high blood pressure (40%). They also ranked their employees' medical problems (88%) over their emotional health (69%) and lifestyle issues (62%).

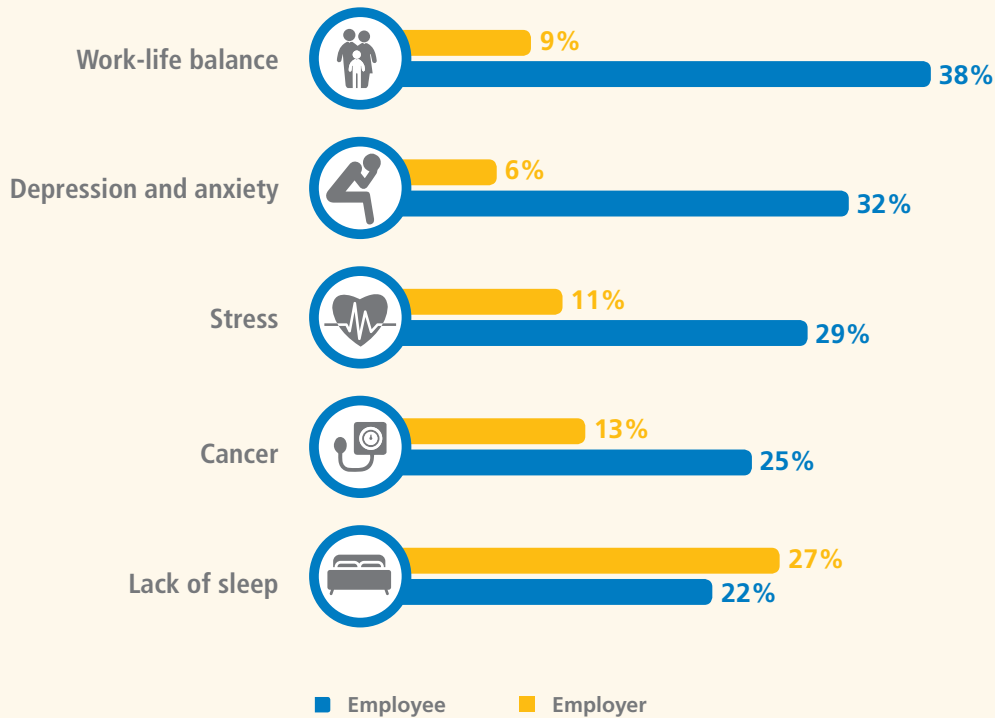
But employees are less concerned with medical problems and more concerned with their

emotional health and lifestyle than employers predicted. In fact, 84% of Australian workers worried about their emotional wellbeing, compared with 70% that were concerned with medical issues. However, as employees get older, they became increasingly concerned with cancer and reported lower levels of depression and anxiety.

THE GAP BETWEEN PERCEPTIONS OF HEALTH FOR EMPLOYERS AND EMPLOYEES

Four out of the top five health concerns for employees are mental health related — and yet Australian employers typically under-serve these issues in their benefits offering.

In fact, only a small proportion of employers recognise work-life balance, depression and stress as important health issues for staff — even though these are all key concerns for employees.



EMPLOYERS NEED TO EXPAND THEIR OVERALL WELLNESS BENEFITS

As working hours grow longer in Australia, and associated stress and anxiety is on the rise, employers have an opportunity to align their benefits with employee interest. Based on our research, employers currently offer an average of 5.1 health and wellness programs, spanning education awareness, preventative treatment, behaviour change and health intervention.

However, the most widely offered programs such as influenza awareness and immunisation shots (42%) and Employee Assistance Programs (EAP) (42%) don't have a high correlation with what employees are interested in (21% and 23% respectively).

Employers are aware of the benefits of offering wellness programs, from increased staff retention rates, employee engagement and productivity to reduced injuries and sick days. And 65% of managers were satisfied with the impact their wellness benefits were having on their workforce.

Similarly, employees understood the value of wellness programs — two-thirds of workers participated, with most saying it had a positive impact on their health. Those in managerial positions and those with higher household incomes (\$10K+ a month) were notably more likely to participate in these types of programs.

However, employees were not fully satisfied with the offerings and generally desired more health programs from their employer.

Our results show only 28% of employees were satisfied with wellness programs offered, and 41% hoped that their employer would provide more programs.

This gives companies the opportunity to stand out as an employer of choice by tailoring their benefits to match their employees' interest — with an emphasis on wellness programs that will relieve work stress in combination with cutting work hours and improving job stability.



Employers Can Help Boost Financial Literacy and Security

With financial stress negatively impacting overall wellbeing, employers can help empower their staff with the confidence to make better financial decisions.

While employees showed some confidence in their financial decision-making, there was room to improve their confidence — particularly for those on a lower salary.

Employees reported similar levels of confidence around their health insurance (33%), life and accident insurance (30%) and even less in their retirement savings plan (26%).

Only around one in three employees felt completely in control of their finances (31%) and highly confident making financial decisions (33%).

TOP 5 EMPLOYEE FINANCIAL CONCERNS



What's more, our results revealed that concerns over their financial future was distracting over 40% of the employees from work, negatively impacting their overall productivity and increasing absenteeism.

31% of employees said they had taken unexpected time off to deal with a financial issue and 41% admitted being distracted at work because of financial worries.

Financial stress disproportionately affected employees in the 31 to 40 age group, perhaps because they were raising young families. Those in senior management positions or working for multinational companies were also more likely to report they were experiencing personal financial concerns.

This highlights a need for employers to step in with professional support and education to help boost their employee's financial literacy and relieve the stress that this currently creates, giving them peace of mind about their future financials security.

Employers recognised the need to ease financial stress even more than their employees do. 68% of employers felt that helping their staff make better financial decisions was important — but only one third of employees were interested in receiving advice from employer funded financial planners.

This gap demonstrates the need for employers to clearly communicate the benefits of professional financial advice. What's more, it opens up opportunities for employers to boost financial security and ease money concerns among their staff by offering tailored life insurance and income protection. With over half of Australian employees surveyed worrying about how to take care of their families if they are unable to work, affordable insurance cover can go a long way towards building up a sense of financial security and peace of mind.



Communicating the Benefits

Caring managers, a supportive work environment, career development and a strong, flexible benefits package are all excellent ways of boosting engagement with employees.

In all markets, the evidence indicated that the better the communication, the more engaged employees were with the benefits programs on offer. But in Australia, both employers and their employees identified a wide scope to improve information and communications about benefits.

What's more, employers tend to overestimate the effectiveness of their communication with their employees.

While 68% of employers believed they educated their employees about their benefits programs, just 31% of employees felt they had sufficient information to choose the option that met their needs. But employers also recognised the need for improvement in this area, with 69% stating their benefits communications could be more effective.

Employers who said their benefits communications were effective were more likely to recommend using face-to-face training to further encourage participation. Employees actually rated websites (38%) and handbooks (38%) as the most useful communication tools, slightly above face-to-face meetings (36%). This number rose slightly among senior staff and higher income earners.

Interestingly, online tools and apps were ranked lower in usefulness — both at 33% — suggesting that employee uptake of digital technology has been slow.

USEFULNESS OF COMMUNICATION TOOLS



Employer benefits website



Employee benefits handbook



Face-to-face meetings

Employers overwhelmingly favour email communication (68%) over other forms, and around half use face-to-face meetings (51%), a benefits website (50%) and a handbook (49%). Multinational companies were more likely to use more communication channels, generally reaching employees through their website, online support, posters, mobile app and newspapers.

The most effective approach for employers was to use a mix of communication platforms to ensure constant touchpoints with as many staff as possible. The most immediate source of communication about benefits for employees was a manager.

In a supportive work environment, team leaders could become more effective in driving job satisfaction and engaging employees to participate more fully in benefits programs.

HOW TO MANAGE BENEFITS COMMUNICATION

Based on our findings, there are a few things employers should take into account if they wish to optimise benefits communication with their employees.



Conclusion

With a thriving economy and relatively high employment rates, combined with a perceived shortage of talent, skilled workers in Australia have the luxury of choosing their employer.¹⁰ This makes it important for companies to offer attractive salary and benefit packages to attract and retain the right staff.

Because Australians could afford to be selective, they have high expectations around wages and benefits. Around two in three employees do not think that they are being adequately paid for their job, making salary the primary drawcard for keeping staff satisfied — particularly as the cost of living in Australia continues to climb.

Employers are also increasingly recognising the advantages of providing attractive benefit packages — although their key reason remains the success of the company. Our results revealed that the driving motivators behind employer benefits were increasing productivity, reducing injuries, improving safety and boosting retention rates. Employers also tended to underestimate the willingness of their employees to contribute to the costs of benefits.

Business managers are slowly coming to understand the important role that employee health and wellbeing plays in overall job satisfaction and engagement. However, the benefits currently on offer in most Australian workplaces were not well-aligned with the key areas of employee interest. This presents an opportunity for companies to stand out as an employer of choice by tailoring their benefits offering.

One way to close the gap between employee and employer perceptions and improve staff loyalty and engagement, is to take a broader approach to benefits that better addresses worker expectations in Australia.

OPPORTUNITIES FOR EMPLOYERS

- **Allow flexible working arrangements.** Given the emphasis that workers place on striking the right balance between their personal and professional lives, employers can go a step further in understanding the lifestyle concerns of their staff. Even though employees crave flexible and remote working hours over other benefits, one in three are not provided this benefit.

Employers wishing to stand out in the market can better engage their staff by refocusing their benefits to align with the priorities of their employees.

- **Consider health and wellness programs.** Employers generally rate their benefits more highly than their employees do. However, Australian workers tend to be satisfied with the medical benefits they receive. In terms of their preferred benefits, employees rank both medical or health insurance, and health and wellness programs in their top five — indicating that they would appreciate employers who offer a holistic benefits package that enhances their physical and mental wellbeing.
- **Rethink voluntary benefits offerings.** Employees are willing to share the costs of benefits programs, provided they were tailored to their needs. For example, many employees saw value in making a financial contribution to insurances such as health, life, total and permanent disability cover and income protection — because premiums are more affordable than when seeking insurance outside of their employer. Employers who design a customised benefits package to meet the diverse needs of their staff will encourage greater participation.
- **Effectively communicate the value of benefits.** Both employers and employees see room for improvement in communication around benefits — so companies that master communication across a variety of channels will drive a higher level of staff engagement. While email remains the most widely used platform, it could be a more effective tool if integrated with a mixture of digital channels and personal face-to-face communication.

¹⁰ Manpower Group, "11th annual Talent Shortage Survey," October 2016

Methodology

STATEMENT ON METHODOLOGY:

MetLife's Australia Employee Benefit Trends Study was conducted in May and June by GFK Research. Results were based on a 17-minute online survey using an external panel provider — completed by 300 company managers with a minimum of two staff, and 520 full-time employees aged 18–69 years old.

Demographic Profile of the Employer Sample:

Industry

Finance and Insurance	44%
Retail Trade	36%
Health and Community Services	13%
Education	3%
Construction	4%

Company Size

2-9	11%
10-99	21%
100-999	36%
1000+	33%

Markets Operated In

Australia	38%
International	62%

Location

New South Wales	11%
Victoria	33%
Queensland	36%
South Australia	33%
Tasmania	3%
Australian Capital Territory	1%
Northern Territory	0%

Demographic Profile of the Employee Sample:

Gender

Male	66%
Female	34%

Industry

Finance and Insurance	11%
Education	9%
Health and Community Services	9%
Retail Trade	9%
Construction	8%

Years with Company

Under 1 year	6%
1 to under 2 years	12%
2 to under 5 years	29%
5 to under 10 years	30%
10 or more years	23%

Income

Less than \$50,000	13%
\$50,000 - \$69,999	15%
\$70,000 - \$99,999	25%
\$100,000 - \$149,999	23%
\$150,000 - \$199,999	14%
\$200,000 or more	9%

