

Compensation and Benefits

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What is Compensation

- Something (such as money) given or received as payment or reparation (as for a service or loss or injury)

What are Benefits?

- A non-cash payment or compensation which is paid in full or partly by a Employer as part of a employees pay.

Types of Compensation

■ Standard Salary Structure

- Where pay is predefined for certain jobs which have a minimum and a maximum pay amount
- Pay varies based on skill and experience within the specified pay amount
- Pay amounts are set up competitively
- Benefits usually are the decision maker for employees
- Uses Merit pay programs which increase pay of employees based on the results of the annual employee performance reviews
- Downside
 - Employees may notice a pay increase after every evaluation and cause them to lose motivation for improvement

Types of Compensation

■ Incentive Compensation

- Reward based incentive program
- More commonly used by companies
- Increases emphasis on performance and competition for talent
- Incentive Forms:
 - Base pay set lower than non-incentive structures
 - Then add in interval pays:
 - Bonuses
 - Commissions
 - Non-Cash Compensations & Benefits
 - Flexible schedules
 - Relaxed atmospheres
 - Childcare
 - Other lifestyle benefits

Cash Forms of Incentive Compensation

■ Bonus

- Based on achievement
- Program should be applied throughout the company to avoid the loss of teamwork
- Do not put limits on the level of bonuses one could earn because once they meet the goal they may kick back and relax.
- Long term bonuses can be offered also such as stock options

■ Commissions

- Your base salary has to be sufficient to attract good candidates, but not so good that you'll get reps satisfied with the base amount even if they don't make any sales!
- Advantages
 - Sales Reps are more motivated to work
 - Employees are able to build a sense of trust with the clients for repeat purchases
- Disadvantages
 - Employees focus entirely on the sale of items that give them the highest return for their time and don't really take into consideration the actual needs of the customers
 - Customer service may suffer because the sales rep may move on to the next high-dollar sale
 - Pay structures can change over time

Non-Cash Compensation and Benefits

■ Non-Cash Compensations

- Flexible schedules
 - Makes it easier for employees to schedule work around their children's events
 - Able to work at home part of the week
- Relaxed atmospheres
 - Harassment free work areas
 - Friendly workforce
 - Work at home part-time
- Childcare
 - Companies offer onsite daycare for convenience and safety of employees children
- Other lifestyle benefits
 - On-premises Exercise Facilities

Worker's Compensation

- Makes sure people injured at work receive appropriate
 - medical care
 - lost wages relating to the on-the-job injury
 - if necessary, retraining and rehabilitation
- When workers are killed on the job, members of the workers' families are ordinarily eligible for benefits.
- Workers Compensation Laws By State

Benefits

■ Cost Benefits

- Health insurance
- Short-term & Long-term Disability
- Life Insurance
- Paid Time Off
- Retirement Plans
- Money Purchase Plans
- Employee Assistance Programs
- Dependent Care Assistance
- Adoption Assistance Programs
- Outplacement Services

Benefits

■ Cost Benefits Cont.

- Education Assistance Programs
- Employee Achievement/Merit Awards
- Golden Parachutes
- Cafeteria Plans and other Flexible Benefit Plans
- Stock Options
- Jury Duty, Military Leave, and Bereavement
- Domestic Partner Benefits
- Unpaid Leave
 - Covered by the Family Medical Leave Act

■ Non-Cost Benefits

- Flexible work hours
- Telecommuting – Work at home
- Discounts for Your Employees
- Working Condition Benefit
- On-premises Exercise Facilities

Employee Assistance Programs

- Used by many employers
- Great for people with disabilities
- Programs provide employees with somewhere to turn in the event of a personal problem that affects all aspects of their lives, including their jobs
- If employers ignore these types of problems:
 - less loyalty and more employee burnout.
- These programs help:
 - Employees determine the problem and find the right kind of help
 - Management better understand the types of problems employees may be facing, both personal and work-related
 - Stress that is related to job security
 - Conflicts with others in the workplace
 - Divorce or other family problems
 - Substance abuse
 - Financial problems.
- Recommendations
 - Have an on-site certified employee assistance professional, or contract with someone outside the business

Dependent Care Assistance

- 20% of non-working mothers of young children don't work because quality childcare is unaffordable
- Dependent Care Assistance is not limited to childcare.
- It can be elder care or care for any family member.
- Employers can offer
 - flexible working arrangements
 - care resources and referrals
 - financial-planning assistance
 - long-term care insurance
 - dependent-care assistance accounts.
- You can also provide educational services for your employees to help them learn more about their options.
- You may also consider opening a company-sponsored childcare center.
- Most who have existing centers believe they have definitely saved money over the long run.

Dependent Care Assistance

■ Advantages

- A boost in your company's ability to recruit and retain employees
- Company productivity will be increased because your employees have reliable childcare and fewer absences
- It also helps give your company more of a family-oriented reputation

■ Disadvantages

- company-owned childcare centers have to keep the center going even if your employees have few children
- Company pays up to one-third of the expenses of the center to make it affordable for your employees

Cafeteria Plans

- What are Cafeteria Plans?
- Cafeteria plans are a type of flexible benefit plan that let your employees choose from a list of benefits they wish to participate in.
- Choosing to participate will often allow the employee to reduce their taxable income because they are paying or contributing with pre-tax dollars.
- The five main types of plans are:
 - **Premium-Only Plans** - employees can pay their portions of the insurance premiums with pre-tax dollars.
 - **Spending Accounts** - allows your employees to put aside pretax money into accounts to be used for dependent care or medical bills.
 - **Full Flexible Benefit Plans** - give employees both a choice in selecting from the menu of benefits, as well as an allowance to spend on those benefits. Any benefits they want to add that will be more than their allowance would be paid for with pre-tax dollars in some cases and post-tax in others.
 - **Variable Credits** - allows employers to base the employee's allowance on their performance or certain health aspects such as smoker vs. nonsmoker, seat belt use, and other criteria. Credits are given based on these factors.
 - **Modular Plans** - employee's choices are put into packages. Usually the packages are set up with specific groups in mind so they can target their needs. They are divided into groups based on demographics such as young single workers, families, and older couples.

Jury Duty, Military Leave, and Bereavement

- Usually, companies allow up to two weeks per year for:
 - jury duty
 - military leave
- Three days per year for bereavement.
- Military Leave
 - Reemployment

Golden Parachutes

- What are Golden Parachutes?
- Contracts that set up top executives with special benefits in the event they lose their jobs due to takeovers or acquisitions by another company
- These benefits are typically quite generous
- Forms
 - large severance package
 - Large one-time bonus that only comes when employment is terminated
 - Stock options.
- They will have to pay a 20% tax on the total amount of their payment.

Court Cases

■ Workers Compensation Fraud

- Hal Tyree from Sutton, MA hurt his back on the job and was working else where while collecting WC payments from ABF Freight Systems insurance company.
- Company hired private investigator and caught him delivering home heating oil for another company.
- Court ordered him to
 - three years of probation on each count
 - to run concurrently
 - ordered him to repay \$29,387 to Lumberman Mutual Insurance Co.

■ Workers compensation – State Coverage

- Robert Mahoney was hired by United Airlines on Jan. 6, 1969 in Illinois
- He voluntarily applied for a transfer to the Orlando, FL airport in 1993
- He was injured on the job March 19, 1999 in FL
- He filed for worker's compensation in FL and then later filed in Illinois.
- The verdict was he was covered under Illinois' Worker's Compensation Act because it "clearly states that site of the contract for hire is the exclusive test for determining the applicability of the act to persons whose employment is outside Illinois where the contract of hire is made in Illinois."

Health Insurance



Vacation



Retirement Plans



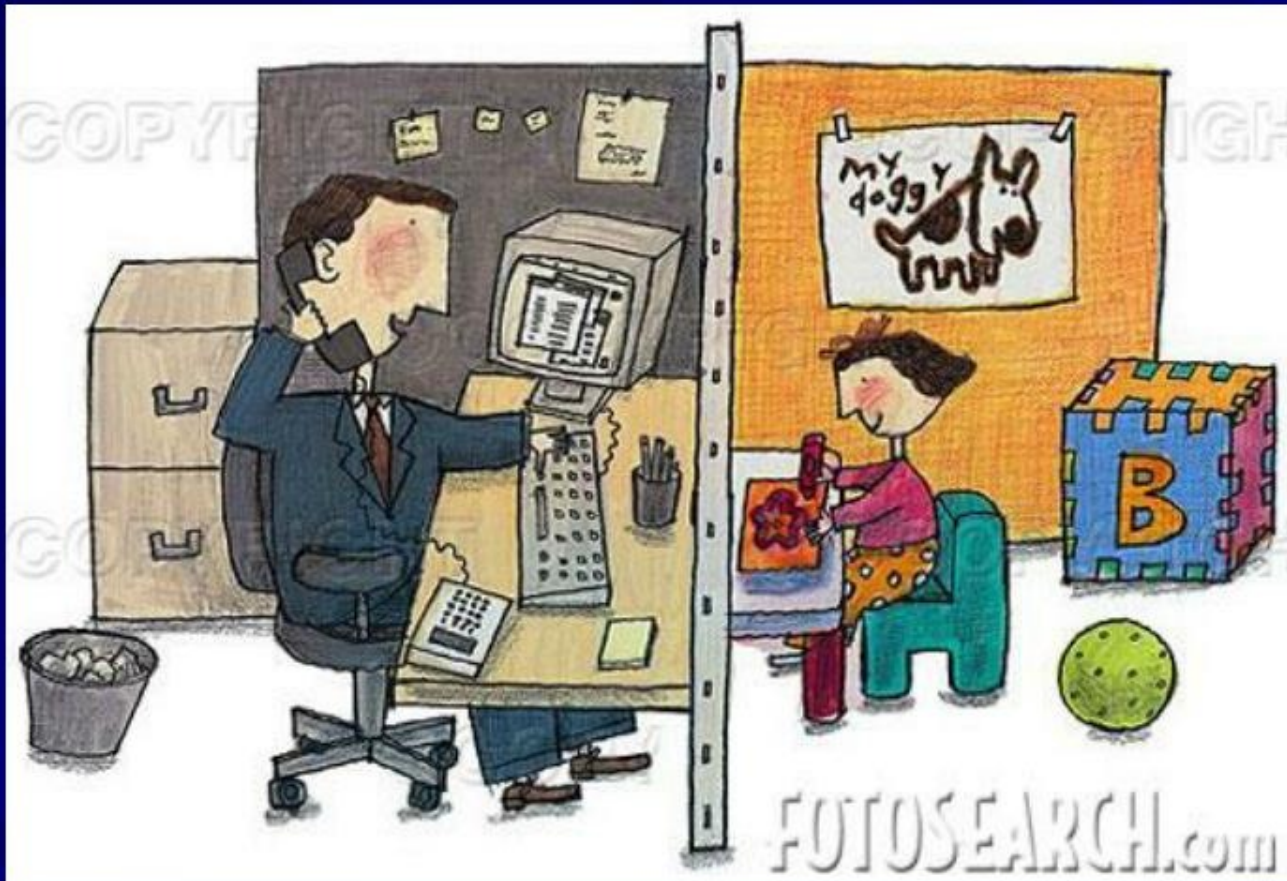
Flexible Schedules



Relaxed Atmospheres

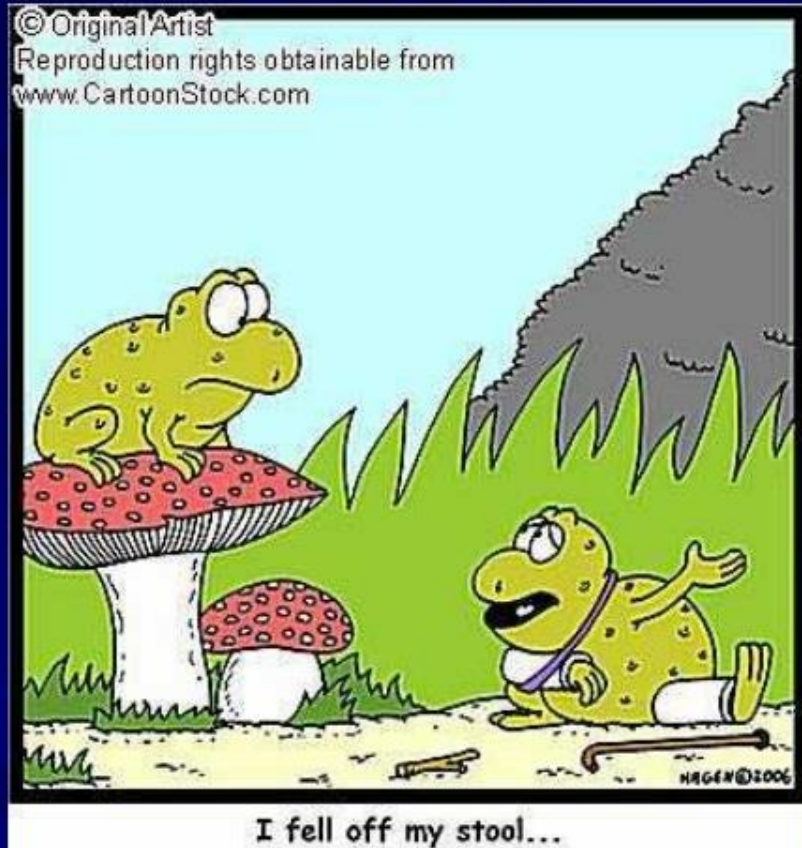


Childcare



Disability

Temporary



Permanent



Dental Plan



Selected Websites

- Allbusiness.com
 - Provides samples of forms and policies
- howstuffworks.com
 - Provides lots of useful information about how Benefits and Compensation are used
 - Gives types of benefits and compensation
 - Information about laws that could conflict with your policies
- Department of Labor
- entrepreneur.com
- managementhelp.org

Links Used

- <http://library.acaweb.org/search/.b1769016/.b1769016/1,1,1,B/i8562172482~b1769016&FF=&1,0,%2C1%2C0>
- <http://library.acaweb.org/search/.b1769016/.b1769016/1,1,1,B/i8562172482~b1769016&FF=&1,0,%2C1%2C0>
- <http://www.allbusiness.com/human-resources/compensation/2976262-1.html?google=compensation%20and%20benefits>
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- http://www.managementhelp.org/pay_ben/pay_ben.htm
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- <http://www.dol.gov/dol/topic/index.htm>
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- <http://labor-employment-law.lawyers.com/human-resources/Military-Leave.html>

Questions?