

COMPENSATION MANAGEMENT

HRM3705

Study unit 9 Employee Benefits

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Learning outcomes of study unit 9

Once you have completed study unit 9, you should be able to:

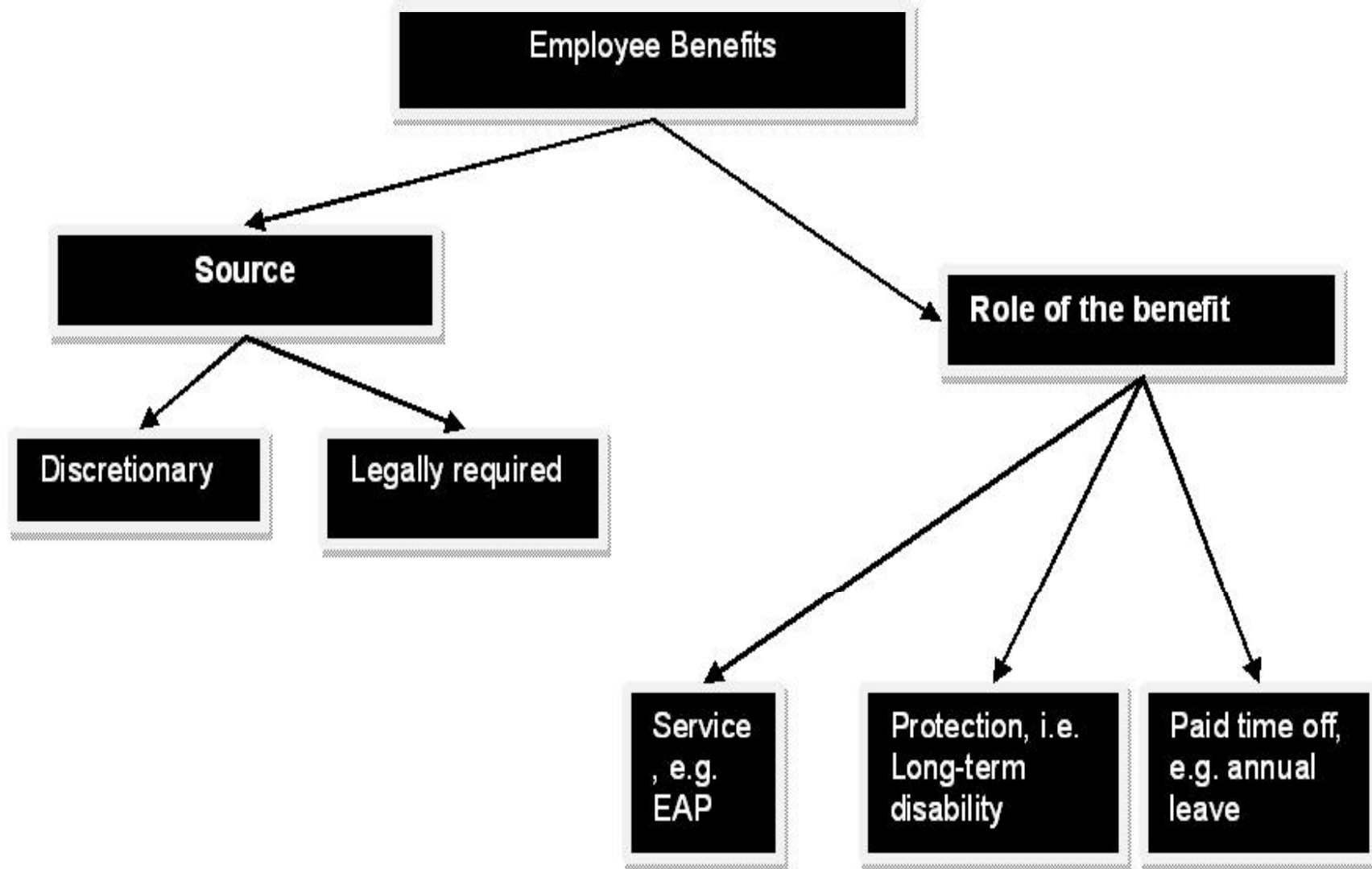
- Define discretionary employee benefits and discuss the role it plays in strategic compensation
- Discuss the purpose of employee benefits within the reward system
- Discuss the various types of employee benefits and their different roles
- Discuss flexible benefits as an alternative pay system
- Discuss the implications of discretionary benefits for strategic compensation
- Identify and discuss the different components of discretionary benefits
- Contrast between defined benefit plans and defined contribution plans
- Discuss the advantages and disadvantages of flexible benefit programs in terms of employee satisfaction and cost containment
- Identify and discuss legally required benefits
- Discuss some of the implications for strategic compensation and possible approaches to managing legally required benefits
- Understand the key role of communications in increasing the perceived value of benefits
- Discuss the considerations when designing and planning discretionary benefits programmes

Employee benefits – what is it?



Employee benefits are that part of the total compensation package, other than pay for part time worked, provided to employees in whole or part by employer payments (e.g. life insurance, pension worker's compensation, vacation)

Road-map to study unit



Discretionary benefits

- *What is it?*: Are those benefits that are not mandated by law
- Discretionary benefit types:
 - *Protection programs* -provide family benefits, promote health, and guard against income loss caused by such catastrophic factors as unemployment, disability, or serious illnesses
 - *Paid time-off* - provides employees time off with pay for such events as vacation
 - *Services* - provide enhancements such as tuition reimbursement and day care assistance to employees and their families

Flexible employee benefits

Flexible benefits schemes are systems that allow employees to vary their pay and benefits package to meet their personal requirements (Perkins & White, 2008:261)

Reasons for implementing flexible benefits

- Increasing employee choice
- Recruitment and retention
- Pro-active cost management
- Creating a uniform base to calculate contributions and premiums determined according to salary, remuneration, compensation or benefits
- The implementation of internal uniformity
- The simplification of packages to avoid any misunderstanding or confusion
- Control costs
- Setting a fair and transparent basis to determine packages; and
- Raising awareness and encouraging employees to appreciate their benefits.

Tips when introducing flexible benefits

- *Define business needs*
- *Obtain views of employees* about their benefits and the degree to which they would like them to be flexed
- *Decide on essential elements of the scheme*
- Decide how the scheme should be *administered* and develop administrative systems
- *Communicate (and educate)* on how the flexible benefits scheme works
- Provide for advice to employees as required

Discretionary benefits and Strategic compensation

- Promotes competitive advantage
- Can undermine imperatives of strategic compensation
- Promotes employee behaviors with strategic value
- Attracts quality employees
- Meets the needs of a diverse workforce

Legally required benefits

- These types of benefits are mandated by law and the systems necessary to administer such plans are well established
- These plans include Unemployment Insurance Fund, Skills Development, Regional Services Council and Compensation for Occupational Injuries and Diseases Act

Designing and planning issues

- Who received coverage
- Whether to include retirees in the plan
- Whether to deny benefits to employees during their probationary period
- Financing benefits
- Degree of employee choice in determining benefits
- Cost containment
- Communication

END OF STUDY UNIT 9 (Refer to the study guide for more detailed discussions on the topics presented here)