Human resource management benefit programs design analysis

Literature, Russian Literature

Abstract

This research paper will define considerations that HR professionals should take into account when designing fringe benefit programs for expatriates. Further, the paper will provide in-depth comparison and contrast of contrast defined contribution plans with defined benefit plans. Finally, the paper will speak about deferred stock compensation, its forms and benefits.

Human resource management is not simply directing efforts of human capital on achieving the organizationalgoalsand objectives. Human resource is also concerned with developing proper benefits plans, deferred compensation plans and choosing whether to implement defined contribution or defined benefits plans. Firstly, when designing fringe benefit programs for expatriates a lot of considerations appear on the scale as every employee should be covered by fringe benefits. Fringe benefits or benefits in kind are defined as non-wage compensation benefits which are provided for employees additionally. It is necessary to remember that fringe benefits are taxable. For expatriates fringe benefits should include groups insurance, housing, sick leave, disability income protection, funding foreducation, social security, tuition reimbursement, and other specialized needs. Organization should understand that the primary purpose of fringe benefits is increase expatriates' economic and social security as they remain the mostly affected by any economic and social changes in the country's policy. In particular, expatriates should be provided with medical prescription, relocation assistance, retirement benefits plans, long-term care insurance, child care benefits, transportation benefits, wellness programs, discounted shopping and legal assistance plans. Expatriates will feel protected and remain better qualified employee. Fringe benefits improve efficiency and productivity as every one is sure that he is secured. (Sims, 2002)

Further, human resource management in many organizations is concerned what plan to choose: defined contribution plan or defined benefit plan. Defined contribution plan ensures that every employee is provided with individual account and the number of benefits are " based on the amount contributed into the plan and are also affected by income, expenses, gains and loses". Defined contribution plans includes 403(b) and 401(k) plans. Defined benefit plan suggests monthly benefits, whereas defined contribution plan isn't limited to monthly benefits. In defined benefit plan all monthly benefits depend on service and salary. In contrast to defined contribution plans, defined benefit plans are referred to as fully funded pension plans. However, defined contribution plans offer also certain advantages. For example, participants are allowed to say how much they are willing to save; savings can be funded through payroll deductions; investment result offer benefits for participants, etc. Moreover, participant easily understood the concepts and requirements of defined contribution plans. Similar, defined benefit plan ensures security for workers. It stresses that participants should not bother about investment risks and costs of living adjustments. Furthermore, defined benefit plan is not dependent on abilities to save. Nevertheless, more and more workers prefer defined contribution plan as defined benefit plans are more complex and costly for maintaining. In particular, defined contribution plan allows flexible management of the account and it is less costly for running. Therefore, it is better to choose defined contribution plan asresponsibilityof investing is put in the hands of the employees, but employees should remember about investment risks. (Spring, 1998)

Finally, a deferred stock compensation plan is defined as arrangement in which " an employee or owner defers some potion of their current income until a specified future date". It suggests that earned wages are paid in later date. The major types of deferred compensation plans are qualified and non-qualified plans. A qualified deferred compensation suggests that employer is provided with tax deduction for the contributed amount, whereas non-qualified deferred compensation plan suggests that employee is provided with tax deduction till payment of the benefits. An example of deferred compensation is Section 409A which suggests six forms: account plans, retirement saving plans (IRA, 401 (a)), non-account plans, equity-based compensation plans, and others. IRA (Individual Retirement Accounts) and 401K Plans are the best suited for retirement, because there are no taxes on interest, capital gains and dividends from the investments. It means that the futuremoneywill in the account working for future retiree. If a person is under 70 and has earned income, he is eligible to make contributions. Deductible contributions may be also made. (Den Uyl, 1996)

References

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