

Human Resources Management

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MGM 243

Lecture 10



Part 4: Compensating Human Resources

Chapter
14

Managing Employee Benefits

Lecture 10

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**Chapter
14**

Learning Outcomes

After you have read this chapter, you should be able to:

- Define a benefit and identify four strategic benefits considerations.
- Summarize why benefits management and communications efforts are important.
- Discuss the retirement plans from defined-benefit to defined-contribution and cash balance programs.
- Discuss other types of benefits.
- Define health, safety, and security and discuss some related issues

BENEFIT

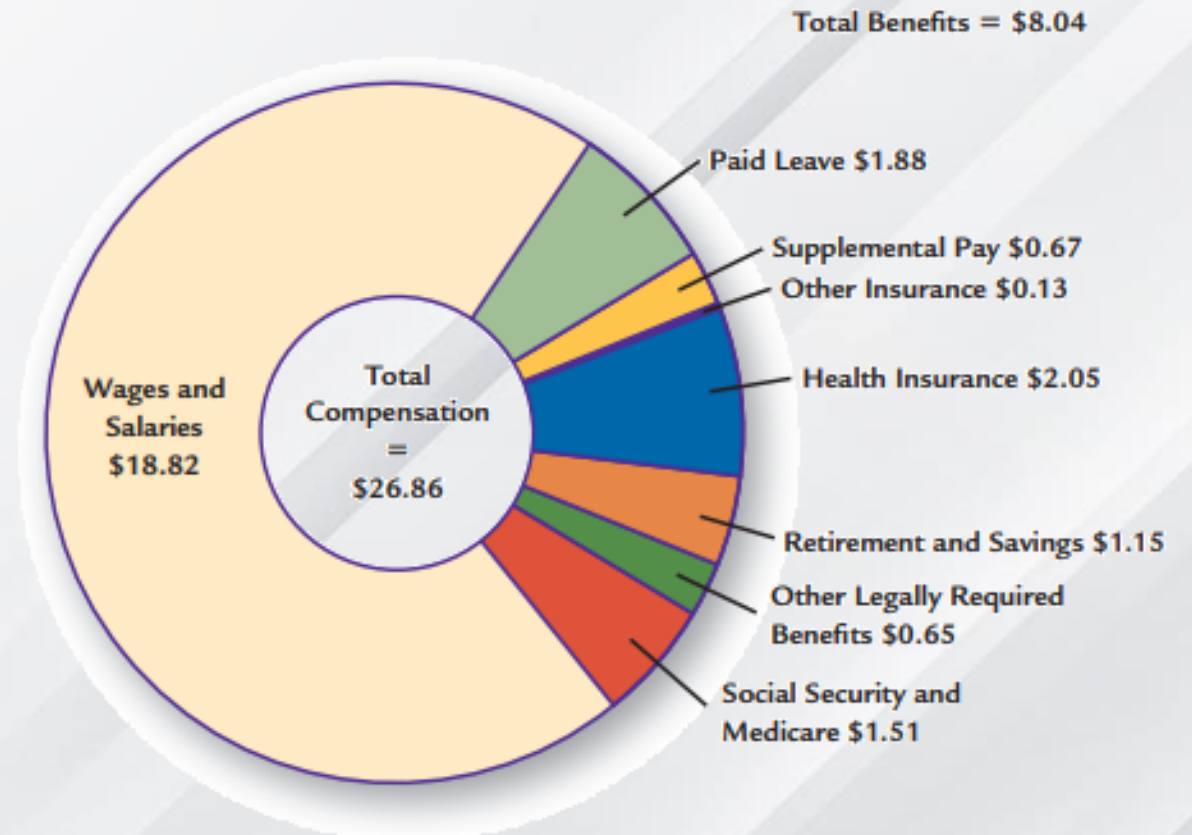
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- **Benefit** :Indirect reward given to an employee or a group of employees for organizational membership.



Employer Compensation and Benefits Costs per Hour, Private Industry



Source: U.S. Bureau of Labor Statistics, "Employer Costs for Compensation," News Release, June 21, 2006, www.bls.gov.

Figure 14-1

BENEFITS AND HR STRATEGY

Strategic Benefits Considerations



Figure 14-2

Benefits as Competitive Advantage



Employers may offer benefits in order to

- Aid recruiting and retention, impact organizational performance, and meet legal requirements.
- Reinforcing the company philosophy of social and corporate citizenship.
- To be viewed positively within a community and the industry by customers, civic leaders, current employees, and workers in other firms. Conversely, cutting benefits, or taking advantage of workers may be viewed more negatively.

Benefits for Workforce Attraction and Retention

It is well-established that benefits influence employees' decisions about which particular employer to work for, whether to stay with or leave an employer, and when to retire.

Some companies are beginning to brand their own versions of **Benefits**—a type of “internal branding” that seems the next move in this field

- Dominos pizza encourages employees to get their “piece of the pie,”
- Starbucks has branded its total rewards concept as “your special blend,”



BENEFITS MANAGEMENT COMPONENTS

Benefits Management Components



Figure 14-3

BENEFITS MANAGEMENT COMPONENT

1. Benefits Design

- **A number of key decisions are part of benefits design:**
 - How much total compensation, including benefits, can be provided?
 - What part of the total compensation of individuals should benefits constitute?
 - Which employees should be provided which benefits?
 - What expense levels are acceptable for each benefit offered?
 - What is being received by the organization in return for each benefit?
 - How flexible should the package of benefits be?

1. Benefits Design Cont.

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Part-Time Employee Benefits

- Research indicate that providing benefits for part-timers positively affects ability to attract and retain part-time workers in tight labor markets.

Flexible benefits plan

- Program that allows employees to select the benefits they prefer from groups of benefits established by the employer.

Adverse selection

- Situation in which only higher-risk employees select and use certain benefits.

2. HR and Benefits Administration

Typical Division of HR Responsibilities: Benefits Administration

HR Unit

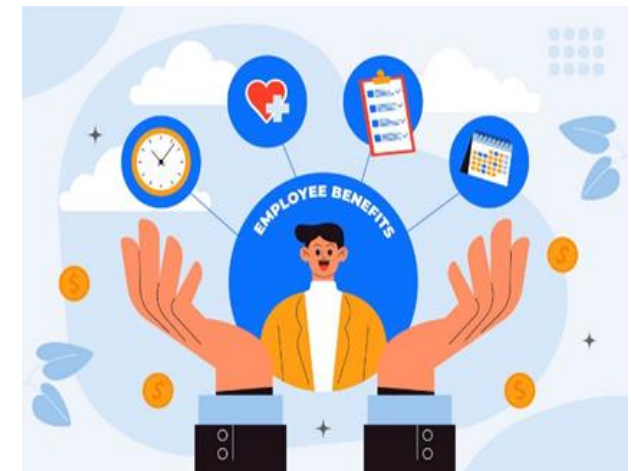
- Develops and administers benefits systems
- Answers employees' technical questions on benefits
- Monitors benefits usage
- Suggests benefits cost-control approaches

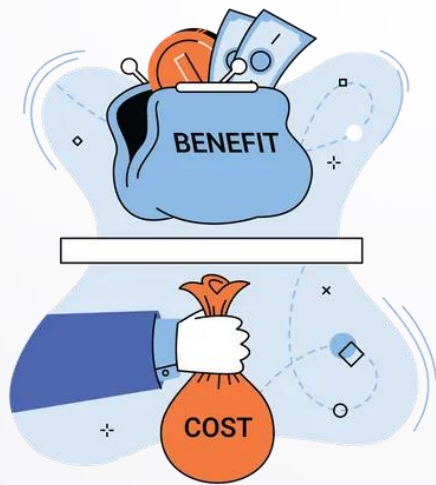
Managers

- Answer simple questions on benefits
- Maintain liaison with HR specialist on benefits
- Maintain good communications with employees near retirement
- Coordinate use of time-off benefits

3. HR Technology and Benefits

- Internet-based systems are being used to communicate benefits information, conduct employee benefit.
- Information technology also allows employees to change their benefits choices, track their benefits balances, and submit questions to HR staff members and external benefits providers.





4. Benefits Measurement

- Benefits as a percentage of payroll (pattern over a multi-year period)
- Benefits expenditures per full-time equivalent (FTE) employee
- Benefits costs by employee group (full-time vs. part-time, union vs. non-union, office, management, professional, technical, etc.)
- Benefits administration costs (including staff time multiplied by the staff pay and benefits costs per hour)
- Health-care benefits costs per participating employee

5. Benefits Cost Control

- The most common means of benefits cost control is cost sharing, which refers to having employees pay more of their benefits costs.
- Almost 60% of firms use this means.

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Benefits Communication

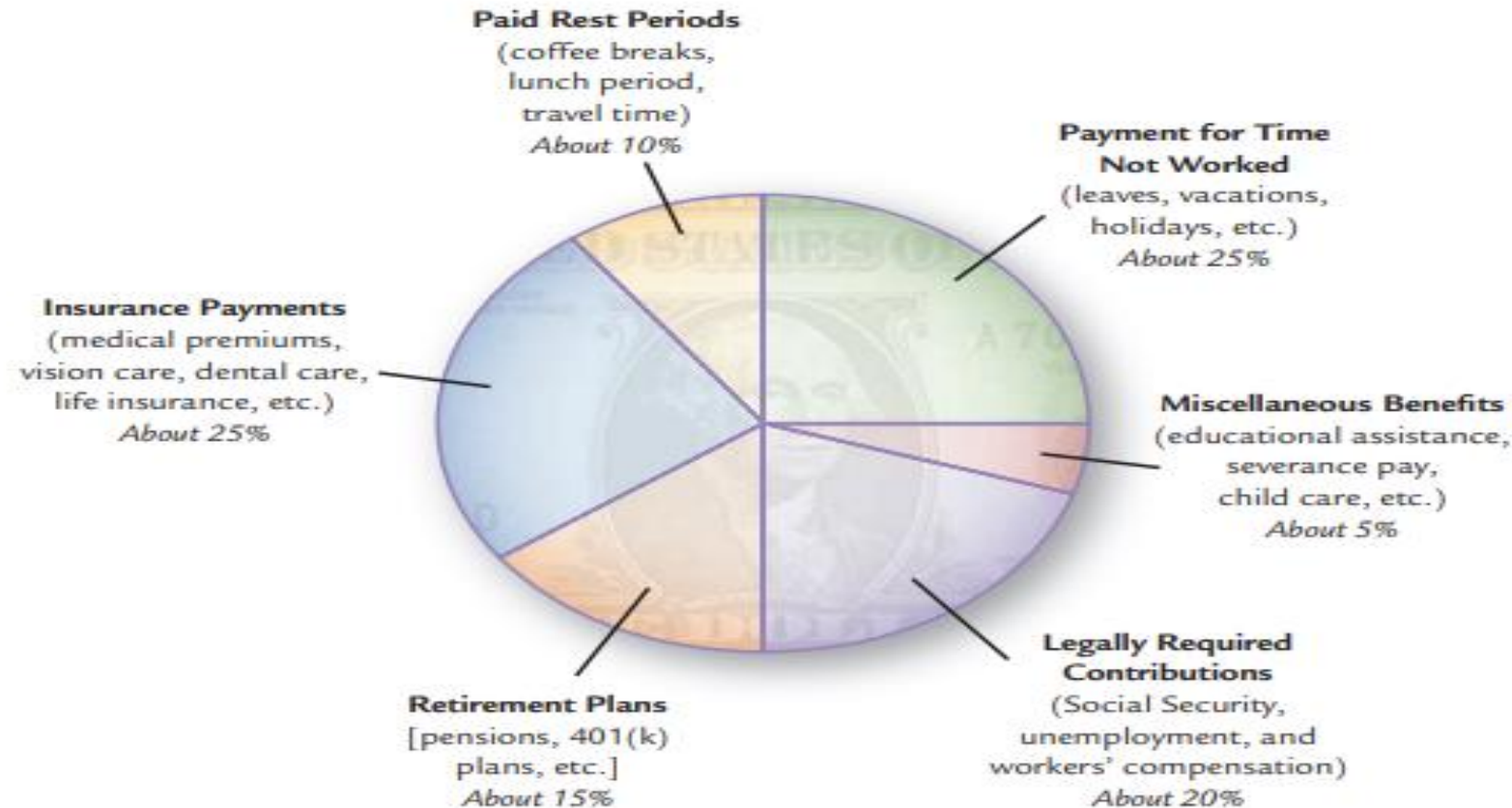
- Research shows that employees do not understand the value of benefits.
- Benefits communication and satisfaction of employees with their benefits are linked.
- Consequently, many employers have instituted special benefits communication systems to inform employees about the value of the benefits they provide.
- Employers can use various means, including videos, electronic alerts, newsletters, and employee meetings. All these efforts are done to ensure that employees are knowledgeable about their benefits.



TYPES OF BENEFITS

1. Government-Mandated Benefits

How the Typical Benefits Dollar Is Spent



Source: Based on data summarized from the U.S. Department of Labor, Bureau of Labor statistics, *National Compensation Survey: Employee Benefits in Private Industry in the United States*, 2006; and *Employee Benefits Study*, 2006 ed. (Washington, D.C.: U.S. Chamber of Commerce, 2007).

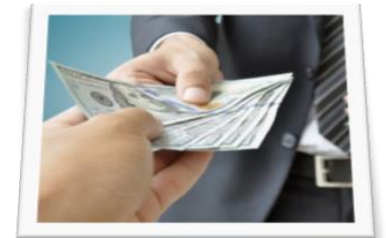
Figure 14-4

2. SECURITY BENEFITS

Workers' compensation Security benefits provided to persons injured on the job.

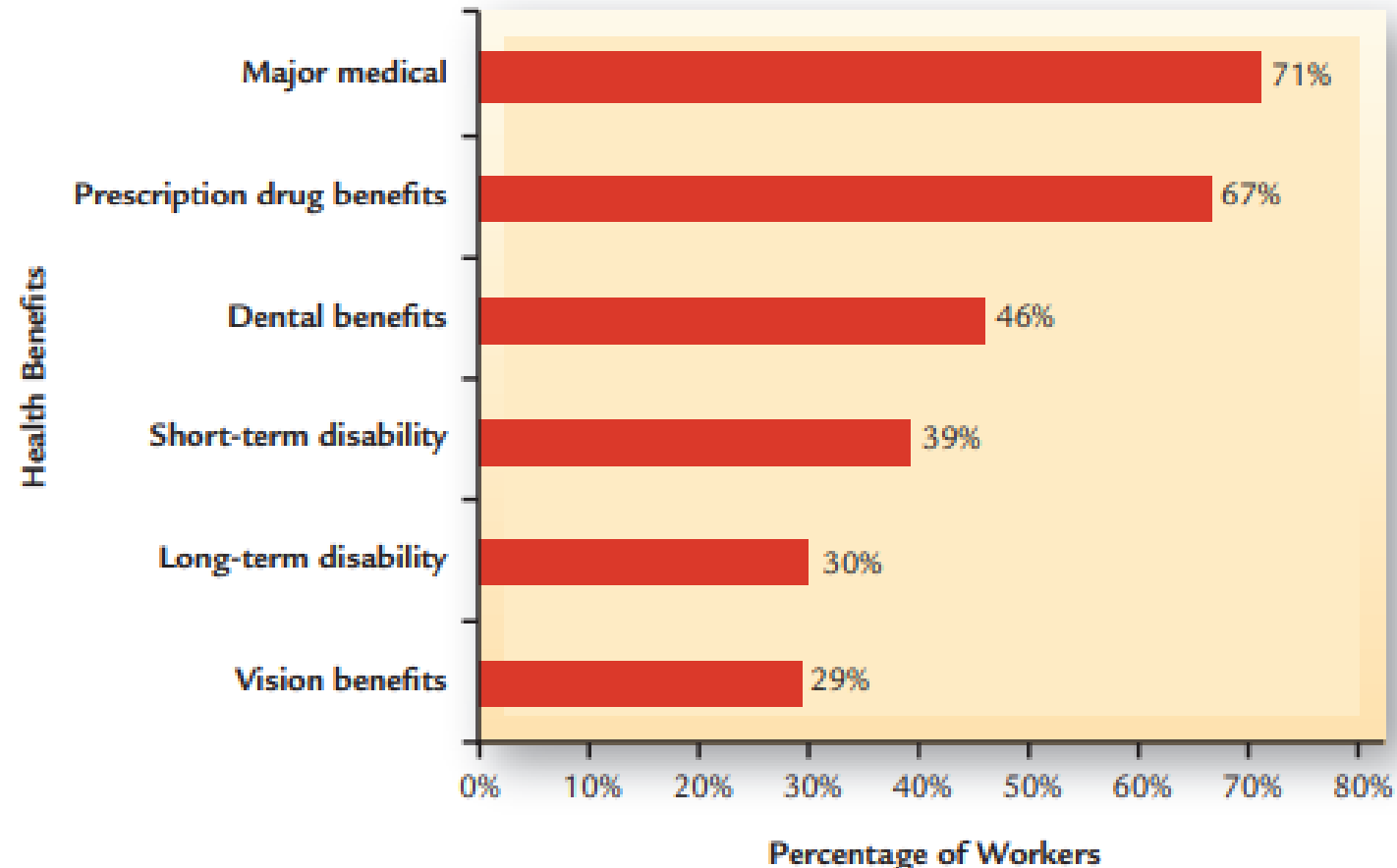
Unemployment Compensation: Officially known as the Emergency Subsidy, establishes a fund to compensate workers/employees whose wages are suspended due to firm closure or downsizing.

Severance pay Security benefit voluntarily offered by employers to individuals whose jobs are eliminated or who leave by mutual agreement with their employers.



3. HEALTH-CARE BENEFITS

Private Industry Workers with Health Benefits



Source: U.S. Bureau of Labor Statistics, March 2006, www.bls.gov/ncs/home.htm.

Figure 14-5

4. RETIREMENT BENEFITS

Pension plan Retirement program established and funded by the employer and employees.

- **Defined-Benefit Pension Plans** A “traditional” pension plan, in which the employer makes the contributions and the employee will get a defined amount each month upon retirement, is no longer the norm in the private sector.
- **Defined-contribution plan** Retirement program in which the employer makes an annual payment to an employee’s pension account.
- **Cash balance plan** Retirement program in which benefits are based on an accumulation of annual company contributions plus interest credited each year.

5. FINANCIAL BENEFITS

Common Types of Financial Benefits

Insurance

- Health
- Life
- Disability
- Long-term care
- Legal

Financial Services

- Credit union
- Purchase discounts
- Thrift/savings plans
- Financial planning
- Relocation assistance

Educational Assistance

- Tuition aid
- Trade training
- Professional certifications
- Learning materials

Figure 14-6

6. FAMILY-ORIENTED BENEFITS

1. Family and Medical Leave Act

- Birth, adoption, or foster care placement of a child
- Caring for a spouse, a child, or a parent with a serious health condition
- Serious health condition of the employee

6. FAMILY-ORIENTED BENEFITS CONT.

2. Family-Care Benefits

- **Adoption Benefits** Many employers provide maternity and paternity benefits to employees who give birth to children.
- **Child-Care Assistance** Balancing work and family responsibilities is a major challenge for many workers.
- **Elder-Care Assistance** Another family issue of importance is caring for elderly relatives.

OTHER BENEFITS

Paid-Time-Off

- **Time-off benefits** represent a significant portion of total benefits costs.
- Employers give employees paid time off for a variety of circumstances.
- Paid lunch breaks and rest periods, holidays, and vacations are common.

Paid-Time-Off Cont.

- **Well-pay** Extra pay for not taking sick leave.
- **Paid-time-off (PTO) plans** that combine all sick leave, vacation time, and holidays into a total number of hours or days that employees can take off with pay.



SICK LEAVES

- An employee whose sickness is established and determined by the concerned medical responsible is entitled to sick leave, and shall be compensated according to the Social Insurance Law for example, as follows
- 1 + - month fully paid every 3 years
- 3 + - month 75 + -% paid of the wage
- 8 + - months unpaid



Other Benefits

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NON STATUTARY BENEFITS

- Non-statutory benefit programs should always be developed in alignment with the company culture, structure, budget, strategy, philosophy, mission, vision and values.
- Upon deciding which benefits are to be used, the next step is to combine them with the compensation structure to generate the final compensation and benefits model.

- ✓ **Business Travel**
- ✓ **Car Allowance**
- ✓ **Housing**
- ✓ **Club Membership**
- ✓ **Company Cars**
- ✓ **Company Gym**
- ✓ **Company Loans**
- ✓ **Company Picnics or Social Events**
- ✓ **Compassionate days off**
- ✓ **Education Allowance**
- ✓ **Education assistance to employees**
- ✓ **Fuel allowance for private car usage**
- ✓ **Furniture Allowance (expatriates)**
- ✓ **Gymnasium membership**

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Miscellaneous Benefits

- Employers offer a wide variety of miscellaneous benefits.
- Some of the benefits are voluntary, meaning that employees can participate in them and pay for the costs themselves, often at group discount rates.
- Various types of voluntary insurance programs are the most common offered.



HEALTH, SAFETY, AND SECURITY

- **Health**

- A general state of physical, mental, and emotional well-being.

- **Safety**

- A condition in which the physical well-being of people is protected.

- **Security**

- The protection of employees and organizational facilities.



Approaches to Effective Safety Management

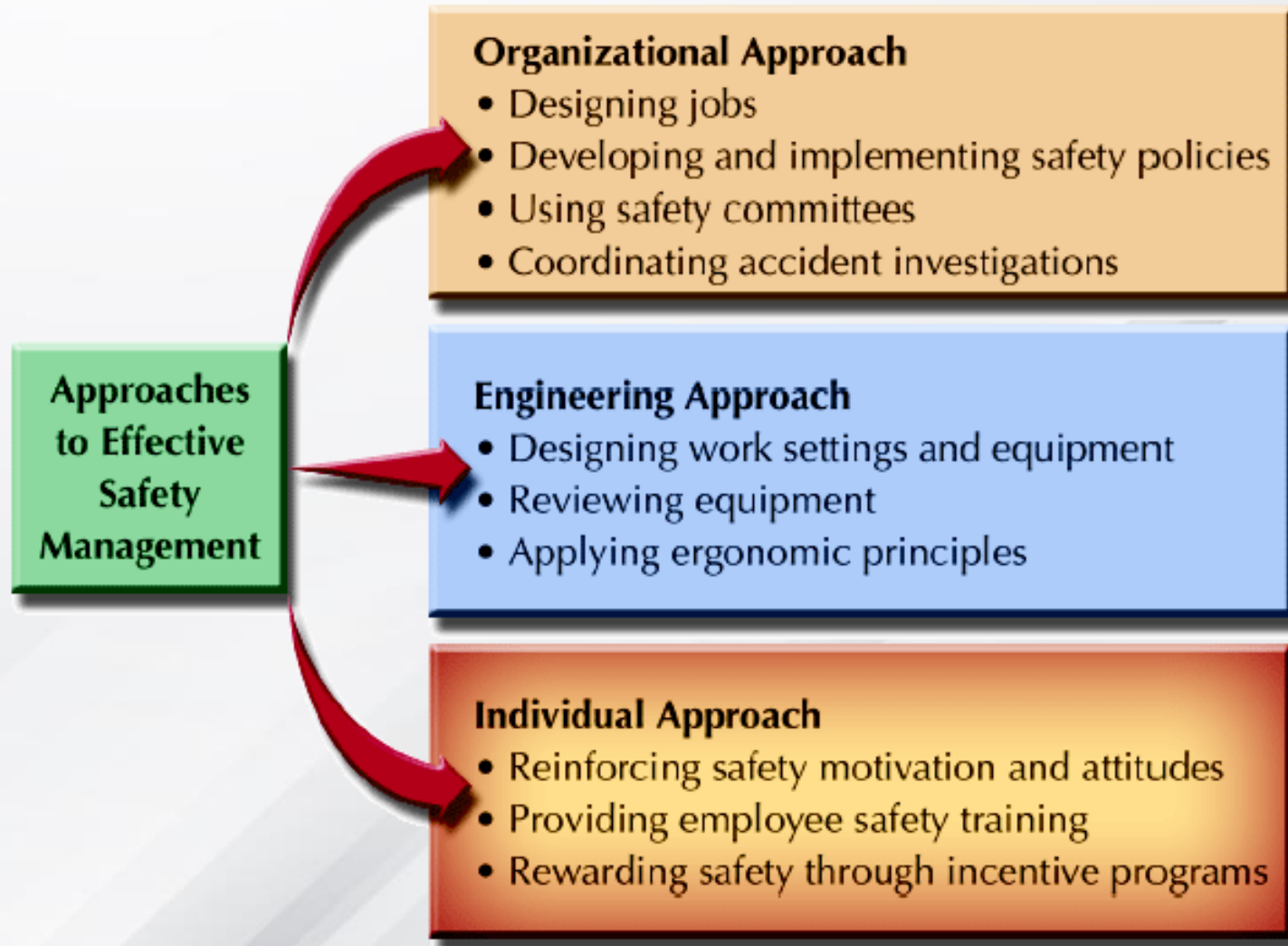


Figure 14-7

OTHER SAFETY ISSUES

**Safety Policies
and Discipline**

**Safety
Committees**



**Employee
Motivation
and Incentives**

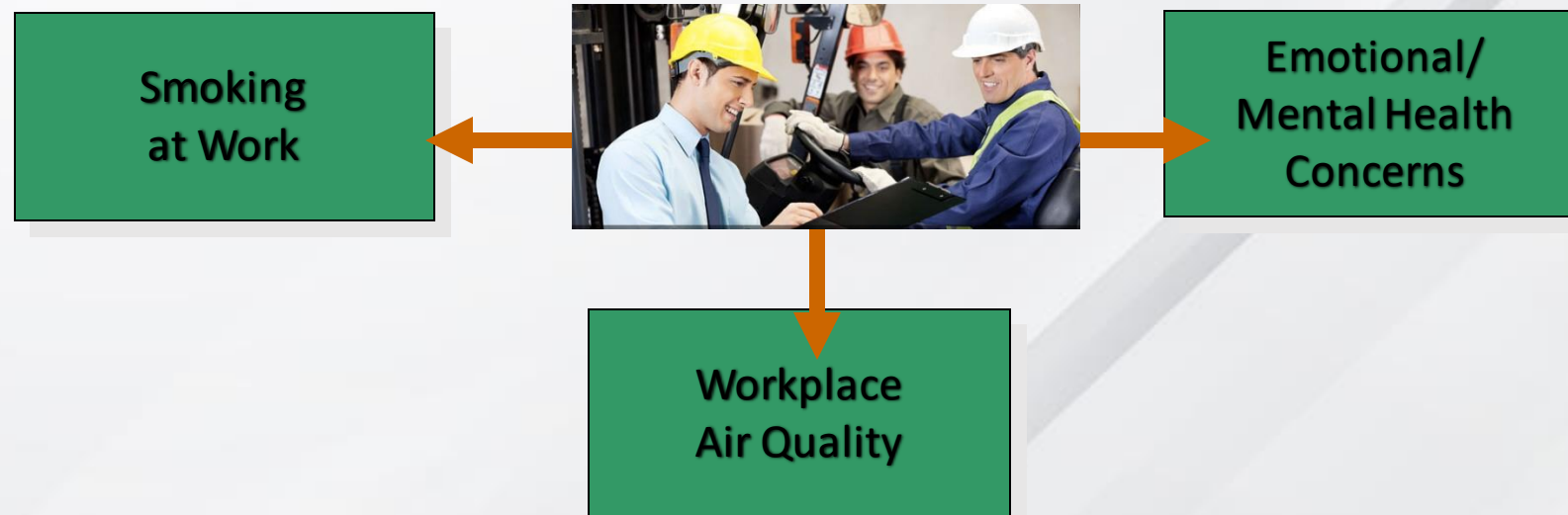
**Safety Training
and
Communications**

Phases of Accident Investigation



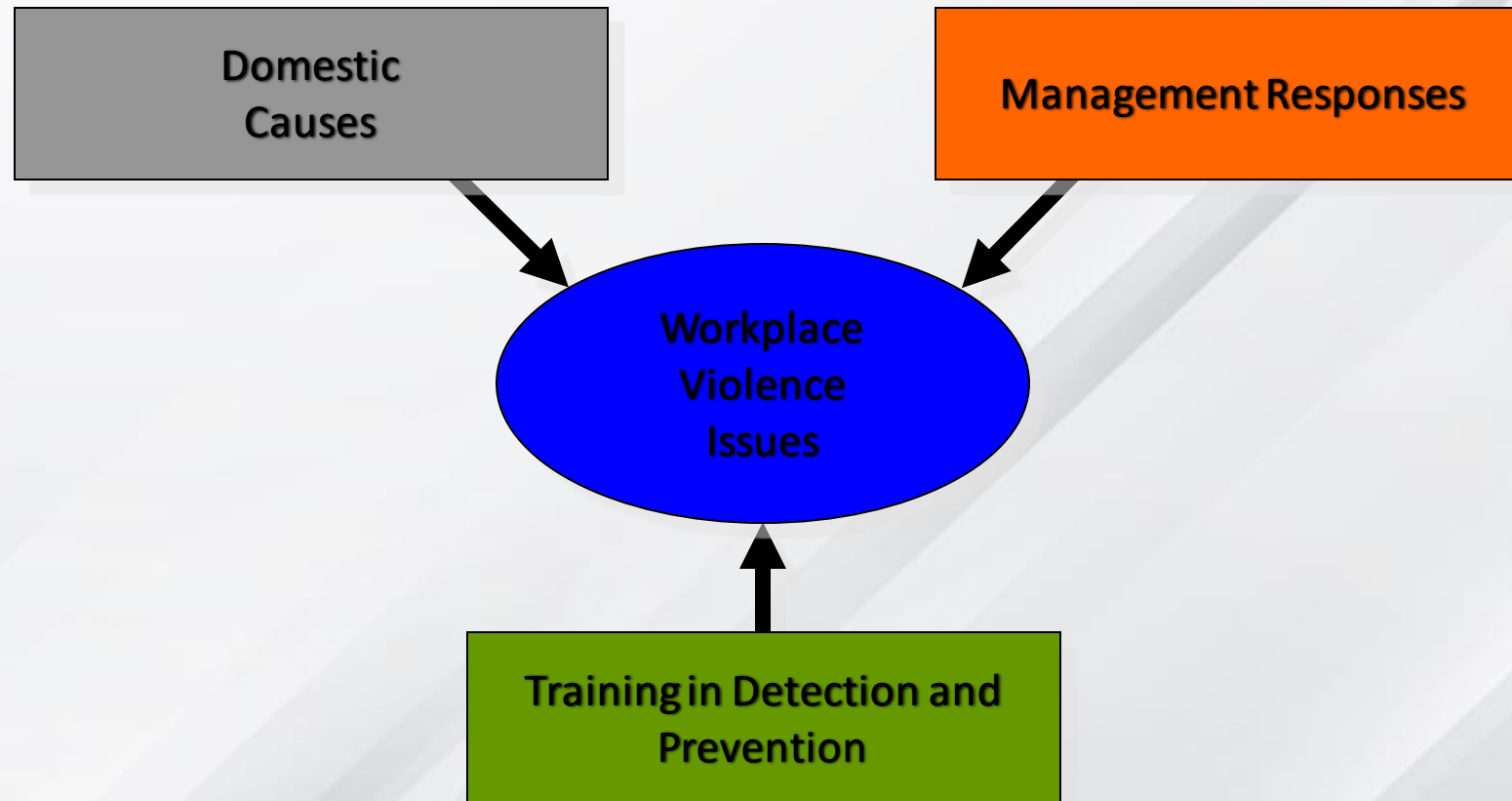
Figure 14-8

Workplace Health issues



	SITE SAFETY
	Dangerous site
	Hard hats, boots and hi visibility vests must be worn
	All visitors to this site must report to site office
	No unauthorised access
	Children must not play on this site

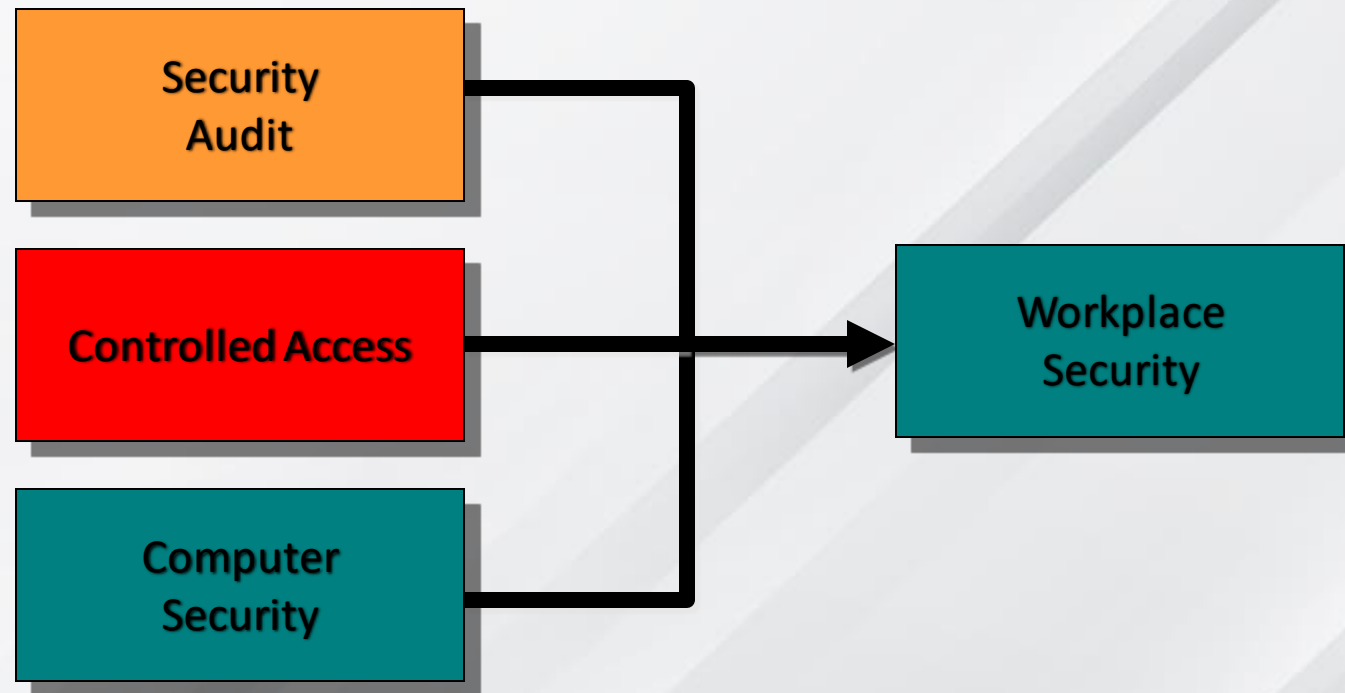
Workplace Violence



SECURITY

- **Top Eight Security Concerns at Work:**
 - Workplace violence
 - Internet/intranet security
 - Business interruption/disaster recovery
 - Fraud/white collar crime
 - Employee selection/screening concerns
 - General employee theft
 - Unethical business conduct
 - Computer hardware/software theft

SECURITY MANAGEMENT



Balancing Employer Security Concerns & Employee Rights

Right to Privacy

Defined in legal terms for individuals as the freedom from unauthorized and unreasonable intrusion into their personal affairs.

Privacy Rights and HR Records:

- Access to personal information held by employer
- Response to unfavorable information in records
- Correction of erroneous information
- Notification when information is given to a third party

Employee Records

- **HR Records' Security**

- Restrict access to all HR records
- Utilize confidential passwords to HRIS databases
- Place sensitive information in separate files and restricted databases
- Inform employees of types of data to retain
- Purge outdated data from records
- Release information only with employee's consent



SUMMARY

- BENEFIT
- BENEFITS AND HR STRATEGY
 - Competitive Advantage
 - Workforce Attraction and Retention
 - Benefits management components
 - Benefits Communication
- TYPES OF BENEFITS
- HEALTH, SAFETY, AND SECURITY
- APPROACHES TO EFFECTIVE SAFETY MANAGEMENT
- WORKPLACE HEALTH ISSUES
- WORKPLACE VIOLENCE
- SECURITY MANAGEMENT



Thank You