

The Best Backup Benefits for Small Employers

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If you can't afford to offer major employee benefits, don't fret. Consider these alternative ideas in order to attract top talent without breaking your small-business budget.

In weak and strong economies alike, employees feel lucky to have jobs. Equally lucky, however, are their employers, who must be more aggressive than ever in order to attract top talent.

Indeed, modern-day workers don't just favor benefits like health care, dental care, 401(k) plans, paid vacation and sick leave; they expect them.

"You really don't become a 'real business' until you are able to offer a full range of benefits for your employees," says Sharon Alt, president of Alt Benefit Consultants, a Dallas-based benefits administrator.

Unfortunately, even the most standard employee benefits cost money, which poses major problems for the country's smallest employers. "Without any added-value benefits, a small business can't hope to keep well-qualified employees for any length of time," Alt says.

Just because they're cash-strapped, however, doesn't mean that small businesses have to go wanting for talented human capital. If they can't afford to offer sexy benefits packages, they can compete with larger employers by embracing creative, cost-effective alternatives.

'Plan B' Benefits

Despite their popularity and prevalence, most employee benefits—including health plans, dental and vision plans, life insurance plans, retirement plans and paid vacations, holidays and sick days—are not required by law.

Even so, offering them is important, according to Robert Bucci, vice president of employee benefit sales for MetLife, central region. "Investments in benefits are important to help small businesses compete for qualified people," he says. "Sound benefit programs can help attract their most important asset and can help improve employee work satisfaction, meet employee health and security requirements, and reduce turnover."

Benefits don't have to be big, however, in order to be effective; they just have to be attractive. If the best perks are out of your price range, consider the following expert suggestions:

- **If You Can't Afford Health Care ...**

If you can't afford to pay for full-blown health insurance, consider looking into catastrophic health and prescription coverage, suggests Heather McCloskey, partner and founder of McCloskey Partners, a Perkasie, Pa.-based company that provides human resource assistance and consulting. "The group rates are discounted and reasonable," she says, cautioning that the coverage is not identical to that offered by more traditional plans.

Another option is a voluntary medical plan, according to Patrick J. Haraden, director of

Boston-based

Longfellow Benefits. "Employers can sponsor group voluntary medical plans that require no employer contributions," he says. "But the employer must provide the administration. These plans provide limited benefits, but are appreciated by employees with no access to other medical coverage.

A third and final option, Bucci says, is a consumer-directed High Deductible Health Plan (HDHP). Coupled with qualified health savings accounts (HSAs), they allow both employer and employee to contribute pre-tax dollars to employee health care. "Sharing program costs with employees and their dependents can reduce an employer's cost," he points out, "and may also encourage most cost-effective use of health care."

- **If You Can't Afford Dental and Vision ...**

If you can't afford dental and vision coverage for your employees, Bucci suggests offering a discount or savings plan. "This alternative is not insurance, so employees will not receive reimbursement for treatment," he says. "They will, however, be extended access to a network of providers that have agreed to reduce fees in exchange for services provided by the network."

While discount plans are a good option, Haraden encourages employers to look into voluntary dental and vision benefit plans, as well; they can be completely or partially funded by employees via payroll deductions.

- **If You Can't Afford a 401(k) ...**

If you can't afford to offer your employees a standard 401(k) plan, you can still offer them a retirement savings opportunity in the form of a SIMPLE 401(k), which is a 401(k) account that's been approved by the IRS for groups with less than 100 employees. "They offer similar pre-tax advantages, but require low start-up cost with little administrative cost," Bucci says.

Another alternative 401(k) plan is the safe harbor 401(k) plan, according to McCloskey. "These are plans that allow employees to become 100 percent vested in the company match as soon as they start participating," she says. Similar to a traditional 401(k) plan, this is a good option for employers who can afford to make matching contributions, but want to do so without the complicated rules that the IRS imposes on standard 401(k) plans.

If you can't afford to match employee contributions, consider giving employees access to their own self-funded retirement accounts, such as a SIMPLE IRA, without the benefit of an employer match. "The employer could partner with a financial planner to offer its services at a discounted rate for its employees to establish individual savings and retirement plans," suggests Haraden.

- **If You Can't Afford Paid Time Off ...**

If you can't afford to offer your employees paid time off—including national holidays, sick days and the standard two weeks of paid vacation—Bucci recommends offering malleable work arrangements like flextime, job sharing and telecommuting. "Small employers who can't afford the standard two weeks vacation may consider flexible work schedules in an attempt to improve morale by giving employees increased control over the hours they work," he says.

In lieu of paid sick days, Bucci recommends offering a voluntary short-term disability plan. That way, he points out, employees can feel secure in the event of an unexpected illness.

If you can offer some—but not lots—of paid time off, McCloskey suggests combining vacation and sick time. "I have been recommending that employers get away from offering separate vacation and sick banks," she says. "I recommend combining both banks into a paid time off bank. For employers that are not able to offer the standard two weeks vacation and one week sick, this allows them to reduce the time off from three weeks to two weeks."

Alternatively, McCloskey says a good idea is offering a floating holiday that can be used anytime in lieu of vacation. "The issue then is, should the time be paid or unpaid," she says. "Many non-exempt employees are willing to take the time off unpaid if it is communicated to them during the new hire orientation process."

Other Options

Of course, if you insist on providing big-business benefits—despite your small-business budget—nobody would blame you. In fact, there are many organizations out there that would be happy to help you. Consider the following options in order to find standard employee benefits at costs that small employers can afford:

- **PEOs:** A professional employer organization (PEO)—also known as an administrative service organization (ASO)—serves as an outsourced human resources department; joining one makes the PEO a co-employer within your company in order to provide your employees access to benefits that are both attractive and affordable.
- **Associations:** Trade associations, such as the National Federation of Independent Business, often offer member companies access to discounted rates on popular employee benefits.
- **Chambers of Commerce:** Like associations, your local Chamber of Commerce may be able to connect you with special deals and discounts.
- **Wholesale clubs:** Warehouse clubs like Sam's Club and Costco offer their business members access to discounted services, including several in the area of employee benefits.
- **Brokers:** Experienced benefits brokers know their field well and can connect you with service providers that have the products you desire at the prices you can afford.

Finally, remember that to some employees, your size is benefit enough. "There are many great advantages to working for a small employer," McCloskey says. "You are not just a number, your voice is heard, you see the impact you make in the company unfold right before your eyes. These are all 'emotional' benefits that we all want and need to be happy."