



Small business owner's guide to voluntary benefits: Options that won't stretch your budget

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Table of Contents

What are voluntary benefits?	2
How voluntary benefits work	3
Why voluntary benefits make sense for small businesses	4
Common voluntary products to know	5
How to manage voluntary benefits	9
Putting employee perks in motion	9



A growing need for employee benefits

According to Gallup, the percentage of workers who say pay and benefits are "very important" has risen from 41% pre-pandemic to 54% today. Yet a recent OnPay survey found that out of more than 1,000 small businesses, 31% said they don't currently offer benefits.

For growing companies balancing hiring goals with tight margins, that reality creates a challenge. That's where voluntary products (also known as voluntary benefits) can help bridge the gap. But if you're a newer employer or just gradually building out your perks program, understanding the landscape can feel like a full-time job.

To make things easier, this guide breaks down the most common types of voluntary benefits, how they work, and why they're worth considering as part of a modern perks package.



WORKERS' COMP

New hire

Policy updated

What are voluntary benefits?

Voluntary benefits are employer-sponsored insurance benefits and financial products that employees can choose to enroll in. While the employer "sponsors" the plan by making it available to the team, the premiums are 100% employee-paid, typically through payroll deductions — though there are some scenarios where employees can pay fees directly to insurance carriers.

Think of them as add-ons (you may have heard the term "supplemental benefits" thrown around) to traditional health insurance or income protection plans. They can help employees cover out-of-pocket medical expenses, keep a paycheck coming in during an illness or injury, or plan for future healthcare costs.

For employers, voluntary benefits provide a way to enhance total compensation and support employees at different life stages — without taking on additional overhead. This can make a lot of sense for growing organizations with limited purchasing power to give workers more access to coverage without increasing company costs (and down the road they can always choose to chip in).

Did you know?

56%

of small business owners include health insurance as part of their benefits programs.

Source: *OnPay 2025 Small Business Outlook*

The image displays two overlapping screenshots of the OnPay web application interface. The left screenshot shows the 'Benefits Enrollments' page, which includes a sidebar with navigation options like Dashboard, Workers, Payroll, Reports, Filings, HR, Time, Benefits, and Company. The main content area shows 'Active Tasks' and 'Open Enrollments' with a progress bar indicating 60% completion (28 of 47 enrollments complete). Below this, there are two UnitedHealthcare plan options: 'Gold Full PPO 1000/35 Offex' and 'Silver Full PPO', each with a 'Summary of Benefits' link and employee avatars. The right screenshot shows the 'Medical Coverage' page, which also has the same sidebar. The main content area features a 'Browse Recommended Plans' section with three UnitedHealthcare plans (PPO, HMO, PPO) and their respective costs. Below this is an 'Explore More Plans' section with logos for BlueCross BlueShield, Humana, Aetna, and Cigna. On the far right, there are sections for 'Estimated Costs' and 'FAQs'.

How voluntary benefits work

Voluntary benefits are offered by employers but elected individually by employees. Here's what that typically looks like in practice:

- **Paid in full by the employee:** With this offering, no employer contribution is required (though it's an option).
- **Deducted automatically from payroll:** This is designed to make payments seamless for the employee.
- **Access to group rates:** Employees benefit from the company's collective buying power, though costs for some products (like life insurance or disability) may still be based on an individual's age.
- **Easy enrollment:** These are typically selected during the same open enrollment period as health insurance.

Because they're offered through the workplace, employees often have access to better pricing or simpler underwriting than if they tried to purchase the same coverage on their own.

A note on participation thresholds

Most insurance carriers have a minimum participation threshold that must be met before a benefit is "bound" or active. Depending on the line of coverage and the carrier, you may need a specific number of people (often between two and five) or a certain percentage of your benefit-eligible employees to sign up. That said, this can vary depending on the provider.



CHILD

Dependent added

Elisa Fischer

Why voluntary benefits make sense for small businesses

As companies grow, offering benefits is one way to set an organization apart from the competition. Adding voluntary benefits to the mix is something employers consider because they:

Expand total rewards without expanding payroll costs:

Voluntary benefits allow organizations to offer more robust coverage options without fully funding each benefit.

Support high-deductible health plans: As deductibles rise, products such as hospital indemnity, critical illness, and accident coverage can help employees manage unexpected medical expenses.

Improve recruitment and retention: Often, a broader benefits package signals that an employer is invested in employee well-being, which can strengthen hiring and retention efforts.

Offer customization: Because not every employee needs the same coverage, voluntary products let individuals choose what best fits their situation.

The screenshot shows the OnPay Employee Benefits Enrollment interface. The user, Matthew Fischer, is in the 'Dependents' step of the enrollment process. The interface includes a sidebar with navigation options: Home, Earnings, Personal, Job, Bank Account, Time Off, My Files, Benefits (selected), and Conversations. The main content area is titled 'Employee Benefits Enrollment' and 'Select Your Coverage'. It shows a progress bar with four steps: Overview, My Info, Dependents (current), and Medical. Under 'Dependents', there are two listed dependents: Adriana Fischer (Spouse) and Elisa Fischer (Child). There is an 'Add Dependent' button. At the bottom, there are 'Back' and 'Continue' buttons. On the right, a 'Benefits Summary' section shows 'Employee Cost Per Pay Period' with input fields for Medical, Dental, Vision, and a Total.

Common voluntary products to know

While every business is different, these offerings can often serve as a foundation for a well-rounded perks package. Let's take a look at some of the most common ones.

Short-term disability insurance

Short-term disability (STD) insurance provides temporary income replacement if an employee is unable to work due to a non-work-related illness, injury, or qualifying life event — such as pregnancy or surgery recovery. Instead of having to forgo a paycheck during recovery, employees receive a percentage of their wages for a defined period — typically from a few weeks up to six months.

✦ Why offer it

Short-term disability coverage helps employees maintain financial stability during unexpected life events. It offers peace of mind for your team and helps you support workforce stability without absorbing the full cost of the benefit, while connecting sick leave to long-term disability coverage.

Long-term disability insurance

Long-term disability (LTD) insurance provides income replacement if an employee is unable to work for an extended period due to a serious illness or injury. While short-term disability typically covers the first few months of an absence, long-term disability coverage generally begins after that initial period ends and can last for several years.

✦ Why offer it

Long-term disability adds deeper financial protection to your benefits package. For employees, it offers long-term income stability during life-altering events. Offering access to this coverage shows employees you're invested in their well-being, which builds loyalty and helps you stay competitive in the job market.

Hospital indemnity insurance

Hospital indemnity (HI) insurance is a supplemental health policy that pays a fixed cash benefit if an employee is hospitalized. Unlike traditional health insurance, which pays providers directly, coverage pays the employee — allowing them to use the funds for medical bills, deductibles, or even everyday expenses like rent or groceries during recovery.

✦ Why offer it

This type of policy helps employees manage rising out-of-pocket costs, especially when paired with high-deductible health plans. Since it's employee-paid and offered at group rates, it's a low-cost way to enhance financial protection.

Life insurance and AD&D coverage

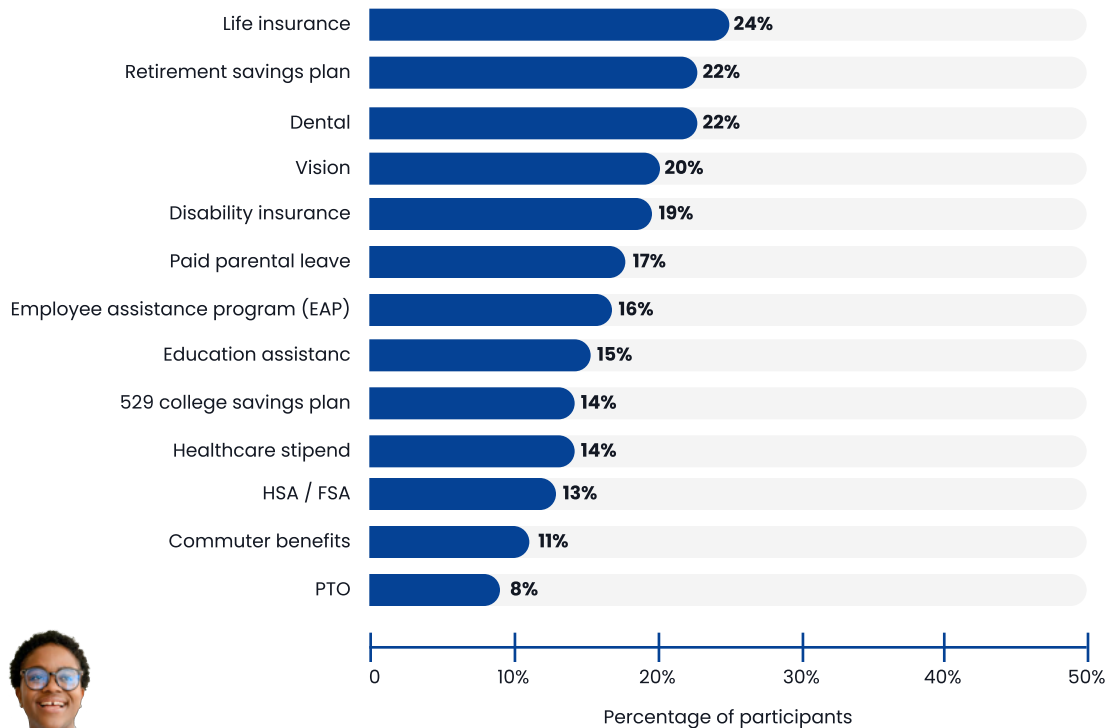
Life Insurance

Life insurance provides a lump-sum payment to an employee's designated beneficiaries if the employee passes away while covered under the policy. Accidental death and dismemberment (AD&D) insurance is commonly paired with life coverage, providing additional benefits if an employee dies or suffers certain serious injuries as a result of an accident.

Why offer it

Life and AD&D coverage provides a foundational layer of financial protection for employees' families — often at relatively affordable group rates. For growing businesses, it's a straightforward way to build a competitive benefits package without taking on additional employer costs.

Future benefits SMBs would like to offer outside of health benefits



Source: [OnPay 2025 Small Business Outlook](#)



GOOD TO KNOW

Nearly 1 in 4 small business owners have life insurance on their wishlist of future benefits to offer their employees.

2025 Small Business Outlook

Benefit*	What it covers	Why employers offer it
Voluntary short-term disability	Partial income replacement for temporary illness or injury	Supports employees during short absences without full employer funding
Voluntary long-term disability	Extended income replacement for serious conditions	Adds long-term financial protection to benefits package
Voluntary hospital indemnity	Fixed cash benefit for hospital stays	Helps offset high deductibles and out-of-pocket costs
Voluntary life and AD&D	Death benefit and accident-related coverage	Provides foundational financial protection

Cancer insurance

Cancer insurance is a type of supplemental policy that pays a cash benefit if an employee is diagnosed with cancer. Coverage may include lump-sum payments upon diagnosis as well as benefits tied to specific treatments. Unlike traditional health insurance, cancer insurance typically pays the employee directly.

✦ Why offer it

Because it's usually employee-paid and offered at group rates, it allows businesses to expand financial protection options without significantly increasing benefits costs. Some employees may think traditional health insurance covers this ailment though it's not always the case.

Accident insurance

Accident insurance provides a cash benefit if an employee experiences a covered accidental injury, such as fractures, burns, concussions, or emergency room visits resulting from off-the-job accidents. Benefits are paid directly to the employee and may help cover deductibles, copays, transportation, or even lost income during recovery.

✦ Why offer it

This coverage can be especially helpful for employees to offset rising out-of-pocket healthcare costs. It can be particularly appealing in workplaces with active or younger workforces, and allows employers to provide a meaningful safety net without adding to the company's bottom line.

*Note that all of these benefits can be employer-paid as well.

Critical illness insurance

Critical illness insurance pays a lump-sum benefit if an employee is diagnosed with a covered serious condition, such as a heart attack, stroke, or other major illness defined in the policy. The benefit is paid directly to the employee and can be used for medical bills, mortgage payments, travel expenses, or other financial obligations.

✦ Why offer it

As deductibles and out-of-pocket maximums increase, it can help employees bridge coverage gaps without requiring the employer to fund the full benefit. Provided directly to the employee, it gives them a flexible safety net for indirect costs, like a mortgage or travel, while they focus on recovery.

MASA medical transport solutions

Medical transport coverage, such as services offered through MASA, helps protect employees from high out-of-pocket costs associated with emergency medical transportation. This may include ground ambulance services or air ambulance transport that is not fully covered by traditional health insurance.

✦ Why offer it

Medical transport coverage addresses a gap that many employees may not even realize exists. Most people don't realize that calling 911 can lead to a massive bill. Offering access to this type of protection provides peace of mind for a very common – and often overlooked – coverage gap.

Benefit*	What it covers	Why employers offer it
Voluntary cancer insurance	Cash benefits tied to cancer diagnosis and treatment	Addresses financial impact of serious illness
Voluntary accident insurance	Cash benefits for covered accidental injuries	Helps manage unexpected medical expenses
Voluntary critical illness Insurance	Lump-sum payment for major diagnoses	Bridges coverage gaps in high-deductible plans
Voluntary medical transport coverage (MASA)	Emergency ground and air transport protection	Covers a common but often overlooked coverage gap

*Note that all of these benefits can be employer-paid as well.

How do companies manage voluntary benefits?

Most organizations manage voluntary benefits by partnering with a broker or a payroll provider like OnPay. Once the plan is set up, premiums are automatically deducted from employees' paychecks and sent to the insurance carrier. This approach helps keep open enrollment organized, allowing your team to easily review – and select – their options all in one place. Also, by integrating benefits directly with your payroll software, you ensure compliance with federal and state tax regulations without creating extra administrative work for your HR team (or you if you handle this all on your own!).

Voluntary benefits put your perks program on the map

For employers keeping an eye on the budget, voluntary benefits are worth a closer look. They put high-quality coverage options directly in the hands of employees and can help you get your benefits program off the ground. It's also a way to show your team that you care about their financial well-being and can be used in recruiting efforts when you have roles to fill. Ultimately, it sets the stage for the future, building a strong foundation for when your business grows and you're ready to start funding those policies yourself.

“

OnPay's very easy to use, saves me a lot of time and helps me avoid mistakes by calculating payroll taxes, 401(k), and health benefits.

— Durga Yerramilli,
Healthy Eyes PLLC

Key takeaways



Voluntary benefits expand your perks package without increasing employer costs, since they are employee-paid.

They help employees manage out-of-pocket medical expenses and income gaps that traditional health plans don't fully cover.

A broader benefits offering can strengthen recruiting and retention efforts by improving your overall compensation strategy.

Employees get the flexibility to choose the coverage they need, while employers maintain budget control.

Partner with OnPay to build a better benefits package

Understanding how voluntary products work and the impact they can have on your team is a great foundational step. As your company grows, these options can evolve with you, whether that means layering in employer-paid coverage, retirement benefits, or additional health perks down the road.

If you need a hand figuring out which voluntary products make sense for your team, OnPay's in-house benefits consultants can walk you through the options and design a plan that fits your goals and the needs of your employees. From answering your questions to recommending coverage that works now and scales with your growth, we have your back.

Set your team up for success

Ready to explore your options? Whether you're considering a change or simply looking for a fresh perspective, our benefits team is ready to answer your questions. Reach out today to speak with a specialist and start building a package that supports your business today — and sets you up for tomorrow.

Insurance offered through OnPay Insurance Agency, LLC (CA License #0L29422)

***Note:** This guide provides general information about benefits administration. Tax laws and regulations vary by location and change frequently. Always consult with a qualified professional for advice specific to your situation.*

Build a benefits package your employees will love by visiting [OnPay.com/schedule/smb-benefits/](https://onpay.com/schedule/smb-benefits/)

