

Discretionary benefits



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A company providing products and services needs its human resources for its operations and directions. This is why human resources practitioners are always looking for ways to make sure that employees are rewarded amply for their performance while at the same time ensuring that the status of the company finances is not jeopardized.

The government protects the rights of employees for commensurate salary and compensation. This is why employees have the right to join a trade union and negotiate with employees about their salary and benefits. It is in the interest of businesses to deal with their employees in a fair and just manner. Otherwise, operations would be compromised. After all, an unhappy workforce would also lead to less productivity and efficiency. In addition to the government-sanctioned salary and compensation scheme, there are also discretionary benefits that the company will have to decide if they will provide to the employees.

Employee Benefits

The benefits of employees may vary from employer to employer. They are non-cash benefits that employees enjoy during their term with the company on top of their salaries or wages. The most common forms of benefits are group insurance for life, dental or health; disability income protection, daycare, sick leave, vacation leaves, retirement benefits, profit sharing, stock option, educational funding and tuition reimbursement among others. These benefits are either provided by the employer or they are paid for by the employer. Employers provide these benefits to make the employees more economically secure.

There are also other benefits that are left to the discretion of the employers. This may include providing company car, leisure activities and outdoor meetings, food and transportation allowance, stationery and more. There are several determinants and factors that companies consider when providing discretionary benefits. If they decide that they will provide discretionary benefits, they also need to establish what types of benefits they can offer without compromising the financial situation of the company.

In the United States, these employee benefits come in the form of relocation assistance, vision and dental plans, health care for dependents, pension plans, insurance, child care benefits, legal assistance, transportation benefits, discounts for shopping and resort accommodations, as well as wellness programs. There may also be fringe benefits offered to employees. If this is the case, such benefits may be excluded from the total annual income of the employee, which means greater savings on income tax. Fringe benefits also tend to be seen as a cost to the company for keeping their employees within the company.

The Importance of Non-wage Benefits

In the early twentieth century, employees were not given any benefits beyond their salaries. With the economic developments in the United States such as the Great Depression and the World War II, the government and labor unions worked together in bringing about non-wage benefits for the workers. Non-wage benefits have grown in the past decades and now accounts for 30% of the total labor costs of This trend helped create a workplace and organizational culture that valued employees more and gave them what they needed (Marshall, 2003).

Benefits given to employees are usually tax-deductible to the employer and are not taxable to employees. The exception would be the benefits for executives with access to benefits with very high amounts. In some cases, corporations in America may also offer the employee a set of benefits to choose from and the employee will choose which of the benefits will he avail of. This provides a flexible choice for the employee who may wish one type of benefit over another. The difficulty of implementing this, however, is that if employees chose different types of benefits, record-keeping would be more complicated.

The benefits for employees may come in three forms (Martocchio, 2005).

(1) One is the protection programs, which helps employees be protected from any illness and ensure their physical and economic security.

(2) Benefits may also fall under the pay for time not worked for, which includes vacation and sick leaves, as well as maternity and paternity leaves. Some companies even offer to pay the employees at the end of the year if they chose not to use up all of their leaves.

(3) Lastly, there are also services, wherein the company offers to provide various services to the employees.

Protection Programs

The income of employees is protected by the company in the form of disability insurance, life insurance and pension programs. Through this, the employees may feel economically secure and the assurance that part of the money provided by their employers is invested into their future. In case, they are declared as no longer fit to work, or that they may befall accidents

directly or indirectly related to work and if they choose to retire, they are covered by the protection policies of the company.

Health Protection is also an important aspect of protection programs. This may include health and dental insurance, enrolment into Health Maintenance Organizations or Preferred Provider Organizations, or self-funded plans. Pension plans are also important in ensuring the peace of mind of employees. This program is usually participated in by both employer and the employee. If and when the employee becomes unable to perform his or her job because of disability, the company cannot terminate his employment right away. Both short-term and long-term disabilities are considered by the employer (Martocchio, 2005).

Health care programs for employees usually include fee-for-service, managed care, point of service and customer-driven health care. The cost of hospitalization is usually covered together with doctor's fees, and other related expenses. If the employee pays own money, there is also a provision for reimbursement up to a certain amount. For some employers, HMOs may be a more or less costly approach because these are prepaid services. PPO's are being used by other companies because there is no prepaid service and the company pays for the actual fees related to the health care of an employee. Furthermore, physicians, clinics and hospitals must meet quality standards for them to be recommended.

The introduction of flexible benefits for the employees can lead to a higher level of job satisfaction, which can also help improve the productivity and efficiency of the company (Barber, Dunham & Formisano, 2006). When employees feel that they are cared for by the company they are serving,

they tend to appreciate that and they will in turn do their best in performing their jobs (Belous, 1989).

Paid Time Off

An important aspect of non-wage benefits now is providing paid time off to workers. This helps maintain work-life balance among employees because their domestic lives also have an impact to their performance of their jobs. If employees were too loyal to their jobs at the expense of their family, they might not be able to perform effectively. Stress would settle in and a previous high performer may crumble under the weight of such stress (Kossek & Lambert, 2005).

The number of paid absences or leaves may be determined through the collective bargaining agreement between the labor union and management. When this has been settled, the employees then have to follow certain rules and procedures in the company to avail of this benefit. Pregnant women who want to give birth to their babies and nurse them are also given maternity leave of absence while a father whose wife is pregnant may also apply for a paternity leave. These schemes help communicate to the employee that their own personal lives are important too and that the company is not only after the services that they can render.

Paid time off also helps the members of an organization to redefine themselves and their connection with the company and align their priorities and thoughts to the organization. Hence, it helps them take a break and think of what the work means to them (Ford & Locke, 2002). With a paid time off, the employees may have more time for themselves, for replenishing lost energies due to work and pause for a while and think about their jobs and <https://assignbuster.com/discretionary-benefits/>

how they can help contribute to the company for its growth and improvement.

Services

Some companies also realize that they need to provide services to employees so that they will not have to pay for such services outside of the company. As such, the company can choose to provide such services for the convenience of employees and minimal distractions to the way they perform their duties.

These services may be in the form of family assistance programs, or the company can also assist in the education of an employee or the dependents of an employee. When moving and relocating, an organization may also bear the costs of moving, especially if such move is directly related to the job performed by the employee. Another popular service being offered by organizations is wellness program. The employees may enroll in a gym or a fitness class for free or for a discount courtesy of the organization.

Such wellness programs can help ensure that the employees are physically fit. This can help prevent incidences of heart attacks, hypertension and stress-related sickness. In the long run, this can reduce the health care costs of an organization. What is needed, however, is strong implementation and encouragement for employees to participate in such wellness program (Gebhardt & Crump, 1990).

The convenience that employees will experience through the services being offered by the company will contribute to efficiency and savings in time and

resources. Employees will also generate a stronger appreciation for the company and will foster a stronger sense of company loyalty in employees.

Laws and Legislations Concerning Employee Benefits

There are three major legislations governing the benefits of employees and the responsibilities of the employers: The Employee Retirement Income Security Act (ERISA) of 1974; Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985; and Health Insurance Portability and Accountability Act (HIPAA).

ERISA establishes the minimum standards and requirements of pension plans in the private sector. In addition to this, it also regulates the fringe benefits that employees receive such as disability insurance, medical and life insurance and most importantly, the pension of employees. The Act also monitors the reporting and disclosure of employers concerning such fringe benefits as well as the funding and fiduciary responsibilities of both employers and employees.

COBRA, on the other hand, prescribes that health care coverage be extended to 36 months. However, the cost may be as high as 102% of the premium of the insurance. If employers do not comply with this, the law also prescribes the penalty. Companies with less than 20 employees, however, are exempted from COBRA, together with the federal government and churches.

Lastly, HIPAA guarantees the health coverage of all employees. Should there be pre-existing conditions, HIPAA prescribes appropriate action and handling. Health information and privacy are also important concerns; that is the reason why HIPAA regulates the transfer, the disclosure and the use of

information given to health care practitioners for the purposes of health care delivery. HIPAA, however, has been a cause of contention regarding the responsible use of health care information (Wilson, 2006). Yet, it still helps ensure the protection of the rights of both employees and employers. These three legislations help define the rights of workers for their benefits and the responsibilities of employers to their employees. Non-compliance is punishable by the laws.

Conclusion

With the increasing competition and globalization of the business environment, so will the needs and concerns of employees change. More and more demands and skills are needed. In addition to this, companies are hard put to retain their best employees because of the intense competition for excellent employees. As such, offering employee benefits will also change.

Human resource personnel and the management need to devise effective compensation and benefits scheme so as to attract the best and the brightest workers and retain the existing ones. The main concern, however, is making the employees secure physically and economically. If this were ensured, then they can perform their jobs better and they can contribute to the overall growth of the organization (Rosenbloom, 2001). By providing the three different types of benefits, employees can cultivate a deeper sense of company loyalty, which will redound to better employee retention and organizational performance. As the challenges of the workplace are addressed, the employers and the employee will enjoy better relationship and better organizational performance.