

How Benefits Can Work for You

When you own and manage your own company, from the moment you hire your first employee there is always a question that arises – when do we introduce or provide benefits for our employees.

The answer is It depends!

I realize that sounds glib; however, it really does depend on:

- What you are trying to achieve for your company from a business goal or strategy perspective;
- What the current and forecasted economic conditions are for the talent pool or skills you are trying to hire and retain;
- How essential it is that you retain employees or for how long you will require help.

Benefits are a well known, tried and true tool for attracting and retaining employees but the issue that arises for most small to medium size businesses are the costs associated with offering them. So while offering a pension plan may be out of the question, you could consider offering a partial or matching contribution to a Registered Retirement Savings Plan. These are easily set up through your regular financial institution.

Benefits form part of an employee's total compensation plan, so when you decide to offer them you need to factor this into your overall compensation strategy. The time to do this is when you do your regular business strategy planning. Some questions to ask are:

- Do you require employees to build long-term relationships with clients?
- Will you need to invest in significant training?
- Do you require scarce skills?
- Are you able to handle a reasonable rate of employee turnover?

If you answered yes to any of the first 3 and no to the last, this describes a situation where you want to retain your employees. And benefits can help.

As you do your business planning, review current and forecasted economic conditions for employment in the skills you require. For example, in Alberta, with the present skill shortages, coffee shops are offering retention bonuses of 50" flat screen TV's to employees who stay for a minimum of 6 months. If you are competing for talent, look at what your competitors are offering. In a tight market, at a minimum, you will need to match the competition. Keep in mind that you may be able to gain a competitive advantage if you ask potential and current employees about what they want and need. I faced a recent situation where a potential recruit turned down our offer, which included benefits, in favour of another offer that was all cash salary. Her reason was because her spouse already had full benefit coverage and they were trying to pay off their mortgage as quickly as possible. Cash, for her, was more important.

If you have not previously included benefits you may be paying a higher hourly wage or annual salary than your competitors who are. When you decide to offer benefits for the first time, one strategy is to forego the annual salary/wage increase. This will allow you to not only fund the cost of the benefits but also keep your employee's overall

compensation package in line with the market. If, however, the addition of benefits means that you can hire better talent and retain them, thereby increasing your revenue/profits, you may want to consider doing both, i.e. increasing wages/salary and including benefits.

It is important to communicate changes well in advance to your employees so they understand what their total pay package is comprised of. If you have competitive information, be sure to share that as well. There are many ways to obtain this information, through formal compensation surveys (available through consulting firms specializing in compensation or HR practices – expensive but necessary if you require specialized or targeted information), web surveys (relatively inexpensive but very general information), recruitment firms (cost can be negotiated as part of any other business you may doing with them) or by asking potential recruits and current employees. You may also be able to get some information from your local Chamber of Commerce or business association.

When you decide that you are going to add benefits to your compensation strategy, it's best to start out with low cost/high return options:

- Profit sharing, making sure there is a direct linkage to performance, i.e., strong performers receive a greater share. It provides motivation for employees to perform well. You obviously benefit if profits increase. And the employees who are performing well are more likely to stay.
- Offer outside training or attendance at industry conferences as a benefit. Employees learn, develop new competencies, and bring back ideas for implementation. Once again, the company also benefits - from increased productivity and/or sales.
- Pay a portion of medical, dental fees. There is no need to set up a medical or dental plan. It is easiest and fairest to pay a % of the base pay as a lump sum, each pay period for this purpose. With this option, be sure to consult your tax advisor as there are ways to set this up to save your employees taxes as well.
- Provide personal days off. Consider providing a couple of days each year, in addition to vacation time, that employees can use for doctors appointments, attending school events, teacher interviews or other personal errands. This will not only demonstrate that you recognize everyone has busy lives, but you will also likely see a reduction in sick days as employees often call in "sick" in order to attend to personal needs.

Ensure all of these offerings are linked to your overall business strategy and then measure the results. For example, if you are planning to offer profit sharing in order to boost your bottom line, then track the change in your profit level following the introduction of this benefit. If you are not achieving the desired results or moving in the right direction, then reconsider the offering. It could be that the plan is structured poorly or that there are other operational or market obstacles to increasing profits. Whatever it is, it won't be much of a benefit to employees, or you, if the goals aren't being achieved. So measurement and review is vital.

So back to the original question of when to add benefits to the compensation package? As I said, it depends. Make sure you consider your overall compensation strategy as part of your regular business planning cycle. Stay in touch with what your competitors are offering and what your employees are looking for. Start out with low cost/high return options and measure your results.

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