

Small Business

Employee Care:

A key differentiator
in an era of financial
uncertainty

MetLife's 21st Annual
U.S. Employee Benefit
Trends Study 2023

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Employee-employer dynamics in an era of financial uncertainty

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At a time when workplace dynamics are driven by financial stress, small businesses have an opportunity to stand out by anticipating and adapting to employees' ever-changing needs.

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Closing the perception gaps, and delivering on each pillar of care, starts with a deep understanding of small businesses' employees' unique needs, as well as where employers are most likely to fall short. Our research has identified the top 10 drivers of care among small business employees — and three key opportunities for employers to meet workers' unmet needs.

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The past few years have seen transformational shifts in employee-employer dynamics. Organizations that successfully navigated the Great Resignation and the Great Reshuffle must now address the growing trend toward “acting your wage.”

This means that, in local restaurants, manufacturing plants, and other small businesses across the country, employers find themselves tasked with providing greater financial support for their employees, even as their own costs increase.

Against this backdrop, demonstrating care for employees has become increasingly essential for small businesses hoping to safeguard their talent. To more holistically support employees’

well-being, it's now imperative for businesses to pair an inclusive, compelling atmosphere with financial support — and those who do it well can unlock greater loyalty and engagement as a result.

MetLife’s Employee Benefits Trends Study 2023 sheds light on how financial uncertainty has reshaped today’s employee-employer dynamics, as well as the increasingly pivotal role of employee care in improving talent management outcomes.

In the following pages, we’ll explore the nature of the looming talent management crisis, the restorative power of employee care, and the steps small businesses can take to deliver on the aspects of care that employees value most.



01

Employee- employer dynamics in an era of financial uncertainty

After the shutdowns and social isolation of the pandemic, employees find themselves grappling with new financial stressors. Money is top of mind, and employees are finding that their sense of well-being in their personal and professional lives is increasingly influenced by their budgets.

Small business employees face a growing financial health crisis

Financial instability and the threat of a looming recession can impact employees at organizations of any size. But our data reveal that small business employees, whose employers are most prone to financial stress during a slowdown, are disproportionately feeling the pinch.



FINANCIAL INSTABILITY

▼ 10%

Financial health among small business employees has plunged 10% year over year — 1.5 times the rate experienced by employees at larger organizations.

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4 in 10 small business employees now report they have poor financial health (vs. 1 in 3 employees at larger organizations)

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Perhaps not surprisingly, we found that inflation was the driving force behind financial stress. More than 5 in 10 employees with poor financial health said they were concerned about increases in their cost of living — up 32% since 2022 — while 45% were concerned about losing the value of their savings due to inflation.

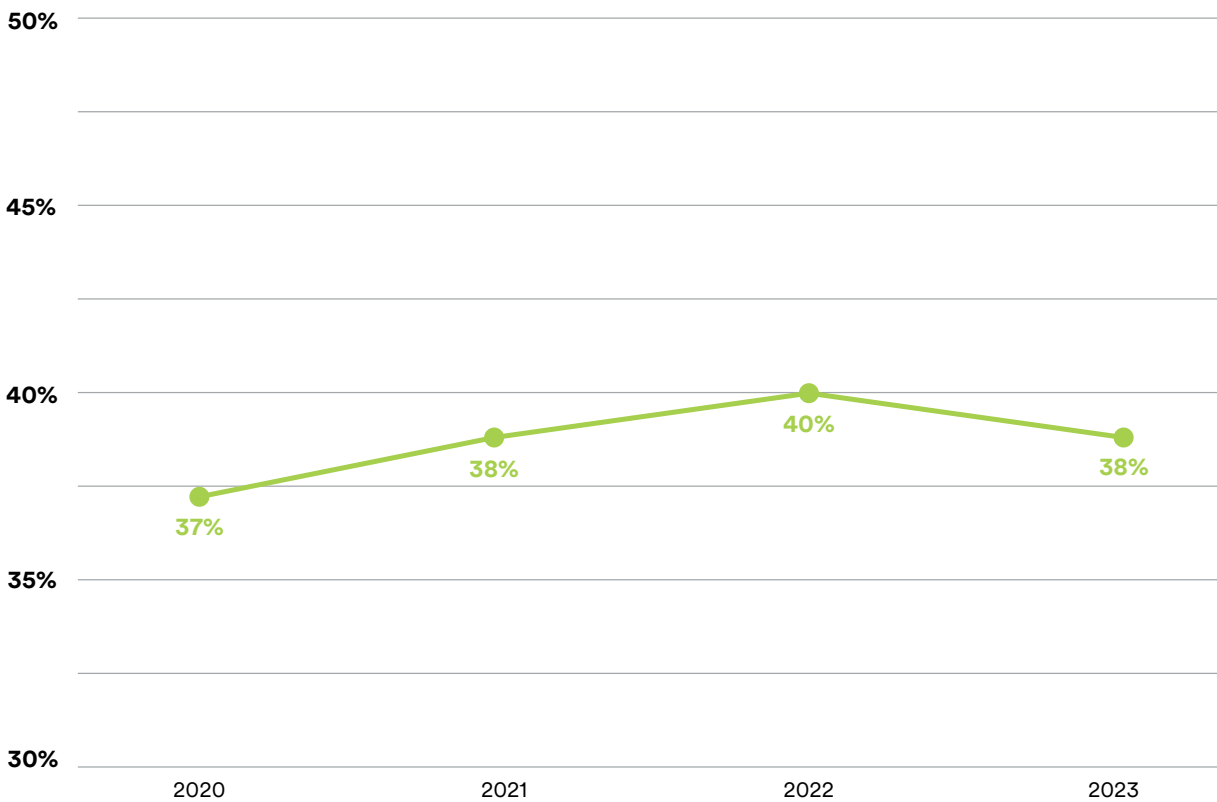
Troublingly, those under the most pressure point to their employers as a source of financial stress. More than 1 in 3 workers with poor financial health said they aren't paid enough for the work they do.

Employees' holistic health has stagnated, and mental health is falling

Financial stress has a ripple effect across other aspects of wellness — including employees' mental, physical, and social well-being. While holistic health had been on the rise, increasing 8% from 2020 to 2022, this year's financial health crisis has set holistic wellness back to pre-pandemic levels.

Just 38% of small business employees now consider themselves holistically healthy, down from 40% last year.

% OF SMALL BUSINESS EMPLOYEES SAYING THEY ARE HOLISTICALLY HEALTHY



Falling financial wellness had a particularly stark impact on workers' mental well-being. Mental wellness has plunged 11% since 2020, and 47% of employees with poor mental health point to financial difficulties as their top reason why.

Small business employers are sensitive to employees' financial concerns, but still underestimate the scope of the problem.

By and large, small businesses understand that the cost of living has negatively impacted their teams. And more than 7 in 10 small businesses now say helping employees make better financial decisions has become a key benefits objective, up from 56% in 2021.

HOWEVER, EMPLOYERS MAY NOT FULLY GRASP THE EXTENT OF THEIR EMPLOYEES' FINANCIAL CONCERNS.

81%

of small business employers say their workforce is financially healthy, but only

53%

of small business employees report good financial health.

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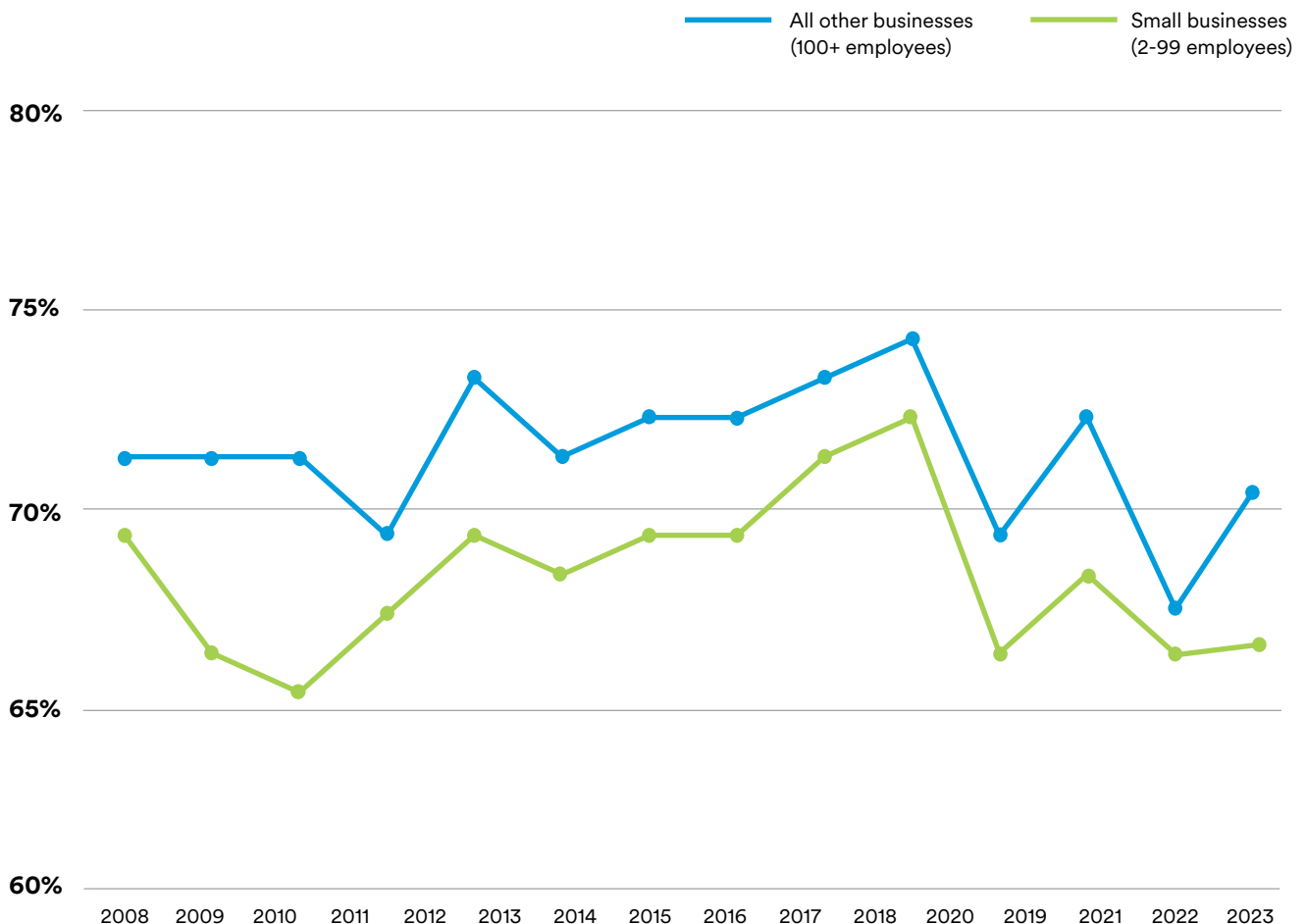
Financial stress has had a devastating impact on loyalty

Holistic well-being, including financial well-being, is a key driver of job satisfaction and loyalty, and our research indicates that the impact of employees' financial struggles has spilled over into their professional lives.

Job satisfaction among small business employees has traditionally been slightly lower than among those at larger organizations. However, small businesses are falling farther behind. This year, small business employees report being 7% less satisfied with their job than workers at larger organizations — a more than threefold increase since 2022.

JOB SATISFACTION OVER TIME

“ I am satisfied with the job I have now.



As satisfaction stagnates, small business employees are more likely to explore their prospects outside their employer.

JOB SATISFACTION



Approximately **3 in 10 small business employees now say they plan to leave their employer in the next 12 months**, vs. 1 in 4 employees at larger organizations.

Small businesses underestimate the extent of their talent management crisis.

Although 6 in 10 small business employers identify attracting and retaining talent as their top business concerns, many still significantly overestimate their workers' loyalty and satisfaction.

EMPLOYERS VS EMPLOYEE

81% of employers say their organization is performing well on employee satisfaction, but

vs

66% of employees say they're satisfied with the job they have now.

81% of employers believe their employees have a strong sense of loyalty to their company, but

vs

70% of employees intend to still be working for their organization in 12 months' time.

As a result, small businesses may pursue half-measures to bolster employee wellness and loyalty — or fail to act until the devastating impacts of the talent management crisis are upon them.

On the other hand, small businesses who grasp the extent of the problem and act accordingly, can position their organization for long-term success. By investing in the key drivers of employee wellness now, small businesses can cultivate a happier, healthier workforce and compete with larger businesses on satisfaction and loyalty.



02

Employee care has the power to restore well-being

At a time when workplace dynamics are driven by financial stress, small businesses have an opportunity to stand out by anticipating and adapting to employees' ever-changing needs.

At its core, this requires demonstrating employee care: taking an active and genuine interest in how employees are faring, both on and off the clock. Together, the five pillars of care — plus fair compensation — work synergistically to enhance each facet of the employee experience — creating a workforce that's happier and healthier, both on and off the clock.

When done well, care is a powerful driver of well-being, with mutual benefits for employers and their workforce.

Delivering Care Across the Employee Experience



WHEN SMALL BUSINESSES DEMONSTRATE CARE ACROSS THE EMPLOYEE EXPERIENCE, THEIR WORKERS ARE:

- 3.3x** MORE LIKELY to feel holistically healthy, and
- 3.1x** MORE LIKELY likely to report feeling happy.
- 2.4x** MORE LIKELY to be satisfied with their job,
- 2.0x** MORE ENGAGED at work, and
- 1.9x** MORE LOYAL to their employers.

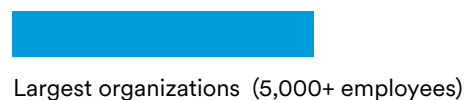
Many small businesses deliver on employee care — but employees still require more support

Although small business employers are less likely than larger organizations to focus on care, specifically, their existing workplace wellness and community-building initiatives align with facets of employee care. As a result, small businesses have kept pace or pulled slightly ahead of larger organizations in caring for their workforce.

SMALL BUSINESS EMPLOYEES SAY THEY FEEL CARED FOR AT WORK



COMPARED TO EMPLOYEES AT LARGER ORGANIZATIONS



However, employees still expect more care than they currently receive from their employers

Although the majority of small business employees feel cared for, employers overestimate the level of care they demonstrate to their staff and fall short of employee expectations. Overall, the gap between the perception and reality of employee care has reached 20% — and gaps persist across each of the five pillars of care.

EMPLOYER PERCEPTION AND REALITY OF EMPLOYEE CARE



Expectation: Employees who say their employer has a responsibility to demonstrate care



Perception: Percent of employees that small businesses think feel cared for



Reality: Employees who say they feel cared for when working

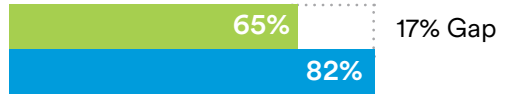
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EMPLOYER PERCEPTION AND REALITY OF EMPLOYEE SATISFACTION ACROSS PILLARS OF CARE

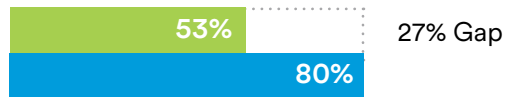
Purposeful work



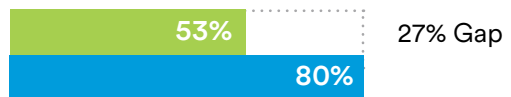
Flexibility & work-life balance



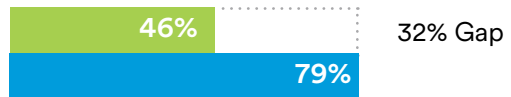
Career development & training



Social and supportive culture



Wellness programs and benefits



- Percentage of employees satisfied with their employer's efforts to deliver across pillars of care
- Employers' perceptions of employee satisfaction across pillars of care



Care can serve as a key differentiator — if employers put care first

Lingering perception gaps hint at the untapped potential for small businesses to improve organization-wide outcomes by more effectively demonstrating care. Just 55% of employers say demonstrating care is a top concern in their business — yet, each of employers’ top three business concerns are directly driven by care.

SMALL BUSINESS EMPLOYERS’ TOP 3 BUSINESS CONCERNS

01 Attracting talent (62%)

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02 Retaining talent (61%)

.....

03 Employees’ overall well-being (60%)

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Rather than approaching retention, attracting talent, and employee wellness as separate business objectives, shifting the paradigm and adopting a “care-first” approach can help employers tackle all three challenges simultaneously. And, by focusing on the aspects of care that matter most to employees, small businesses can focus their efforts on initiatives that will lead to the greatest success.

03

Delivering care across the employee experience

Closing the perception gaps, and delivering on each pillar of care, starts with a deep understanding of small businesses' employees' unique needs, as well as where employers are most likely to fall short. Our research has identified the top 10 drivers of care among small business employees — and three key opportunities for employers to meet workers' unmet needs.



Top 10 “must haves” for demonstrating care

	SMALL BUSINESSES (2-99 EMPLOYEES)	LARGER BUSINESSES (100+ EMPLOYEES)
01	My level of pay and/or pay raises (incl. any bonuses, overtime, etc.)	My level of pay and/or pay raises (incl. any bonuses, overtime, etc.)
02	Safety & comfort of work environment	How affordable the benefits offered to me are
03	Support from my manager(s)	Safety & comfort of work environment
04	Extent to which I feel trusted by my employer	Employer contributions to cost of my benefits
05	How affordable the benefits offered to me are	Support from my manager(s)
06	My current working hours /days of the week worked (e.g., shift patterns)	Extent to which I feel trusted by my employer
07	Leaders listening to/acting on employee feedback	My current working hours /days of the week worked (e.g., shift patterns)
08	Recognition of my performance/hard work	Range of benefits offered to me
09	Openness/transparency of my organization’s communications	The level of paid/unpaid time off I have
10	The level of paid/unpaid time off I have	Recognition of my performance/hard work

Strengthen the workplace culture to foster a sense of belonging

Small businesses have traditionally leaned on the workplace culture-based aspects of care — such as purposeful work, a social and supportive culture, career development, and flexibility & work-life — to support their employees. Leaning into these “intrinsic” aspects of care attracts talent drawn to the family-like atmosphere that smaller organizations provide.

SMALL BUSINESS EMPLOYEES ARE

23% more likely to list purposeful work as the most important aspect of employee care than employees at larger organizations

AND, WHEN EMPLOYEES WERE ASKED TO IDENTIFY “MUST-HAVE” COMPONENTS OF CARE:

68% Having a supportive manager

61% Listening to/acting on employee feedback

61% Transparent communications from leadership.

However, small business employers still have opportunities to strengthen the workplace culture by fostering a more collaborative atmosphere. Small business employees, in particular, want greater input into the employee experience and feel cared for when employers listen to — and act on — their feedback.

They’re also looking for transparency from leadership, especially during times of uncertainty. By being honest about the businesses’ goals, objectives, and struggles, employers can build a sense of community to help the team weather turbulent times together.



Broaden wellness benefits and programs to support holistic well-being

Workplace benefits and programs play a central role in the employee experience and can be a powerful lever with which to bolster loyalty, satisfaction, and happiness. However, it's also the pillar of care where employers struggle to keep pace with larger organizations — and where the gap between employer perception and employee experience is the largest.

Small businesses may not have the financial ability to provide “big business” benefits, particularly during times of economic uncertainty. However, even a small investment in workplace benefits and programs can improve outcomes for employees, particularly when employers focus on the benefits most in demand among today's talent.

SMALL BUSINESS EMPLOYERS' TOP 3 BUSINESS CONCERNS

- 01 Paid leave (71%)
- 02 Medical (health) insurance (71%)
- 03 401(k) or other defined contribution retirement plan (65%)
- 04 Dental insurance (64%)
- 05 Vision care insurance or discount program (61%)



Expanding access to paid leave, in particular, should be a key priority for small businesses looking to enhance their talent management strategy. Not only can offering paid leave help satisfy employees' needs for flexibility, but, because less than 1 in 4 small businesses currently offer paid time off, it can also serve as a key differentiator for attracting and retaining talent. Crucially, introducing paid leave can directly boost outcomes for employers.

AMONG SMALL BUSINESS EMPLOYEES WHO HAVE ACCESS TO PTO:

76% intend to remain at their employer in 12 month's time (vs. 64% without PTO)

70% say they're satisfied with their work (vs. 62% without PTO)

40% say they're holistically healthy (vs. 36% without PTO)

The role for Professional Employer Organizations (PEOs) in delivering employee care

Increasingly, small business employers are looking to outsource aspects of their HR activities to save time and enhance employee care. More than 3 in 10 small businesses now work with a PEO, and reap the organization-wide benefits:

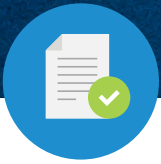
AMONG SMALL BUSINESSES THAT USE A PEO:

77% said they gained access to a wider range of benefits than they would have otherwise,

78% said they were able to protect jobs and prevent layoffs,

73% said they have reduced employee turnover.





Recommended actions: 5 key takeaways for employers

- 01 Implement listening mechanisms** to actively solicit employee feedback and promote a collaborative workplace atmosphere.

- 02 Lead with transparency** to build trust and a sense of community among employees.

- 03 Offer paid time off** to help employees manage their work-life balance.

- 04 Broaden wellness programs and benefits**, when possible, to expand access to medical (health) insurance, retirement benefits, and vision and dental care.

- 05 Put employees' financial health first**, providing the fairest compensation possible and supplementing compensation with resources and benefits that support financial wellness.



Methodology

MetLife's 21st Annual U.S. Employee Benefit Trends Study was conducted in November 2022 and consists of two distinct studies fielded by Rainmakers CSI – a global strategy, insight, and planning consultancy. The employer survey includes 2,840 interviews with benefits decision makers and influencers at companies with at least two employees; companies must provide benefits to US-based employees. The employee survey consists of 2,884 interviews with full-time employees ages 21 and over, at companies with at least two employees in the US.

To provide additional context to our quantitative findings, we conducted 24 employee telephone interviews between December 2022 and January 2023. We recruited participants to ensure a spread of demographics, incomes, worker types, industries and business sizes.

Employees

Gender

Male	46%
Female	53%
Other (including non-binary)	0.4%

Marital Status

Married	48%
Single, not living with partner	27%
Single, living with partner	12%
Divorced/Separated	11%
Widowed	2%

Ethnicity

Caucasian	67%
African American	17%
Asian	8%
Other	5%
Hispanic	18%
Non-Hispanic	82%

Family status

Do not live with children under 18	63%
Live with children under 18	37%

Employer size (staff size)

2-9	8%
10-49	15%
50-199	18%
200-499	7%
500-999	8%
1,000-4,999	10%
5,000-9,999	8%
10,000+	26%

Geography

South	36%
West	19%
Northeast	24%
Midwest	21%

Personal income

Under \$30,000	11%
\$30,000-\$49,999	25%
\$50,000-\$74,999	22%
\$75,000-\$99,999	14%
\$100,000-\$149,999	14%
\$150,000 and over	11%
Prefer not to answer	3%

Industry

Other Services	14%
Healthcare and Social Assistance	14%
IT/Technology	8%
Finance and Insurance	8%
Educational Services	9%
Retail	8%
Manufacturing	8%
Construction	6%
Professional, Scientific, and Technical Services	4%
Transportation and Warehousing	4%
Accommodation and Food Services	4%
Public Administration	2%
Real Estate	2%
Arts, Entertainment, and Recreation	2%
Administration and Support and Waste Management and Remediation	1%
Energy and Utilities	1%
Wholesale Trade	1%
Agriculture, Forestry, and Fishing	1%
Information	1%
Management of Companies and Enterprises	1%
Pharmaceutical	1%
Mining, Quarrying, Oil and Gas Extraction	0.4%

Education

Some schooling completed/No high school diploma	1%
High school graduate or the equivalent (i.e., GED)	16%
Some college credit, no degree	18%
Associate degree	13%
Bachelor's degree	32%
Master's degree	16%
Professional/Doctoral degree	4%

Employers

Employer size (staff size)

2-9	8%
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Professional, Scientific, and Technical Services	4%
Transportation and Warehousing	4%
Accommodation and Food Services	4%
Public Administration	2%
Real Estate	2%
Arts, Entertainment, and Recreation	2%
Administration and Support and Waste Management and Remediation	1%
Energy and Utilities	1%
Wholesale Trade	1%
Agriculture, Forestry, and Fishing	1%
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Geography

South	36%
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Northeast	24%
Midwest	21%

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