

Real-World Thinking:

Using Voluntary Benefits Today to Address
Employees' Lifestyle and Financial Needs for
Tomorrow



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A Purchasing Power White Paper

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Executive Summary

Attracting and retaining talented employees is always a challenge for employers. But in light of recent economic upheavals, it's proved to be an even tougher task and one that weighs heavily on HR professionals' minds. Recent studies show that retaining key talent as the economy recovers is one of the top three biggest HR challenges organizations face today.¹ Benefits programs are one of the ways companies make their organizations more attractive to prospective employees as well as retain and reward the ones they currently have. With health care costs and insurance premiums rising—and companies starting to recruit again—employers must seek creative ways of adding value to their benefits package without taking on additional costs.

Voluntary benefits—benefits available through the employer but paid for by employees—are one way companies are strengthening their benefits programs. Insurance coverage such as supplemental medical, accident, cancer and other types of policies are foremost on the voluntary benefits platform.

However, non-traditional voluntary benefits are gaining popularity. Non-traditional voluntary offerings take a backseat to traditional insurance when it comes to a share of the worksite market sales. But for those companies that have implemented them, non-traditional benefits are a big hit because they usually allow employees to maintain or enhance their lifestyles while offering them the necessary financial relief in difficult economic times.

More and more, workers have looked to their employers to assist with their financial activities. In turn, employees have shown great interest in benefits that provide financial well-being, viewing them as a foundation for their financial safety nets. Employee purchase programs are among the non-traditional voluntary benefits that workers have embraced.

This whitepaper discusses the role voluntary benefits play in how companies can address employees' real-world needs. The paper discusses both traditional and non-traditional voluntary benefits. It also provides an overview of employee purchase programs and the advantages they offer.



Employees' Enthusiasm for Voluntary Benefits Is on the Rise

Human capital is an employer's most valuable asset. Because hiring is expensive and time-consuming, companies cannot afford—especially during economic unrest—to replace poorly chosen employees. More importantly, employers must also do everything they can to retain the top employees they already have.

Employees consistently rate benefits as one of the key factors in job selection and on-the-job satisfaction, so it is important for organizations to build and maintain attractive benefits packages—yet do so in a cost-effective manner, especially in light of any potential economic hiccups.

Voluntary benefits programs allow employers to offer a cost-effective, expanded benefits package to meet the needs of a diverse workforce—at little to no direct cost to the organization. Employees choose the benefits that best meet their individual and family needs and pay for these products themselves through convenient payroll deduction. Companies can use voluntary benefits to help employees better manage their financial risk—from challenges associated with a struggling economy to unexpected career or lifestyle changes that affect family finances.

In recent years, voluntary benefits programs have gained in importance and expanded into totally new kinds of offerings. According to Eastbridge Consulting Group, voluntary benefits programs have grown consistently during the past 10 to 12 years, and 2009 was no exception. In fact, voluntary sales increased 3.3 percent to \$5.4 billion, up from \$5.2 billion in 2008.²

The reason voluntary benefits continue to grow can be attributed to the win-win situations they create for employers and employees. Voluntary benefits allow employees to choose and pay for reasonably priced plans that meet their individual needs and complement the coverage provided by their employers. And companies—regardless of the economic cycle—can continue to use employee benefits as effective, strategic tools to drive loyalty, productivity, recruiting and retention.

In fact, employee enthusiasm for voluntary products is on the rise. According to a 2010 survey by Eastbridge Consulting, 71 percent of employers expect workers to be more enthusiastic about voluntary benefits during the next 12 months.³

A recent Unum study revealed employees who are offered voluntary benefits in the workplace are more satisfied with their benefits than those who are not offered voluntary coverage. Fifty-three percent of employees at companies that offer voluntary benefits are satisfied with their benefits packages, compared with 34 percent who say the same at companies without this type of coverage.⁴ That kind of satisfaction is valuable to employers since voluntary coverage allows a company to offer more benefits and add perceived value to a plan without impacting the bottom line.

More Popular Than Ever, Voluntary Benefits Have Expanded to Meet Employees' Needs

Traditional voluntary benefits refer to insurance-type products that complement a company's core benefits package, such as supplemental medical, cancer, critical illness, life and accident policies. Even with the most generous employer-provided medical and disability plans, workers need additional resources to help fill any potential financial gaps.

Today, in addition to these insurance protections, voluntary benefits menus can include non-traditional or lifestyle-enhancing coverage, such as auto or homeowners insurance, burial plans, prepaid legal consulting, pet care, concierge services and employee purchase programs for computers, household appliances and electronics. Non-insurance products represent more tangible benefits with immediate payoffs. For example, purchase programs allow employees to buy and take possession of products that fill vital needs, such as a household's first computer. In turn, that computer provides a physical reminder of the benefit the employee received from his or her employer.

According to Workforce Management, more U.S. employers are offering non-traditional voluntary benefits to their employees for several reasons: sometimes they are used to broaden their overall benefits packages; other times it's to attract and retain employees, but always as a means to address employee needs.⁵ Because of their cost-efficiency, as well as their contribution to an employee's work-life balance, voluntary benefits are increasingly becoming a central component of many companies' overall benefits strategies.

These non-traditional voluntary offerings have strong, emotional appeal for employees, and many have come to expect these types of benefits in the workplace. The 2008 MetLife Study of the American Dream shows that more than 90 percent of Americans believe that it is important for companies to continue to offer benefits, even if employees must pay more or all of the cost, with 71 percent saying it is "very important."⁶ In fact, 51 percent of employees are willing to pay for an increased portion of benefit plan coverage, according to a recent survey by Deloitte Consulting.⁷

Walt Podgurski, chairman and CEO of the Workplace Benefits Association, says that non-insurance products and services are resonating with employees today. He notes that discounts on group legal and pet-care services have a long and established track record, while employee purchase programs for computers and appliances seem to be gaining a foothold.⁸



Purchase Programs Help Employees Make Smarter Lifestyle and Financial Decisions

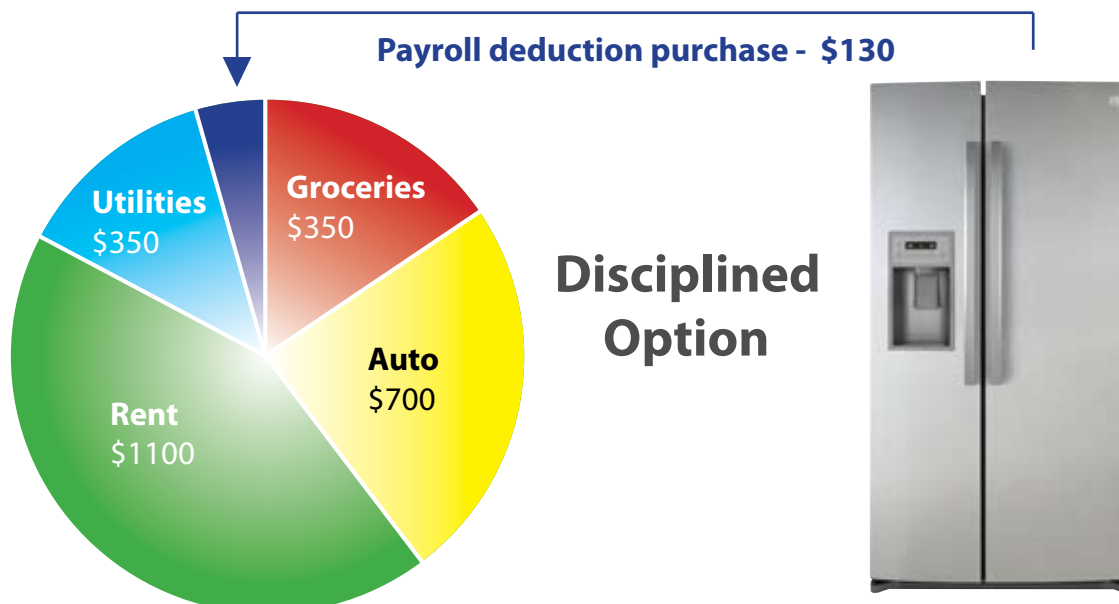
Employee purchase programs have seen a tremendous uptick in popularity. With the average American seeing decreasing credit limits, more stringent requirements for credit approval and increasing interest rates, it is harder if they don't have the cash on hand to purchase needed or life-enhancing household items, such as computers, software, home appliances, electronics and furniture. Employee purchase programs help workers secure these types of products through an employer-sponsored payroll deduction program.

Purchase programs are advantageous to the employee because they involve easy qualification, where employees simply must be 18 years old and meet minimum salary and tenure requirements. The all-inclusive prices include the product, value-added features, taxes where applicable, and delivery. Most employee purchase programs have no penalty fees or ballooning interest. Unlike a credit card, the payment term in a payroll deduction program is fixed over the course of 12 months. Many employees who have participated in such programs admit to not even missing the money, simply because it is taken directly out of their paychecks. The process is pain free. The tangible benefit is almost immediate (as soon the employee orders and receives his or her product).

Take shopping for a computer as an example of how purchase programs work. Millions of hard-working Americans are unable to realize the dream of owning a home computer that they or their children might need for school. Most consumers earning less than \$40,000 a year don't have the cash or credit to purchase a computer, especially since manufacturers and retailers typically deny credit to 40 to 75 percent of credit applicants.

While access to home computers has expanded in recent years, disparities still exist for those employees trying to acquire these much needed products during hard economic times. This has opened the door for companies to offer creative solutions through voluntary benefits programs that give all employees a tangible benefit at home, especially when they support their productivity at work. A November 2010 Purchasing Power survey showed 75 percent of its customers "agree" or "somewhat agree" that having access to employee purchase programs makes them more productive workers.⁹

Programs like this allow employees to buy products they need in a disciplined manner, while the payment plan helps people budget their finances. In addition, by using a payroll deduction program, employees are able to effectively eliminate escalating fees and the risk of incurring high interest rates associated with credit cards, revolving payment plans and even overdraft penalty fees. Obviously, the best way to make purchases is to save and pay cash but, at unexpected times, an employee can't always wait to save the money, for instance when a refrigerator breaks or a computer crashes.



Create a Stress-free, Productive Workplace for the Future

Voluntary benefits will continue to have a future in a company's benefits package as a means of providing a benefits program that is attractive to both prospective and current employees and yet kind to the employer's bottom line. Non-traditional voluntary benefits will hold the keys to addressing employees' real-world lifestyles and financial needs—not only today, but also in the future.

In an atmosphere of decreasing lines of credit and stricter budgeting, people need new ways to provide for themselves and their families. Employee purchase programs with disciplined spending options help people acquire products they want without over-extending themselves. Adding a convenient, affordable voluntary purchase program to the benefits package sends the message that a company truly cares about its employees. This type of benefit can ease stress, support employees financially and allow employers to have a more focused and engaged workforce.

About Purchasing Power

Purchasing Power is an employee purchase program that helps American workers purchase name-brand products with manageable monthly payments through payroll deduction. Since 2001, Purchasing Power has serviced more than 400,000 orders for employees of companies, including Fortune 500, and government agencies. Purchasing Power is licensed in all 50 states as a reseller of personal computers, consumer electronics, and home appliances and maintains relationships with major manufacturers, as well as resellers, distributors and other suppliers. For more information, visit www.PurchasingPower.com.

¹HR Executive Magazine, "What Keeps HR Up at Night 2010," survey, 2010.

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⁷Deloitte Consulting LLP, 2010 Top Five Total Rewards Priorities Survey, 2010.

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