



The PEO Advantage

How PEOs help small businesses navigate the new world of work

Cultural, demographic and financial trends are driving evolutions in the workplace

and significantly changing the employer and employee relationship. Understanding these shifts is critical for any employer looking to grow and succeed, especially smaller ones competing for the same talent as their larger counterparts. This is where Professional Employer Organizations (PEOs) have the opportunity to play an important role.

Findings from MetLife's 16th Annual *U.S. Employee Benefit Trends Study* provide insights into how PEOs can help their small business clients create an environment where employees thrive. By doing so, PEOs not only keep their clients happy, but enable small business owners to build a company that is more attractive to the employees who make it successful.

In this paper, you'll learn about:

- The competitive job market facing small employers and the role of PEOs.
- Work-life enrichment benefits that help small employers drive productivity.
- How small businesses using PEOs outperform their peers in benefits offerings.
- Why small employers using PEOs place a high value on employee financial wellness.

The empowered employee: More than a job

We live in an era of the empowered employee. Today's workers have unique needs and evolving expectations when it comes to what they gain from their work.

Employees see work as a part of who they are as individuals, and they want their work to reflect their values, interests and aspirations. In fact, 58 percent of small business employees report that their work defines them.

This an important consideration for small business owners, especially in the current competitive employment environment. Unemployment is hovering below 5 percent,¹ meaning that employees have a plethora of job opportunities if they're not getting what they want from their current company. The result is a true war for talent as businesses fight for the best hires that will help their organizations thrive. And in these battles, benefits are the secret weapon.

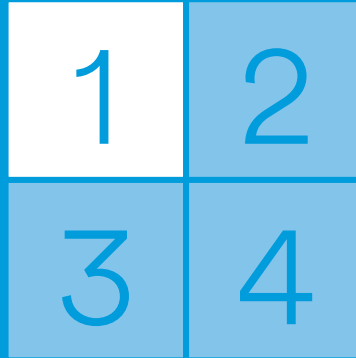
Many small businesses, especially those that use PEOs, already understand how benefits can improve retention, loyalty and even productivity. But to optimize those results, small businesses need to match what they're offering with what's important to the modern employee. The stakes are high, and PEOs are well positioned to help small employers navigate the changing environment and make the best use of benefits to improve their competitiveness.

Small businesses are growing.

32%

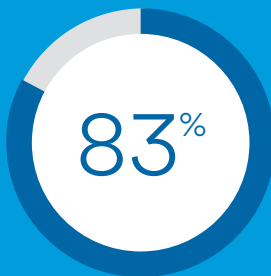
anticipate they'll need to increase staff within the next year.¹

But they need help building their workforce.

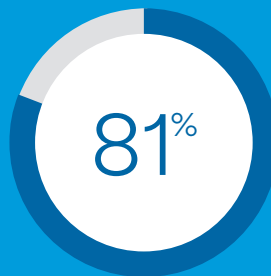


One in four small businesses say the quality of job candidates is poor.¹

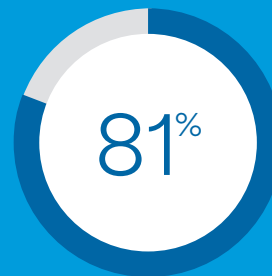
Employers working with PEOs understand the role of benefits in this climate.



Productivity



Retention



Loyalty

And they're paying close attention to how they can put benefits to use.

Employers who say they are work with a PEO are nearly twice as concerned as their counterparts not using PEOs about:

- Lack of skilled talent
- Establishing a competitive benefits package

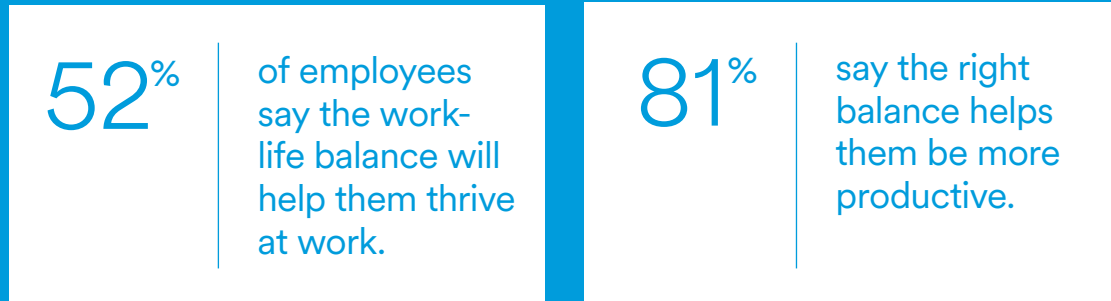
Enriching experiences drive productivity and engagement

In today's world, there are fewer solid boundaries between work and home. But employees aren't necessarily trying to fully separate the two. In fact, while balance is a goal, many modern workers are even more interested in finding ways to enrich their home and work experiences. They're looking for a blend of their work and life that, when done right, makes both more satisfying.

In fact, a focus on work-life balance benefits employees and employers alike. Employees report that they're more dedicated to businesses that help them in this regard. Employers, meanwhile, often witness boosts in engagement and productivity as a result of promoting a work-life blend. But who should spearhead this effort? Small businesses can play a big role. Consider that when it comes to balance, nearly half of small business employees report that they trust their employer to do the right thing.

Those who use a PEO are several steps ahead of their peers in recognizing the importance of cultivating an enriching environment — and understanding how benefits can further that goal. Still, they value their PEO's guidance. Consider that among this group 70 percent place a high importance on providing employees with benefits designed to improve work-life balance, and 74 percent say they would appreciate help navigating the blended work-life world. In comparison, just 38% of employers that don't work with a PEO feel the same way.

The work-life blend...

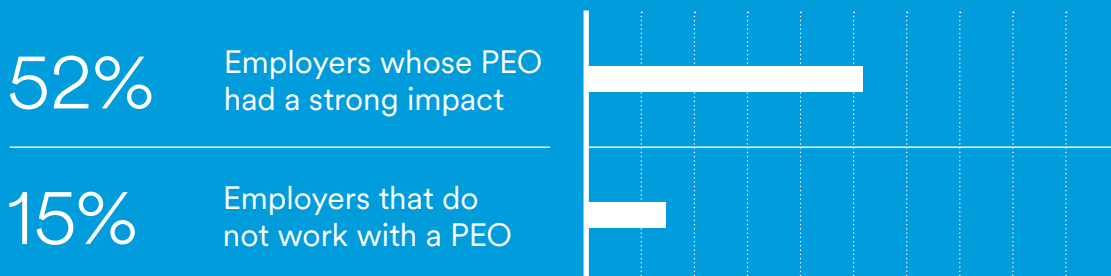


...with room for improvement



The PEO effect

Employers who describe their workplaces as very flexible



Employees aren't all the same: The need for flexibility and non-traditional options

Thriving in this empowered employee era requires an understanding of employees as unique individuals.

They may have different work styles, varied preferred schedules and, of course, ranging benefit needs. For employers, recognizing these differences and then providing options that address them goes a long way toward improving loyalty and overall satisfaction.

The good news is that employees are often willing to chip in to get added benefit options. Consider that 53 percent of employees are interested in non-medical benefits that they can purchase. Additionally, 54 percent are willing to pay more for their benefits if it means having more choices. Providing these choices isn't just about being a thoughtful employer, it's also good for business. Three-quarters of employees say that having customizable benefits would increase their loyalty to their company.

PEO employer clients are more apt to meet these evolving needs, offering flexible benefits and increased options. In fact, two-thirds of this group places a high importance on:

- Sharing the cost of benefits with employees.
- Offering a wide array of non-medical benefits.
- Customizing benefits and providing voluntary benefits.

To offer increased options, these employers go beyond the usual suspects of medical, dental and retirement savings. Non-traditional, non-medical benefits include options such as life insurance, dental insurance, legal services, auto insurance, disability insurance and financial advising. They complement a more standard benefit package and help acknowledge the varied needs that employees have. For small businesses, PEOs guide the way toward these non-traditional benefits, helping employers navigate which make sense for their workforce. The result is just what employees want — benefit choices that are as individual as the people selecting them.

Non-traditional benefits and the PEO advantage

Employers who work with a PEO are more apt to offer a greater array of benefits when compared to employers overall.

55%

plan to increase their
benefits offering versus 24%

29%

offer
accident insurance versus 17%

17%

offer group auto
insurance versus 3%

The quest for financial wellness

Employees certainly understand the value of their medical benefits in terms of their financial health. But increasingly, they want more solutions to help them become and stay financially well.

Consider that only 51 percent of employees feel on track to achieve their financial goals. One in three employees believe that their employers should help solve their financial security concerns. Most employers agree with this sentiment. Fifty-nine percent of employers say that they have a responsibility for the financial wellbeing of their employees.

PEOs can make a difference here as well. Employers who work with a PEO are more equipped to tackle these issues, and provide their employees with financial peace of mind. Seven out of 10 of these employers place high importance on ensuring employees understand how the benefits offered meet their needs and providing employees with financial education. The efforts aren't wasted. Workers feel better, and the overall work experience becomes more positive for employees and employers alike.

Finding financial security

83%

of employees say having insurance/benefits gives them peace of mind for the unexpected.

59%

of employees say having benefits reduces their health and financial worries.

67%

of employees say non-medical benefits such as critical illness and accident coverage, help limit out-of-pocket expenses.

The PEO edge

Helping employees make better financial decisions is very important.

73%
41%

Ensuring employees are financially prepared for retirement is very important

73%
43%

● Employers who work with a PEO

● Employers that do not work with a PEO

PEOs: Leading the way for small businesses

With mindsets shifting and employee needs changing, the modern workplace doesn't look much like what it did decades ago. Small employers are aiming to make their workplaces more human and more attractive to employees and potential hires. PEOs are in the position to help drive the changes, empowering clients to build more successful businesses and hang onto their most valuable asset — their human capital.

The key takeaways:

- Employers who work with a PEO better understand how benefits help improve productivity, loyalty and retention.
- PEO employer clients are also more concerned about creating a competitive benefits package that helps them strongly compete for talent.
- Employers working with PEOs understand the need for work-life balance and how to promote it via benefits.
- Employees want a greater array of non-traditional benefit options, and employers using PEOs are more inclined to meet that need.
- Employers using PEOs understand that employees are concerned about financial wellness, and they optimize benefits to help provide that peace of mind.

About the Study

MetLife's 16th Annual U.S. Employee Benefit Trends Study was conducted from December 2017 through January 2018 and consisted of two distinct studies fielded by ORC International, a leading business intelligence firm. The employer survey consists of 2,501 interviews with benefits decision makers at companies with at least two employees. The employee survey comprised 2,653 interviews with full-time employees, ages 21 and over, at companies with at least two employees.

All data is from MetLife's 16th Annual Employee Benefit Trends Study, unless otherwise noted. Access the full study at metlife.com/ebts2018.

1. MetLife & U.S. Chamber of Commerce Small Business Index, SBIndex.us

metlife.com

