

# Employee benefits and trends in the workplace

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**Abstract:** Employee benefits are more than an important tool for companies around the world - they play a critical role in social and economic infrastructures as well. Benefits programs supplied by employers often end up filling gaps in national health and retirement systems. The paper provides a theoretical-analytical view of the employee benefits and trends in the workplace. In theoretical analysis the paper presents the employee benefits advantage: leveraging a global perspective and most important benefits objectives in some countries. Part of the article are the results of research, which deal with frequency of benefits program and types of benefits that increased or decreased in the last 12 months.

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**JEL Classification:** M12, M5.

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## 1. Introduction

For most companies, employee benefits programs represent not only one of their most significant investments, but also a major opportunity to establish a competitive advantage. In an effort to seize this opportunity, organizations are looking to transform their human resource function and to develop a strategic approach that addresses cost and operational performance. Employers need creative, hands-on support and objective, professional advice. Decisions made today about benefits and compensation issues can influence corporate success for years to come.

## 2. Literature review

The human resources management is an integral part of the management process, put differently, managers need to understand the critical importance of people in their organizations so as to recognize that the human element and the organization are synonymous. Therefore, it is imperative to compensate an employee with benefits, if he merits it. Cascio (2003) opines that because of the importance that compensation holds for people's lifestyle and self esteem, individuals are very concerned about what they are paid: a fair and competitive wage, while organizations are also concerned about what they pay because it motivates important decisions of employees about taking a job, leaving a job and on the job performance.

Compensation as a concept according to (Bernadin 2007) refers to all forms of financial returns and tangible benefits that employee receives as part of employment relationship. Compensation as it were is divided into two parts and these are cash compensation which is the direct pay provided by employer for work performed by the employee and fringe compensation which refers to employee benefit programs. Cash compensation has two elements which include base pay and pay contingent. Base pay has to do with hourly or weekly wages plus overtime pay, shift differential and uniform allowance while pay contingent is concerned with performance allowances such as merit increases, incentive pay bonuses and gain sharing. Fringe compensation on the other hand refers to employee benefits programs. Fringe compensation also has two parts to it which are legally required benefit programs and discretionary benefits. Legally required benefit programs include social security, workers compensation while discretionary programs include health benefits, pension plans, paid time off, tuition reimbursement, recognition award, foreign service premiums, responsibility allowance, child care, on campus accommodation, promotion, annual increment and a host of others (Cascio 2003, Dessler 2005, In: Bernadin 2007). Benefits, in a nutshell are the indirect financial and non financial payments employees receive for continuing their employment with an organization. The concept of employee compensation and benefits cannot be discussed in a vacuum. Various studies have established that salaries and benefits are closely related to job satisfaction (Lifer 1994, In: Odunlade 2012) and job satisfaction can bring about motivation which in turn affects employee job performance and organizational commitment.

International Accounting Standard IAS 19 identifies and classifies benefits into five categories namely: *short-term employee benefits, post-employment benefits, other long-term benefits, benefits for the employment termination contract, compensation in the form of the equity participations.*

*Short-term employee benefits* include the following items:

- allowances, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid medical leave), where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service;
- profit participations and bonuses payable within twelve months after the end of the period in which the employees render the service, and,
- non-monetary benefits (such as medical care, housing, cars and goods or free services, or subsidized) for the current employees.

*Post-employment benefits* include:

- withdrawal benefits, such as retirement, and
- other post-employment benefits, such as post-employment life insurance and post-employment medical care.

*Other long-term benefits*, as IAS 19 exemplified, include:

- long-term compensated absences, such as the departures after a long-service or the long-term departures, with and without employment guarantees;
- jubilee or other long-term benefits;

- the benefits for the long-term unavailability;
- participation in profits and payable bonuses over a period of twelve months or more after the period in which the employees provides the service concerned, and
- deferred compensation paid during a period of twelve months or more after the end of the period in which they are earned (Mirea et al. 2012).

Among benefits trends may include:

- **Wellness programs.** Healthy employees are more focused and productive. That may be why a 2015 survey of over 400 employers by the Society for Human Resource Management found that 80 percent of respondents currently offer wellness resources and information, while 5 percent plan to offer the benefit in the next 12 months. These programs can take a number of forms depending on what the company feels would benefit employees. Evren Esen, director of survey programs at SHRM, says she's seen an increase in health and lifestyle coaching, smoking cessation programs and incentives or bonuses for employees who participate in fitness programs or complete health assessments. Interestingly, 11 percent of respondents in the SHRM survey even offered on-site massage therapy, which ties in with overall health and wellness. "A lot of employers are finding that wellness programs are helping not only to encourage their employees to be healthier, which impacts healthcare costs," Esen says, "but create a sense of community within their organizations."
- **Financial fitness.** Financial health can contribute to emotional and physical health, so a growing number of employers now provide resources to help employees manage and invest their money. This can take the form of online resources, one-on-one financial advising, seminars on saving for retirement or paying for college and more. In fact, Aon's 2015 Hot Topics in Retirement report found that 93 percent of 250 employers surveyed said they are very or moderately likely to expand their focus beyond retirement to other aspects of financial wellness. "Employers are seeing that having people who are more financially literate should help them reduce their stress and help them become better, healthier employees," says Rob Austin, director of retirement research at Aon Hewitt. "[They want to] make sure people don't spend their time on the job dealing with creditors."
- **High-deductible health plans.** Employers face higher health care costs, and many are shifting these expenses onto employees in the form of surcharges for insuring a spouse who has access to insurance through his or her own employer and higher deductibles. The Kaiser Family Foundation's 2015 Employer Health Benefits Survey found that the average deductible amount for workers in plans with deductibles has nearly doubled the past decade.
- **More transparency around retirement account fees.**
- **Greater automation and integration of benefits.** Some employers who used to handle paperwork by hand are moving toward online systems that automate the process. "Clients want to automate delivery of information to us for enrollments, terminations or from their carrier for claims processing," Lanier says. "By integrating that with your [insurance] carrier, you don't have to remember to file that claim to get reimbursed." While it helps employers reduce administrative headaches, it's also good news for employees, because it potentially means faster and easier reimbursements.

### The employee benefits advantage: leveraging a global perspective

Employers considering ways to improve the quality and effectiveness of their employee benefits plans can gain valuable insights by examining the experiences and practices of companies in their home markets and in other countries. Benefits practices vary significantly from country to country based on government social programs, size and competitiveness of labor markets, and national culture and tradition. For example, in Australia retirement saving is conducted through government-mandated superannuation funds, and as a result, employers generally do not offer employee pension programs. The situation is much different in the United Kingdom, where private-sector pension plans have a long and important history, and nearly 95% of employers offer pensions. Because such differences also exist in healthcare and various types of insurance, many decisions about benefits strategy are best made at the local level with a full understanding of business norms and employee expectations. However, employers should not overlook the impact of globalization on established benefits practices.

Globalization is altering national economies and transforming workers' needs and expectations. At the same time, multinational companies expanding into new markets are importing their own notions of benefits strategies and integrating them into the host nation's economy and culture. Over time, this process is producing new models that can

influence the benefits decisions not only of multinationals, but also of local companies looking for the right benefits models for their own rapidly changing domestic markets. Globalization is accelerating the development process. Even in economies with significant labor surpluses, the growing demand for highly skilled professionals is intensifying the competition for workers in certain specialized industries and regions. This dynamic has had a direct impact on the value employers are placing on retaining employees and increasing employee productivity. The following Table 1 presents most important benefits objectives in some countries (Study of International Employee Benefits Trends 2007).

COUNTRIES	Most important benefits objectives		
INDIA	Controlling health and welfare benefits costs; Increasing employee productivity	Helping employees make better financial decisions	Addressing more of employees' different needs
MEXICO	Increasing employee productivity	Increasing employee job satisfaction	Controlling health and welfare benefits costs
AUSTRALIA	Retaining employees	Increasing employee productivity	Increasing employee job satisfaction
UNITED KINGDOM	Retaining employees	Attracting employees	Increasing employee job satisfaction
UNITED STATES	Retaining employees	Controlling costs	Increasing employee productivity

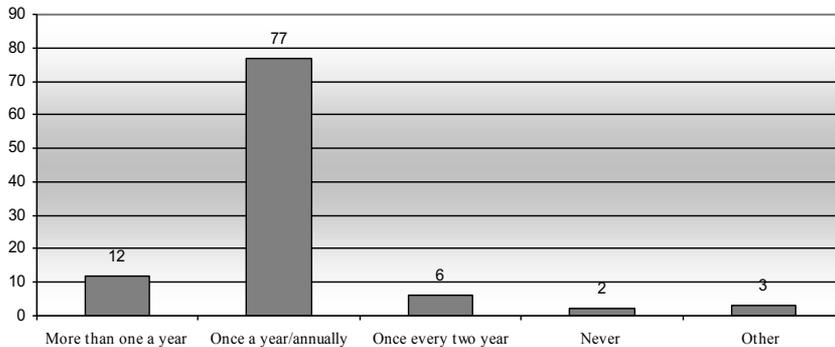
**Table 1 Most important benefits objectives in some countries**

### 3. The current state of the issue

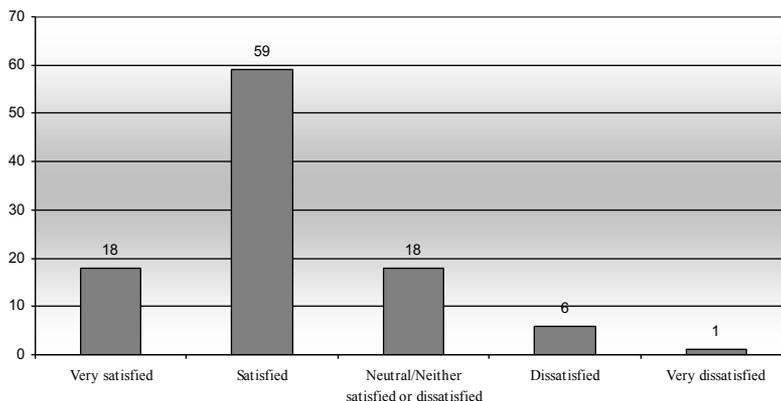
The current surveys of employee benefits and trends was conducted in January and February 2016. The Society for Human Resource Management (SHRM) conducted its annual survey to gather information on the types of benefits employers offer to their employees. A sample of human resources (HR) professionals was randomly selected from SHRM's membership database, which included approximately 275,000 individual members at the time the survey was conducted. In January 2016, an e-mail that included a hyperlink to the Employee Benefits Survey was sent to 25,000 randomly selected SHRM members. Of these, approximately 24,000 e-mails were successfully delivered to respondents, and 3,490 HR professionals responded.

The survey includes data from organization sector: privately owned for-profit (53%), nonprofit/not-for-profit organization (20%), publicly owned for-profit (15%), government (12%) and data from organization industry: manufacturing (22%), professional, scientific and technical services (19%), health care and social assistance (16%), administrative, support, waste management and remediation services (13%), educational services and finance and insurance (11%), government agencies (8%) and others.

In a recent SHRM study, the top three benefits employees rated as very important to their job satisfaction were paid time off (63%), health care/medical benefits (62%) and flexibility to balance life and work issues (53%). Whereas flexibility benefits may be less costly to offer, providing competitive paid time off and health care benefits requires a strategic review of all benefits offerings in order to control costs while still offering a compensation and benefits package that will attract and retain top talent. This is especially important in the current talent marketplace, where more than two-thirds of organizations report difficulty filling full-time positions. Most organizations (89%) review their benefits package annually or more frequently, allowing the opportunity to adjust benefits according to changing supply and demand for talent as well as changing employee priorities. The following graphs (1 – 2) present results of the frequency of benefits program review and HR professionals' perceptions of overall employee satisfaction with their organization's benefits offerings



**Graph 1 Frequency of benefits program review (results in percentage)**



**Graph 2 HR professionals' perceptions of overall employee satisfaction with their organization's benefits offerings (results in percentage)**

**Business travel benefits:** The majority of organizations offered parking reimbursement at the airport while on business travel (88%) and reimbursement for a taxicab or car service to and from the airport (87%). Overall, business travel benefits remained the same or decreased over the past five years, with one exception—significantly more organizations offered per diem for meals compared with 2012. The largest decrease (17 percentage points) over the last five years was for reimbursement of personal telephone calls while on business travel. Although rarely offered, paid travel expenses for others decreased compared with both five years ago (2012) and one year ago (2015). Finally, fewer organizations offered first or business class airfare for domestic travel than in 2015.

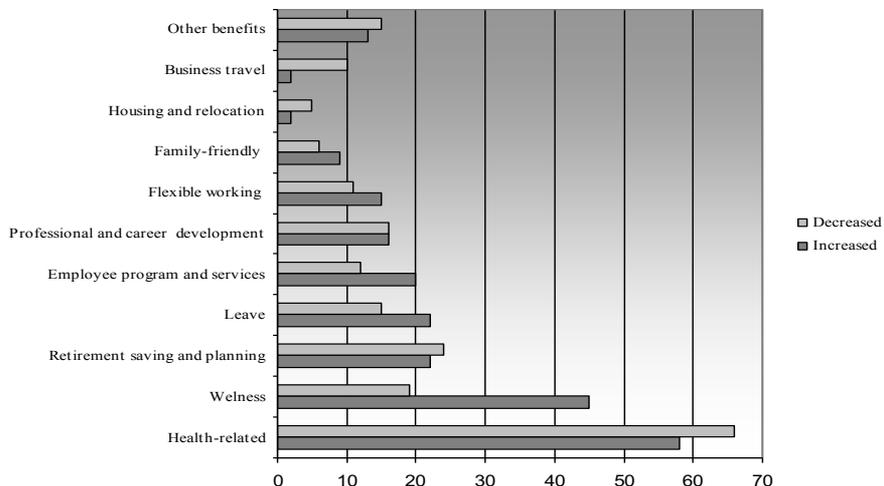
**Employee programs and services:** The top two benefits in this category were a break room or kitchenette (93%) and free coffee (78%). Looking back two decades, only 13% of organizations offered legal assistance/services, significantly less than 25% this year, which is also a five year increase from 2012. Employer-sponsored personal shopping discounts increased significantly in the last five years (2012) and in the last year (2015). Several other five-year trends were found: More organizations offered free/ discounted uniforms and pet health insurance, and fewer offered onsite ATMs, a subsidized onsite cafeteria, postal services, executive club memberships and foreign language.

**Financial and compensation benefits:** By a large margin, the top two benefits offered over the past five years have been free onsite parking (84%) and company-paid group life insurance (80%). Looking at 20-year trends, with the exception of transit subsidies, which remained unchanged, all comparable benefits have decreased. Most notably, credit union membership decreased 47 percentage points from 70% to 23%. Other decreases in descending order by the greatest differences were: employee stock purchase plan, parking subsidy, loans for emergency/ disaster assistance, discounts on company services and matching employee charitable contributions. For example, several monetary bonus benefits have increased over the past five years: employee referral bonuses, spot/bonus awards, sign-on bonuses for executives and nonexecutives, as well as retention bonuses for nonexecutives. Two new technology-related benefit categories were added in 2016: a stipend for cell phone or smartphone purchase for employee-owned device (20%) and a stipend/subsidy for using employee-owned technological devices (e.g., computers, tablets) for work (12%).

**Flexible working benefits:** The majority of organizations offered casual dress on a daily, weekly or seasonal basis (83%), and more than one-half offered telecommuting benefits (60%) and flextime (54%). Since 1996, there has been a threefold increase in the percentage of organizations offering telecommuting benefits, whereas flextime and compressed workweeks have remained the same. Job sharing decreased from 24% in 1996 to just 10% in 2016. In the past five years, telecommuting on an ad-hoc basis has increased 11 percentage points and mealtime flex went up by five points. Decreases were found for break arrangements, telecommuting on a part-time basis and compressed workweeks.

**Professional and career development benefits:** Most organizations offered employees professional memberships (88%) and either offsite or onsite professional development opportunities (86%), both of which have increased over 20 years. Compared with 2012, career counseling has increased, as have mentoring programs compared with 2015. A new professional and career development benefit question for 2016, executive coaching was offered by 16% of organizations.

Within the last 12 months, the majority of organizations (60%) indicated that the amount of benefits their organization offered remained the same, one-third (33%) reported an increase and 7% reported a decrease in benefits. These percentages are similar to changes from 2014 to 2015. Organizations that increased their benefits were most likely to increase health-related: 58% or wellness: 45% benefits. About one out of five organizations improved retirement savings and planning benefits: 22%, leave benefits: 22% or employee programs and services: 20% (Graph 3). Of the 7% of organizations that decreased overall benefits, two-thirds (66%) reduced health-related benefits, followed by one-quarter (24%) that reduced retirement savings and planning benefits. Wellness benefits came in third on the list, at 19% (Mulvey, 2016).



**Graph 3 Types of benefits that increased or decreased in the last 12 months**

#### 4. Conclusions

Employee benefits are optional, non-wage compensation provided to employees in addition to their normal wages or salaries. These types of benefits may include group insurance (health, vision, life etc.), disability income protection, retirement benefits, daycare, tuition reimbursement, sick leave, vacation (paid and non-paid), funding of education, as well as flexible and alternative work arrangements. Regardless of whether you are developing an alternative work arrangement or increasing the flexibility of your benefit program, it is important to understand what motivates employees and what culture you are building in your organization. The better able you are to align the two together, the increased success you will have. Based on the results of the survey can say that the top three benefits employees rated as very important to their job satisfaction were paid time off, health care/medical benefits, and flexibility to balance life and work issues. Most organizations review their benefits package annually or more frequently, allowing the opportunity to adjust benefits according to changing supply and demand for talent as well as changing employee priorities.

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