

- include security, health care, retirement, financial, family oriented, and time off.
- Major legally required benefits are Social Security, Medicare, workers' compensation, and unemployment compensation.
 - Organizations provide retirement benefits through defined benefit or defined contribution plans. Use of defined contribution and cash balance retirement plans is growing.
 - Retirement programs are governed by several federal laws including ERISA and ADEA.
 - Recent federal legislation now requires employers to provide health care benefits to their employees.
 - Because health care benefits costs have increased significantly, employers are managing their health benefits costs more aggressively by increasing employee copayments and employee contributions, limiting spousal coverage, using managed care, and switching to consumer-driven health (CDH) plans.
 - Federal laws allow former employees to continue their group medical insurance after leaving employment and limit the use of pre-existing condition limits for new plan participants.
 - Various types of financial services, insurance benefits, relocation assistance, education assistance, and other benefits enhance the appeal of an organization to employees.
 - Family oriented benefits include complying with the Family and Medical Leave Act (FMLA) of 1993 and offering adoption benefits, child-care assistance, and elder-care assistance.
 - Holiday pay, vacation pay, various leaves of absence, and paid-time-off plans are another means of providing benefits to employees.

CRITICAL THINKING CHALLENGES

1. Why are benefits strategically important to employers, and what are some key strategic considerations?
2. Discuss the following statement: "Health care costs are out of control in the United States, and increasing conflicts between employers and employees are likely as employers try to reduce their health benefits costs."
3. Assume that as an HR staff member, you have been asked to research consumer-driven health plans because your employer is considering implementing one. Go to a leading benefits information resource, *Employee Benefit News*, at www.benefitnews.com, and identify the elements of a successful CDH plan and some examples of firms that use such a plan.
4. Based on the information discussed in the chapter, how would you oversee the design (or redesign) of a benefits program in a large organization? What issues would you consider?
5. Your company now has more than 60 employees. The controller has been handling all of the HR functions including administration of the company's benefits. You are considering outsourcing HR to enable the company's activities to best meet the needs of the company. Visit www.corbar.com to assist you in this process.
 - A. What are the benefits of outsourcing HR?
 - B. Based upon your research, what are the best ways of benefiting the company?

Week 4

CASE

Creative Benefits Tie Employees to the Company

Offering employee benefits can be a cost-effective way to attract and motivate high-quality talent.

Some companies have discovered that benefits can be a creative way to connect their employees to the

company, and in the process they improve employee retention, engagement, and productivity.

Gaia Online allows employees to unleash their creative potential by decorating their office space in any way they choose. The company employs many artists and creative types, so this is a natural extension of their personalities and skills. This low-cost benefit leads to more engaged and happier employees because they can express themselves and customize their work space to their tastes.

Food and energy products company, Clif Bar, helps employees commute to work in environmentally friendly ways. The company will pay a worker \$500 toward the cost of a commuter bicycle for travel to work. Employees who buy hybrid, biodiesel, or natural gas engine automobiles can get up to \$6,500 from the company. The company philosophy includes making employees healthier and more relaxed, an extension of its product line of healthy foods and snacks.

Imagine hanging fabulous art in your home for a fraction of its cost. If you work at the University of Minnesota Twin Cities' Weisman Art Museum, you can rent artwork for \$40 per year and hang it in your home to enjoy. The museum makes pieces available to students and employees so that it can be appreciated and valued. It's a small price to pay for building the connections between employees and the museum.

Netflix empowers employees to manage their work schedules without micro-managing their time. Unlimited vacation is provided to employees with the requirement that they get their work

done. Performance isn't measured by hours in the seat, but by end results. Employees must work effectively and produce expected outcomes. But no one makes them track hours or come to the office for "face time". Netflix management demands outstanding performance in exchange for this flexibility and routinely terminates employees who are "adequate" performers.

These are examples of unique benefits that companies have implemented to more closely tie employees to the company's mission and strategy. Creative benefits can be designed in ways that reflect the company's culture and philosophy. By offering employees benefits that reinforce the company's values and strategies, employees are more likely to remain engaged and productive.⁶⁹

QUESTIONS

1. What are the advantages and disadvantages of offering unique and creative benefits to employees?
2. How would an organization determine the types of benefits that employees might want? What methods of collecting this information would you recommend a company use if the goal is to enhance the employer's ability to attract and retain high-quality talent?
3. What are the pros and cons of allowing individual managers to design and offer creative benefits to their employee group? How would it impact overall company morale if the benefit offerings are not universal?

SUPPLEMENTAL CASES

Delivering Benefits

This case explores how FedEx provides benefits to its employees. (For the case, go to www.cengage.com/management/mathis.)

Benefiting Connie

This case describes the problems that can occur when trying to coordinate time-off leaves for

employees. (For the case, go to www.cengage.com/management/mathis.)

Strategic Benefits at KPMG Canada

This case explores how KPMG Canada updated its benefit program by involving employees in the design process. (For the case, go to www.cengage.com/management/mathis.)