

EMPLOYEE BENEFITS

Shirley Nguyen ADM2337

SUMMARY

OUTCOME 1 Benefits are an established and integral part of the total compensation package. To have an effective benefits program, there are certain basic considerations. It is essential that a program be based on specific objectives that are compatible with the organization's philosophy and policies, as well as affordable. Through committees and surveys, a benefits package can be developed to meet employees' needs. Through the use of flexible benefits plans, employees are able to choose those benefits that are best suited to their individual needs. An important factor in how employees view the program is the full communication of benefits information through meetings, printed materials, and annual personalized statements of benefits.

OUTCOME 2 Since many benefits represent a fixed cost, management must pay close attention in assuming more benefit expense. Increasingly, employers are requiring employees to pay part of the costs of certain benefits. Employers also shop for benefits services that are competitively priced.

OUTCOME 3 Nearly one-quarter of the benefits packages provided by employers are legally required. These benefits include employer contributions to retirement plans, employment insurance, and workers' compensation insurance.

OUTCOME 4 The cost of health care programs has become the major concern in the area of employee benefits. Several approaches can be used to contain health care costs, including reduction in coverage, increased coordination of benefits, and increased deductibles. EAPs and wellness programs can also help cut the costs of health care benefits.

OUTCOME 5 Included in the category of benefits that involve payments for time not worked are vacations with pay, paid holidays, sick leave, and severance pay. Most Canadian workers receive 10 to 15 days' vacation leave plus statutory holidays. In addition to vacation time, most employees—especially in white-collar jobs—receive a set number of sick leave days. A one-time payment of severance pay may be given to employees who are being terminated.

OUTCOME 6 Many provinces have abolished mandatory retirement, and now employees can choose when to retire. However, many employers provide incentives for early retirement in the form of increased pension benefits or cash bonuses. Some organizations now offer preretirement programs, which typically include seminars, workshops, and informational materials.

OUTCOME 7 Once a pension plan has been established, it is subject to federal and provincial regulation to ensure that benefits will be available when the employee retires. Although two types of plans are available—defined benefit and defined contribution—most employers now opt for the latter. The amount an employee receives on retirement is based on years of service, average earnings, and age at the time of retirement. Usually, pension benefits are integrated with CPP/QPP. Pension funds are administered through either a trustee or an insurance plan.

OUTCOME 8 The types of service benefits that employers typically provide include EAPs, counselling services, childcare, and eldercare. Other benefits are prepaid legal services, financial planning, housing and moving, transportation pooling, credit unions, and social and recreational opportunities.

OUTCOME ONE: MANAGING EMPLOYEE BENEFITS PROGRAMS

- **2 factors of an effective benefits program:**
 1. Selecting benefits that target important employee needs while promoting strategic organizational objectives.
 2. Effective administration of benefits programs.

- **4 considerations of an effective benefits programs:**
 1. **Strategy Benefits Planning**
 - **5 main objectives of most benefits programs:**
 - I. Improve employee work satisfaction.
 - II. Meet employee health and security requirements.
 - III. Attract and motivate employees.
 - IV. Retain top-performing employees.
 - V. Maintain a favourable competition position.
 2. **Allowing for Employee Involvement**
 - Having employees participate in designing benefits programs helps ensure that management is moving in the direction of satisfying employee wants.
 3. **Benefits for a Diverse Workforce**
 - Employee benefits programs must reflect the social changes that Canada is constantly facing.
 - The changes in the diversity and lifestyles of the workforce make it necessary to develop new types of benefits to meet shifting needs.
 4. **Providing for Flexibility**
 - **Flexible Benefits Plans:** Also known as cafeteria plans; benefits plans that enable individual employees to choose the benefits that are best suited to their particular needs.

FIGURE 11.1

FLEXIBLE BENEFITS PLANS: ADVANTAGES AND DISADVANTAGES

Advantages	Disadvantages
<ul style="list-style-type: none"> • Employees select benefits to match their individual needs. • Benefit selections adapt to a constantly changing (diversified) workforce. • Employees gain greater understanding of the benefits offered to them and the costs incurred. • Employers maximize the psychological value of their benefits program by paying only for the highly desired benefits. • Employers limit benefit costs by allowing employees to “buy” benefits only up to a maximum (defined) amount. 	<ul style="list-style-type: none"> • Employers gain competitive advantage in the recruiting and retention of employees. • Poor employee benefits selection results in unwanted financial costs. • There are certain added costs to establishing and maintaining the flexible plan. • Employees may choose benefits of high use to them that might increase employer premium costs.

- It is critical that organizations effectively – and frequently – communicate the benefits package to employees.
- Benefits of a human resources information system (HRIS) are reduced costs, increased efficiencies, and accuracy.
 - Online benefits programs create a form of self-service administration.

OUTCOME TWO: CONCERNS OF MANAGEMENT

- Management must consider union demands, the benefits other employers are offering, tax consequences, and rising costs.
- The escalating cost of health care benefits is a concern to employers, who must strike an appropriate balance between offering quality benefits and keeping costs under control.

OUTCOME THREE: EMPLOYEE BENEFITS REQUIRED BY LAW

- **4 employee benefits required by law:**
 1. **Canada and Quebec Pension Plans (CPP/QPP)**
 - The Canada and Quebec pension plans cover almost all Canadian employees between the ages of 18 and 70.
 - To receive a retirement benefit, an individual must apply to Human Resources and Social Development Canada at least six months in advance of retirement.
 - Both CPP and QPP require employers to match the contributions made by employees.
 - **3 types of benefits paid by CPP/QPP contributions:**
 - I. **Retirement pensions**
 - II. **Disability benefits**
 - III. **Survivors' benefits**
 - All Canadian workers have "universal portability," that is, the right to claim benefit credits wherever they are employed in Canada.
 2. **Employment Insurance (EI)**
 - Payable to claimants who are unemployed and are actively seeking employment.
 - The amount of benefit paid is determined by the number of hours of employment in the past year and the regional unemployment rate.
 - Individuals are entitled to unemployment insurance after they have contributed enough for a qualifying period and after a waiting period.
 - Employees who resign from their jobs or who are terminated for cause may be ineligible for benefits unless they can prove there was no reasonable alternative to leaving their jobs.
 3. **Workers' Compensation Insurance**
 - **Workers' Compensation Insurance:** Insurance provided to workers to defray the loss of income and cost of treatment resulting from work-related injuries or illness.
 - It was created by an act of Parliament to help workers injured on the job return to the workplace.
 - Benefits are paid out of an employer-financed fund and include medical expenses stemming from work-related injuries, survivors' benefits (including

burial expenses and pensions), and wage loss payments for temporary, total, or partial disability.

4. **Provincial Hospital and Medical Services**

- People who have been resident in a Canadian province for 3 months are eligible to receive health care benefits.
- Benefits include services provided by physicians, surgeons, and other qualified health professionals; hospital services such as standard ward accommodation and laboratory and diagnostic procedures; and hospital-administered drugs.
- Many employers offer third party benefit coverage – entitles employees to additional benefits such as semiprivate or private accommodation, prescription drugs, private nursing, ambulance services, out-of-country medical expenses that exceed provincial limits, vision and dental care, and paramedic services.

OUTCOME FOUR: HEALTH CARE BENEFITS

- In the past, health insurance plans covered only medical, surgical, and hospital expenses.
- Today, prescription drugs, as well as dental, optical, and mental health care benefits are included in the packages employers offer their workers.
- Approaches used to contain the cost of health care benefits include reductions in coverage, increased deductibles or co-payments, and increased coordination of benefits to ensure that the same expense is not paid by more than one insurance reimbursement.
- Employee assistance programs and wellness programs can help organizations cut the costs of health care benefits.

FIGURE 11.4

COST CONTAINMENT STRATEGIES

Employers can reduce the cost of benefits in the following ways:

1. Education and Motivation

- Communicate the costs of benefits.
- Provide incentives to employees to reduce costs.
- Teach employees how to live healthy lifestyles and how to plan for retirement.

2. Change Coverage

- Introduce dollar limits on benefits.
- Eliminate duplicate coverage for spouses.

- Remove upgrades.

- Introduce minimum fees to be paid by employees.

3. Change the System

- Form partnerships with pharmacies to provide discounts.
- Move to defined-contribution plans.
- Move to a claims management approach and audit claims.

OUTCOME FIVE: PAYMENT FOR TIME NOT WORKED

- **4 types of "payment for time not worked:"**
 1. **Vacations with Pay**
 - Eligibility for vacations varies by industry, locale, and size of the organization.
 2. **Paid Holidays**
 - Both hourly and salaried workers can expect to be paid for statutory holidays as designated by each province.
 - Ex. New Year's Day, Good Friday, Victoria Day, Canada Day, Labour Day, Thanksgiving Day, and Christmas Day.
 3. **Sick Leave**
 - Employees who cannot work because of illness or injury are compensated in various ways.
 - Another alternative, depending on the situation, is workers' compensation insurance.
 4. **Severance Pay**
 - **Severance Pay:** A lump-sum payment given to terminated employees by an employer at the time of an employer-initiated termination.
 - **3 guidelines of severance pay based on court decisions:**
 - I. 2 weeks per year of service for those working as labourers, production workers, and administrative support staff.
 - II. 3 weeks per year of service for those employed in technical, professional, supervisor, and managerial jobs.
 - III. 4 weeks per year of service for those employed as senior managers.
 - Employers that are downsizing often use severance pay to soften the impact of unexpected termination on employees.

OUTCOME SIX: LIFE INSURANCE

- The purpose is to provide financial security to the dependants of the employee in case of his or her death.

OUTCOME SEVEN: RETIREMENT PROGRAMS

- When convincing job applicants to work for them, employers usually emphasize the retirement benefits that can be expected after a certain number of years of employment.
- To avoid making layoffs and to reduce salary and benefits costs, employers often encourage early retirement (often in the form of a silver handshake).
 - **Silver Handshake:** An early retirement incentive in the form of increased pension benefits for several years or a cash bonus.

- For employees, the main factors in a decision to retire early are health, personal finances, and job satisfaction.
- Less factors include an attractive pension and the possibility of future layoffs.
- Preretirement programs include seminars and workshops, where lectures, videos, and printed materials are offered.
 - Usually they cover topics such as how to live on a reduced, fixed income and how to cope with lost prestige, family conflict, and idleness.

OUTCOME EIGHT: TYPES OF PENSION PLANS

- Pensions are based on an earnings philosophy – they are seen as deferred income that employees accumulate during their working lives.
- Pension belongs to the employee after a specified number of years of service whether or not they remain with the employer until retirement.
- Most private pension plans and a significant number of public plans now integrate their benefits with CPP/QPP benefits.
- **2 types of pension contributions:**
 1. **Contributory Plan:** A pension plan in which contributions are made jointly by employees and employers.
 2. **Non-contributory Plan:** A pension plan in which contributions are made solely by the employers.
- **2 types of pension plans classified by the amount of pension benefits are paid:**
 1. **Defined-Benefit Plan:** A pension plan in which the amount an employee is to receive on retirement is specifically set forth.
 - A deduction is made each year the retiree is under 65 according to a predefined formula.
 - This amount is usually based on the employee's years of service, average earnings during a specific period of time, and age at the time of retirement.
 - The formula most often used is based on the employee's average earnings (usually over a 3 to 5 year period of service with the organization).
 - Less popular with employers because they cost more and because they require compliance with complicated government rules.
 2. **Defined-Contribution Plan:** A pension plan that establishes the basis on which an employer will contribute to the pension plan.
 - Ex. Profit sharing, employers matching employee contributions, and employer-sponsored registered retirement savings plans (RRSPs).
 - RRSPs allow for funds to accumulate tax-free until they are withdrawn.
 - Withdrawals from RRSPs before retirement will result in taxes.

- The size of the pension the employee will get is determined by the funds in his or her account at the time of retirement and what retirement benefits these funds will purchase.
- Not as predictable/secure as defined-benefit plans.

OUTCOME NINE: EMPLOYEE SERVICES – CREATING A WORK-LIFE SETTING

○ **5 employee services:**

1. **Creating a family-friendly setting**

- Allow employees to balance work and personal needs.
- These programs help employees manage their time; employers benefit by attracting good workers, and reducing the various interruptions that affect workplace productivity.

FIGURE 11.5

FAMILY-FRIENDLY BENEFITS: BALANCING WORK AND HOME NEEDS

- Childcare/eldercare referral services
- Time off for children's school activities
- Employer-paid on-site or near-site childcare facilities
- Flexible work hours scheduling
- Employee-accumulated leave days for dependant care
- Subsidized temporary or emergency dependant care
- Extended leave policies for childcare/eldercare
- Sick child programs (caregiver on call)
- Work-at-home arrangements/telecommuting
- Partial funding of childcare costs
- Customized career paths

2. **Employee assistance programs**

- **Employee Assistance Programs:** Services provided by employers to help workers cope with a wide variety of problems that interfere with the way they perform their jobs.
- Provides diagnosis, counselling, and referral services for alcohol or drug problems, emotional problems, and financial or family crises.
- The point of EAPs is to help employees solve their personal problems or at least to prevent those problems from turning into crises that affect their ability to work productively.

3. **Counselling services**
 - Most organizations refer these employees to outside services such as family counselling services, marriage counsellors, and mental health clinics.
4. **Childcare and eldercare**
 - **Eldercare:** Care provided to an elderly relative by an employee who remains actively at work.
 - To reduce the negative effects of caregiving on productivity, organizations can offer eldercare counselling, educational fairs and seminars, printed resources, support groups, and special flexible schedules and leaves of absence.
5. **Other services**
 - Ex. Legal services, financial planning, housing and moving expenses, transportation pooling, credit unions, and recreational and social services.
 - Can include miscellaneous services as well – Ex. free tickets, car washes.