

Voluntary Benefits Insights

Why small businesses should offer voluntary benefits

Small business owners are continually faced with the perennial question of how to stay competitive with their larger counterparts. In every aspect of running a business, from pricing, to quality, to distribution, staying competitive can seem like a David and Goliath situation for small business owners.

This is especially true when it comes to attracting talent and hiring the right people. Simply put, large companies have deeper pockets. They have greater resources and can offer more in terms of benefits and pay. Granted, there are many advantages that come with working for a small company. Greater flexibility, a more personal connection with the overall vision and operations, and more opportunity are just some of the reasons people prefer to work for a smaller company.

Nonetheless, though someone may wish to work for a small company, when it comes down to it, they will often choose a larger company with larger pockets simply because they get more money and more benefits.

Managers in small organizations constantly think about ways they can recruit strong candidates. How can they sweeten their overall package? How can they wow a candidate, but not hurt their bottom line?

We'll look at four reasons offering voluntary benefits can be a cost-effective solution for small businesses hoping to expand their benefits package and compete against larger employers.

1. Doesn't cost the employer anything

Voluntary benefits are paid for by the beneficiaries. That is, employers don't have to take on any additional financial burden by making them part of their overall benefits package. From the point of view of the employer, this might be one of the most attractive aspects of voluntary benefits. There are administrative costs, but they are low. At any rate, any administrative cost incurred through managing voluntary benefits can be offset by the [payroll tax savings gained through Section 125 of the IRS Tax Code](#). With this virtually nonexistent price tag, it's a wonder more employers don't offer voluntary benefits. Especially when you consider the benefits.

2. Helps your employees control health insurance costs

Health care costs are a constant source of worry for employers and employees. According to the [Kaiser Family Foundation](#), in 2016, each employee on an employer-based health insurance plan cost the employer an average of \$4,776. Though this may have only been a \$68 increase from the [2015 average](#), recent legislation passed in Washington will destabilize the healthcare market, causing insurance prices to drastically rise in future years.

This means it may become very expensive for small employers to provide their employees with good, cost-effective health insurance, the kind that makes their benefits programs competitive. From a price standpoint, small employers may only be able to provide high-deductible plans.

If this is the case, offering voluntary benefits such as hospital indemnity, vision and dental, long- and short-term disability and so forth can help employers to round out their health insurance offerings. By filling in the gaps, voluntary insurance benefits allow employers to control their health insurance costs while offering employees the safeguards that come with higher-end health insurance packages.



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3. Boosts retention

Take a moment to consider these staggering numbers: According to [the Society for Human Resource Management \(SHRM\)](#), the average cost per hire is \$4,129. The average time it takes to fill a position is 42 days. Taken together, these two numbers tell us that finding a new employee is costly and it takes time. Numbers aside, when you stop to think about the stress, the extra work and the potential for diminished services that result from having a vacancy for 42 days, you understand why employee retention is such a huge topic for small business owners.

Considering the state of the current economy, where the unemployment rate is at a [16-year low](#), many small business owners are worried that it will be increasingly difficult to find the talent they need. Therefore, employee retention will be even more important.

4. Benefits productivity

As the old saying goes, a happy employee is a productive employee. [Multiple studies](#) continue to confirm that stress, whether it's at home or in the workplace, can have a negative effect on workers' productivity. This is one reason so many employers are taking steps to create a more relaxing environment where workers can unwind, with complimentary drinks, food, games, even naps.

Offering voluntary benefits can be seen as another tactic in combating stress.

Because they help alleviate the many what-ifs in life, whether it's "What if I'm injured and cannot work" or "What if I end up in the hospital for an extended period of time," providing employees with the means to ease these anxieties can, in turn, help to relieve the associated stress.

This reduced stress and increased sense of security can translate into having a happier, more productive employee.

When an employer stops to consider the advantages of offering voluntary benefits, the response is often, "Why not?" With little to no cost to the employer and big perks to their workers, voluntary benefits can help keep small businesses competitive with their overall compensation packages.