

Trends in Voluntary Benefits

An Effective, Low-Cost Way for Employers to Set Themselves Apart

While supplemental medical coverage and life insurance policies have been around for a long time, the world of voluntary benefits is growing — and for good reason. Employees cite benefits as a key factor in job satisfaction, and [say it's a top reason](#) they'd consider leaving their organization.

In a talent-driven market, voluntary benefits, which are offered through the company but usually paid for in part or entirely by the individual, are an especially cost-effective tool for attracting and retaining employees. Sometimes called supplemental benefits, historically these benefits were mostly upgrades to company life insurance and insurance that supplemented the basic employer provided medical plans. Today, in addition to the traditional offerings, there is a wide array of available benefits, from student loan repayment programs, to identity theft protection, to pet insurance.

In this briefing, we take a look at the current trend in voluntary benefits, discuss why they are growing in popularity and outline some of the programs.



Data Highlights

- The number of **employee quits has risen** every year since 2010. The **national average** is at **30%**.
- **32%** of employees said their benefits package was a **top reason for staying at their current job**.
- **92%** of employees said **benefits were important to their job satisfaction**.
- More than a third of companies **increased their benefits offerings** in the last year.
- **69% say voluntary benefits will grow in importance** over the next 2-3 years.

Background

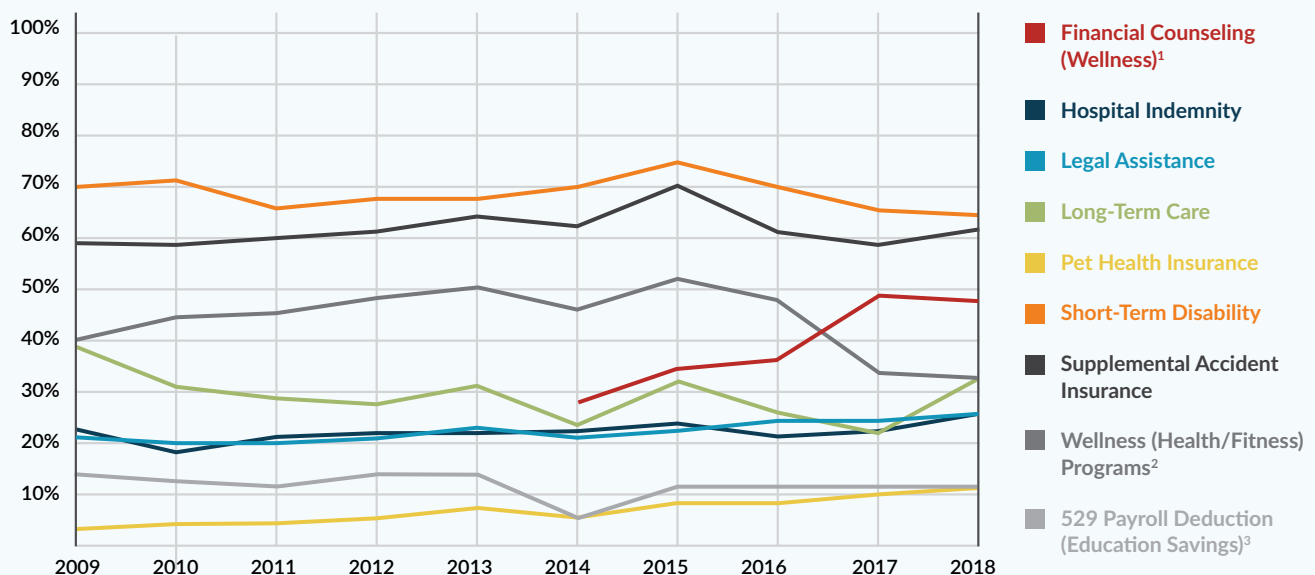
With unemployment at a 50-year low, benefits are one tool employers are using to attract and retain talent. A growing number of employers see voluntary benefits as an essential part of their overall talent attraction and management strategy.

Five years ago, 41% of [employers told Willis Towers Watson](#) that voluntary benefits had little importance to their employee value proposition and total rewards strategy. In the firm's most recent "Voluntary Benefits and Services Survey," only 5% said that.

A key reason companies say they offer voluntary benefits is to enrich their core benefits – medical, life, disability, retirement – to give employees more personalized choices. They also want to appeal to their multigenerational workforce.

69% of companies believe voluntary benefits will be an even more important part of their employee value proposition in three to five years.

Select Voluntary Benefits 10 Year Trend



¹ Includes employer provided/paid program and programs offered as a voluntary benefit. Benefit was offered in prior years, but survey reporting changed with 2014 survey.

² Includes employer provided/paid program and programs offered as a voluntary benefit.

³ Reporting methodology was altered in 2014 to include additional category.

Source: SHRM benefits surveys

Employees agree. A SHRM [job satisfaction survey](#) found 92% of employees saying benefits are important to their overall job satisfaction. In fact 29%, of employees cited their overall benefits package as one of the top reasons to look for a new job; 32% said benefits were a top reason for staying.

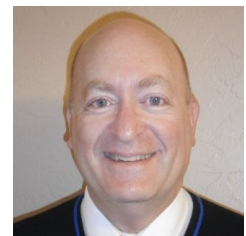
Companies are taking note, and beefing up their offerings accordingly.

According to the 2018 SHRM benefits survey, 34% of organizations increased benefits (including both employer-paid benefits and voluntary) in the previous 12 months. Of those that did, 72% said they were doing so to retain employees, while 58% said they wanted to attract new talent. Only 5% of organizations decreased their offerings.

A strong benefits package can serve as a differentiator for employers competing for talent. Benefits can help attract talent and retain employees, and enhance the employee experience. According to a [2017 survey by SHRM](#), companies that used benefits strategically were more effective at recruiting and retaining talent, and had significantly better overall company performance than those that did not. And note, the Willis Towers Watson survey found 40% of employees buy between 4-6 core and optional benefits; 29% take more.

Voluntary benefits are an especially cost-effective tool for employers to compete for talent and improve retention.

That's one reason [Jeffrey Naftal](#) looked to voluntary benefits when he took over as HR director for the Prince George's County Memorial Library System in 2016. With little control over the basic benefits, Naftal turned to expanding the system's voluntary benefits to offer more to the library system's 320 employees without stretching the budget. "We're doing a lot to keep our benefits competitive, even if we have no control over the big ones."



Jeffrey Naftal

Programs

Traditional Voluntary Benefits

These are primarily medical insurance products, which help pay for services and out-of-pocket expenses that an employee's regular insurance may not cover, thus the name "supplemental benefits." They've been offered for years by providers like Aflac (one of the oldest), which [introduced its first product](#) – a cancer policy – in 1958.

Today, about 4 out of 10 employers offer at least one of these traditional policies, and the number is growing. The BenefitFocus survey says 42% of employers offer at least one supplemental policy, a 17% increase in just two years. 18% of employers offer accident, critical illness and hospital indemnity (which pays the insured a cash amount each day they are hospitalized) policies.

SHRM's annual benefits survey suggests even higher overall employer participation, though flatter growth for some products. 40% of employers offered critical illness insurance last year, vs. 21% in 2014. Hospital indemnity plans offered by 26% in 2018, only grew by 4 percentage points since 2014.

Other insurances employers have traditionally offered as voluntary benefits include temporary and long-term disability insurance, which pays the employee a portion of their wages if they become unable to work due to illness or injury; supplemental life insurance, which gives additional coverage beyond the life insurance policy provided by the employer; and accident insurance, which helps pay for medical bills incurred when someone is injured in an accident.

**Benefits are a
reason to stay
AND a reason
to quit.**

Top Five Reasons Employers Offer Voluntary Benefits and Services



Source: Willis Towers Watson, 2018 Emerging Trends: Voluntary Benefits and Service Survey

Trending Benefits

Financial wellness – Not completely a voluntary benefit, this is a rapidly growing category. It includes financial and credit counseling services online, one-on-one, or in a class setting. Typically, employers pay the full cost. However, many programs offer optional services at an additional cost. Some 48% of employers offered financial counseling in 2018, according to SHRM, vs. 28% in 2014. The number of providers in the field is becoming large, with services from companies as large as Prudential and MetLife to online-only startups.

Legal assistance – This benefit provides certain types of legal assistance at no or low cost. Services are provided by attorneys in the provider network, much like a health plan's physician network. Around for many years without much growth, these programs have taken off in the last decade. SHRM's benefits survey showed 21% of employers in 2009 included legal assistance among their benefits. Last year 31% offered it.

Pet insurance – A strongly trending benefit, it covers veterinary bills for a sick or injured pet. SHRM's survey found that in the last decade it has gone from 3% to 11% of employers. [A Mercer survey](#) of employers with at least 500 workers found 22% offer it. Among the many providers the largest are Nationwide (Veterinary Pet Insurance), Pet Plan, ASPCA and Trupanion.

Student loan repayment programs – SHRM's most recent (2018) benefits survey may have found only 4% of employers offering a program, but the Willis Towers Watson survey called the various forms of these programs one of the biggest trends in voluntary benefits. (For more specifics see our Snapshot: Student Loan Repayment Programs: A Low Cost Benefit That Will Make a Difference.)

Other Benefits

Other benefits that are seeing small, if trending gains, include:

- **Identity theft protection** – SHRM did not report this as a voluntary benefit, showing it instead as an employer paid program offered by 6% of employers. Mercer, however, found a surprising 31% of employers with 500 or more workers offering it as a voluntary benefit. Willis Towers Watson estimates almost two-thirds of employers will offer it in just a few years.
- **Long-term care** – This benefit has been around for many years, supplementing the short-term programs often provided as part of an employer's basic benefits. Its uptake has waxed and waned over the years, but is now trending up. Since 2014, the percentage of employers offering it has grown by a third to 32% last year.

- **Divorce insurance** — Most legal insurance policies provide some level of coverage for handling an actual divorce. This coverage is different in that it pays lump sums to the beneficiary after a divorce, once the policy matures. It is bought in units equivalent to specific amounts. SafeGuard Guaranty Corporation developed the plan and is the leading provider. In five years, the benefit has gone from being offered by fewer than 1% of employers to 6% now.

Looking Ahead

With the ongoing challenges of hiring and retaining employees during a period of record-low unemployment, offering an attractive benefits package will continue to be an important differentiator for employers.

With supplemental health insurances “pretty well adopted across employers,” financial wellness products and services will continue to grow as one of the biggest trends in voluntary benefits, according to Tim Weber, national business leader for voluntary benefits at human resources consulting firm Mercer.

Thomas Horton, manager of BenefitsPlace distribution for BenefitFocus, a benefits management software company, noted that most student loan help currently takes the form of refinancing or counseling. Only about 4% of employers actually help employees pay off student debt, according to his company’s survey.

Nevertheless, such programs are enormously popular with employees, and Horton predicts they will increase. He also predicts an increase in employers offering emergency loans and 529 college savings plans, as well as benefits focused on dependent caregiving, as more employees struggle to arrange care for elderly or disabled parents.

Integrating benefits are making voluntary benefits core.

Weber says voluntary benefits are increasingly being integrated with core benefits, often on a single digital platform. According to a national survey of employer-sponsored health plans by Mercer, 72% of employers now offer voluntary alongside core benefits on an integrated platform, vs. 28% who offer them separately. The survey also found that

employees were more likely to participate when benefits were integrated (41%) than when they were not (26%). Weber predicted that the trend of integration would continue, to the point where some supplemental programs would no longer be considered “voluntary” but would eventually become expected as a core benefit.

Since many voluntary benefits can be offered at little or no cost beyond administrative expenses, we see little downside for companies looking to expand these offerings.

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