

Employee Benefits in the Predominant Economies

The world over employers struggle to acquire and maintain qualified employees, particularly in upper level positions. While there are plenty of up and coming graduates, employees in some fields are sought after more than others. Workers in these fields can afford to shop around and demand the most from their employers. Employees who are aware of the market value of their skills are more apt to demand higher salaries and increased benefit packages. If their current position doesn't afford them the benefits they require, they may choose to move on.

An employer wishing to retain the best talent must strive to provide the best possibly combination of salary, benefits, and workplace flexibility possible. However, the savvy employer must devise a way to balance the cost of such benefits and their bottom line; all the top talent in the world is hardly beneficial to a company who runs itself out of business paying to retain them. Great care must be employed when devising the company benefits plan, so as to get the most return on an investment. Employers who pay close attention to current trends, while keeping their personal needs in mind tend to fair better than those who simply clone the plans of other companies without tailoring it to their own needs.

How employers strike this essential balance depends on a number of factors. Chiefly among them is the size of the business. Larger companies tend to follow a nearly formulaic blueprint for their benefits packages, including health insurance, vacation time, and retirement savings. Smaller businesses, however, do not have the

same financial resources available to them as their larger counterparts. In the United States, insurance, pension plans, and worker's compensation benefits may suffer as a result. Likewise, salaries may take a dip initially as a smaller employer attempts to expand as their resources are spread ever thinner.

However, US employers have found some ways to compensate for the short fall. Many offer "perks" within their benefit packages, such as day care, increased vacation time, dog walking services, and local business discounts. These benefits are less costly than others yet they make the employee's life easier, which is a positive motivation to stay in their current position. Were they to shop around for a higher salary, they may find themselves having to pay for such services, which would ultimately put them at a disadvantage.

Convenience is a highly valued commodity in a world where time and how we spend it is highly valued. The decreased commute time provided by in-house day care may be worth a slight cut in pay for many dual income households, where both parents are strapped for time. Not to mention, this personal touch can serve to foster company loyalty.

Conversely larger American businesses, however, may lack the flexibility to offer such nontraditional perks as part of their employee benefits. Instead, they contribute more actively than small businesses to 401k plans—many companies matching employee contributions—employee health benefits, and tuition reimbursement for continuing education. The latter benefits the company as well as the employee because the employee receives a free or reduced cost education and—by

requiring the employee to remain with the company for a defined amount of time after completion of their degree—the company secures an educated, skilled employee. This drives down the cost of outside recruitment and training that would otherwise be required.

In the same vein, many companies are now sponsoring employee wellness programs. Although the specifics vary wildly by company, the foundation of these programs is essentially the same. They aim to improve the overall health of their employees through smoking cessation courses, healthy dietary options, and increased access to fitness facilities. The cost of these programs is recouped often within the first five years by way of reduced insurance costs to the company. Healthier employees also take fewer sick days and are more productive on the job. By driving down costs in these areas, many companies find themselves able to offer more comprehensive benefits packages.

The US and Canada share a common approach to business in many aspects, not limited to their approach to health. Many Canadian companies follow the same philosophy, that healthier employees are more productive employees. The government of Canada guarantees all its citizens nearly full coverage for physician visits and hospital services, however many employers offer additional prescription drug, vision, and dental coverage on top of that. Between their wellness programs and government assistance, Canadian employers may be able to offer fuller coverage than American companies in most instances.

With criticism of the healthcare system high in Canada regarding long wait

times for non-emergency procedures, employees are apt to shop around for the most advantageous coverage combination. Alternatively, some employees opt for private healthcare coverage in exchange for more ready access to physicians and medical care. Additionally, like in the US, many Canadian companies offer life insurance and paid time off for disability and injury. For upper level executives, stock options and profit sharing programs may come into play as incentive for seasoned professionals to remain with the company and continue to promote its growth.

Internationally, allowances as part of the benefits package are often more attractive than cash. Housing allowances are a popular option for US corporations doing business in China, for example. In many cities, companies are required to take upward of five percent of an employee's salary and divert it to the government. The government then takes that money and provides for a standard housing allowance for the people of the nation. However, many skilled employees prefer to move into more modern living situations.

By providing direct private housing allowances, mortgage discounts, and other assistance directly—as opposed to paying into the government program on the employee's behalf—these employers are able to attract talented upper level employees. Moreover, the money is more efficiently utilized this way as the government program has been found historically to be inefficient and wasteful. Many larger corporations which have the means to do so go as far as to build their own housing complexes for employees. Rent and other expenses are deducted directly from employee paychecks, resulting in a more streamlined process.

This method of taking care of one's own, so to speak, works well in China because it reflects their culture, whereas Americans might find this set-up intrusive. Individuality and autonomy is highly prized in the US, valued sometimes above financial security. In China, employee/employer relationships more closely resemble family connections than they do in the United States. By analyzing a country's way of life and using that information when building benefits packages, companies can create more cost effective programs. Rather than waste money on programs and benefits that would go unused or unappreciated, employers can construct packages which are advantageous to both parties.

This is a very important consideration for companies doing business overseas. Their benefits packages must be in line with the local culture rather than attempting to impose an American system on a foreign people. Some companies, in the US and abroad, may find that offering employees a choice of benefits works well while others may opt for a standard, no substitutions plan. With a government mandated minimum of fifteen paid vacation days per year in China, however, employers cannot exchange vacation time for some other monetary or quality of life benefit the way they could in the United States where there is no set minimum of paid vacation.

While the unfortunate undervaluing of paid vacation time is slowly changing in the United States, it still does not measure up to standards in other economies around the world. In many European nations, not only is more vacation time offered as part of the standard benefits package, but employees are actively encouraged to take the time off in large chunks, to maximize the stress relieving benefits of time away from the

office. Many employers offer up to six weeks of paid leave, which stands in stark contrast to the average nine to fifteen days offered in the majority of US companies. European employees are encouraged to leave work at the office and take some personal time with their families or alone.

European nations have long known the benefits of a mentally healthy employee, something the United States seems to have only recently come to realize. In the US, many employees still take the minimal vacation time they are given in small doses—an afternoon off to run errands, or a day here and there when the children are home sick—and involve continued communication with the office. In many instances, employees will bring work home with them, minimizing the effectiveness of vacation in recharging and refreshing their mind and body.

Outside of the US, many nations look to America as an example of practices to avoid for reasons such as this. The perception is that American employers do not value their employees as individuals. While there is strong evidence to the contrary, such as the aforementioned employee wellness programs catching on nationwide, this negative reputation is hard to shake. Public perception of a company's business practices affects its success, especially its ability to attract and retain talent.

For this reason, many top companies are currently remaking their image when it comes to employee relations and benefits offerings. Many employers are going so far as to hire outside help to reexamine their current practices and how they measure up to other US companies, as well as international competition. No one nation seems to have locked onto the perfect formula yet. However, each nation's approach has some merit to

it, whether due to cultural conditions or because they've tapped into some previously unfulfilled employee need.

As previously discussed, China, Canada, European nations, and the US all employ their own unique approach to employee benefits. This is but a small sampling of predominant economies in the current global marketplace. Going forward, employers who take a global, comprehensive and flexible approach to employee benefits are likely to find the most success. The marketplace worldwide is always evolving and employees are increasingly mobile, so employers must not be lax in their employee retention efforts.

References

- Blanton, K EMPLOYEE BENEFITS IN LINE TO BE EXTENDED. (2003, November 19). *Boston Globe*
- Chicago-Area Employee Benefits Consulting Firm Considers Stock Offering. (2001, March 6). *Chicago Tribune*
- EBRI, (2007). Employee Benefit Research Institute. Retrieved June 19, 2007, Web site:
<http://www.ebri.org/>
- Pick-and-mix benefits keep staff sweet. (2001, March 28). *The Financial Times*
- IFEBP, (2007). International Foundation of Employee Benefit Plans. Retrieved June 19, 2007, Web site:
<http://www.ifebp.org/>
- Kershaw, T (2007, June 15). U.S. vacation policies differ from Europe. *Dayton Business Journal*,
Retrieved June 18, 2007, from
<http://www.bizjournals.com/dayton/stories/2007/06/18/focus2.html?b=1182139200%5E1476387>
- Pear, R Health Planners' Radical Idea: Same Coverage for All. (1993, April 13). *NY Times*, p. A18
- Polak, Richard (2006, October, 2). The Goldilocks Approach to International Benefits. *Employee Benefit News*, Retrieved June 19, 2007, from <http://ebn.benefitnews.com/asset/article/39613/goldilocks-approach-international-benefits.html?pg=>
- Sahadi, J (2007, June 13). Who gets the most (and least) vacation. *CNN Money*, Retrieved June 19, 2007,
from http://money.cnn.com/2007/06/12/pf/vacation_days_worldwide/
- Silva, Chris (2007, June). HR's strategic tasks growing. *Employee Benefit News*, Retrieved June 21, 2007,
from <http://ebn.benefitnews.com/asset/article/102690/hrs-strategic-tasks-growing.html?pg=>