



## pay & benefits

**Benefits**

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### The Pros and Cons of Voluntary Benefits

#### Maureen Minehan

*Looking for a way to make your benefits program more attractive to current and potential employees? Consider voluntary benefits. According to the 6th Annual MetLife Study of Employee Benefit Trends, more than nine out of ten (91 percent) employees at small companies say they're interested in receiving more voluntary benefits. Four out of ten (40 percent) are very interested.*

MetLife's data matches the experience of many industry experts. "While these benefits have been around for awhile, they're growing in popularity," Michael Carter, vice president of the Hay Group's benefits practice, says.

"Voluntary benefits are the fastest growing area of the benefits industry," says Jim Mooradian, head of Jim Mooradian, head of Jim Mooradian and Associates, a full service insurance brokerage in Boston.

"The voluntary benefits marketplace has evolved significantly over the years, and the rate of change promises to increase as employers continue to try to attract and retain employees at a reasonable cost. New product and service offerings, along with a growing distribution system of brokers and consultants, will ensure a dynamic and expanding universe of value-added options," concludes an industry overview at Voluntary.com, an online resource for voluntary benefits information.

#### Types of benefits

According to The Guardian Life Insurance Company, 45 percent of small companies already offer at least some voluntary benefits. Data from the Society for Human Resource Management's 2008 Benefits Survey indicates that employers of all sizes currently spend an average of 18 percent of payroll on voluntary benefits.

The types of available voluntary benefits vary. According to Voluntary.com, "traditional carriers offer a host of insurance products that include life and health products, disability, dental, critical illness, long-term care insurance and property-casualty lines such as home and auto insurance."

"There also are boutique providers specializing in discounts on a seemingly unlimited number of non-insurance products without any medical underwriting. They include vision care, pet care, legal plans, travel services, employee purchase plans, shopping and mortgage programs, assistance with computer purchases and other areas...."

Mooradian says most voluntary benefits are relatively straightforward. "For the most part, they are simple to understand, inexpensive and transactional. An example is accident insurance—you pay \$3/week and if you break your foot in a softball game, you get a lump sum to help you pay your bills while you're out of work."

#### Advantages of voluntary benefits

Voluntary benefits appeal to employers and employees for several reasons. One advantage is they give employers something to offer employees in a tough benefits spending environment. "Employers haven't increased benefits in a long time so anything they can make available to employees that costs them little or no money is attractive," Carter says.

"It is important to realize that investing in benefits does not have to equate to a financial investment. Supporting voluntary benefits in the workplace can help address the challenge of expanding the breadth and depth of a benefits program to improve employee satisfaction without adding to the employer's overall benefits spend," says Robert Bucci, vice president of MetLife Institutional Business.

Another advantage is the potential for higher employee satisfaction. According to Prudential Financial's *Study of Employee Benefits: 2008 & Beyond*, two in five companies offering voluntary benefits "strongly agree" that their programs have had a positive impact on their employees' overall benefits satisfaction.

Carter says many employees like voluntary benefits because they typically can be paid for through payroll deductions. "This makes benefits more affordable to employees who might otherwise be unable to pay for them if required to pay up front."

"Employees also often believe their employers can vet the benefits and providers more thoroughly than the employees could do for themselves. Employees also may get a modest discount by going through their employer, but this is less likely than it was 10 years ago because of changes in the individual insurance market," Carter says.

Voluntary benefits also can act as differentiators for employers. "Employers not only improve their benefits offerings, but depending on what they offer, it's something they can use to distinguish themselves without spending a lot of money," Carter says.

### **Disadvantages of voluntary benefits**

The world of voluntary benefits isn't without a few potential stumbling blocks, however. While their costs may be lower, voluntary benefits still require time and financial investment. "It's something else that the employer has to administer," Carter says.

They also can be superfluous if not developed based on employee feedback. "Ideally, employers try to find out if there is demand for a particular benefit and how much. They need to get employee input through focus groups or online surveys or some other means," Carter says.

"This lets employers go back and say 'this is what you told us and this is what we're doing in response.' The employer then gets credit for both the benefit and the fact that they listened. It makes employees feel valued and that their voices are heard," Carter explains.

Carter warns that low participation can be damaging. "If you have low participation, it hurts more than it helps. Employees perceive what was given as not having a lot of value if no one uses it."

Employers also must be prepared to devote resources to communicating about the voluntary benefits. "Communication can be a big pitfall for employers. They need to make sure employees understand the value proposition so they can make appropriate decisions. They have to understand or they won't participate," Mooradian says.

### **Signing up**

Employers that decide the pros outweigh the cons and opt to introduce or increase voluntary benefits have several choices for providers. "There are three ways to bring voluntary benefits to

your employees: go directly to a carrier, leverage your existing broker, or use a specialist firm," Mooradian says.

How to choose? Look at what you want to offer and evaluate who can provide the most cost-effective solution with a high-level of service. "There's are obvious advantages to bundling—convenience and often a little better deal—but if you put it out to bid and can get a better deal elsewhere, you should consider it as long as there isn't a qualitative difference," Carter says.

### **The bottom line**

Voluntary benefits can be a relatively low-cost way for employers to increase their benefits offerings for employees. Employers interested in voluntary benefits should carefully consider their objectives, solicit employee feedback and work with existing and specialty vendors to determine if specific solutions are right for their organizations.

### **Resources:**

*6th Annual MetLife Study of Employee Benefit Trends:*

<http://www.whymetlife.com/trends/index.asp>

*Prudential Study of Employee Benefits: 2008:*

<http://www.prudential.com/view/page/public/14323SHRM> 2008 Benefits Survey:  
[www.shrm.or/surveys](http://www.shrm.or/surveys)

Michael Carter, vice president, Hay Group: <http://www.haygroup.com>

Jim Mooradian, Jim Mooradian & Associates: <http://www.jmooradian.com>