

Non-monetary compensation in the workplace



**ASSIGN
BUSTER**

When job candidates discuss compensation packages with potential employers, the talk usually turns towards monetary compensation. Businesses have found that creating a balance between home life and work is just as important to their employee retention rates as their actual salaries. The reason for the shift in priorities varies with each employee, but the fact that the workplace is dominated by Generation Y employees that place a high value on their downtime is one reason.

That very sentiment was echoed more than 10 years ago in a 1997 USA Today article that stated, " Workers born since the early 1980s (known as millennials, Generation Y or echo boomers want a work-life balance "(1). Another reason worth considering is that more households today are made up of two incomes. This new arrangement is in direct opposition to the traditional families of the past where women took care of the children and the home and males were the main breadwinners. Non-monetary compensation involves more than just flexible working hours.

This paper will cover the different forms of non-monetary compensation, the benefits of utilizing non-monetary compensation to reward and retain employees, and the potential drawbacks of deviating from a traditional work environment. To begin, an employer should determine what aspect(s) of their company's culture they are willing to alter in order to provide their employees with more flexibility. The most widely employed strategy is to give workers the opportunity to work a flexible schedule.

According to a 2009 article in Forbes, a flexible schedule could entail compressing the regular 40 hour work week into four 10 hour days, changing the start and end times of an employee's day, or allowing employees to work

full-time or part-time at home. Employers may extend this option to all of their employees, or possibly only the employees that demonstrate a clear need for a flexible schedule. Another popular compensation that often goes overlooked is a company cafeteria.

This option may be available as a totally free service, similar to what Google provides for its employees, or menu items may be offered at a reduced cost. As employers look for ways to manage healthcare costs, company funded wellness programs are becoming more prevalent. This is a more recent addition to compensation packages that involves company sponsored programs that promote the employees' total well being. Some examples of the programs provided would be discounted memberships to national weight loss programs, in-house gyms or spas, and employee assistance services.

This is by no means an exhaustive list of non-monetary compensation options. Employers' choices are limitless when it comes to the number of ways they can choose to reward employees without increasing salaries. The common thread is that all of the aforementioned examples reward employees' service to a company by assisting them with personal matters, which allows them to stay focused on their jobs. Once a company determines how they are going to reward their employees, next they must consider the benefits of implementing this type of compensation package.

Since most workers equate a work-life balance with working flexible hours, the benefit that would be most noticeable to employers would be reduced absenteeism. Employee absenteeism affects companies' bottom line. Absenteeism due to lost wages equals close to \$65 billion annually for American companies. In addition to reducing absenteeism, flexible schedules

reduce stress in parents who may be struggling with childcare. Companies like Kraft Foods have found that when employees are allowed to create their own schedules, they are less stressed and better able to focus on work-related tasks.

Companies that sponsor wellness programs for their employees may actually be able to save money in the long run. According to an article in the Pittsburgh Business Times, employers can save \$1.65 in health care expenses for every dollar spent on a comprehensive employee wellness program (1). Some research shows the savings to go as high as \$3.11 per dollar spent. That savings makes a large difference in company overhead. Studies show that on average over the last 10 years there has been a 100 percent increase on health insurance premiums. This translates into over 44% of payroll costs.

Employers without wellness programs are spending money that could be used for increased salaries, incentives, and improvements. In a tight economy potential savings add up. As with anything, if there are positive benefits, there are negative ones too. Companies must research the potential downsides of non-monetary compensation. One potential drawback is employee morale. It is hard to believe that anybody would have a problem with working from home and free gourmet meals in the office cafeteria, but if everyone is not reaping the benefits of these perks then that could very well be the case.

For example, not every employee in an office is going to be able to take advantage of flexible working hours. Generally executives and upper management receive that option and then maybe certain members of the

general staff. Employees who are not eligible to work at home or work compressed work weeks may feel slighted or as though they are not trusted. Conversely, employees who are allowed some measure of flexibility in their scheduling may feel a need to justify being chosen or work harder. Similarly, in a large company, some benefits are only available in the home office.

For example, Google is known for the tremendous amount of benefits outside of salary that it offers its employees. Unfortunately, some of these benefits are only available in the home office. It cannot be easy for employees in the satellite offices to hear about free company shuttles and volleyball courts when they are not able to take compensation packages negatively impacts the employee more so than employers. On the surface it may seem beneficial to the employee to work from home or to catch a free shuttle to work, but ultimately the goal of the employer is to get more work out of its employees.

Granted, some employers are generally concerned with the total well-being of their employees, but they are also concerned with the bottom line. Sometimes adding conveniences to a workplace is only done to make it more convenient for employees to produce more. In conclusion, this paper has covered the reasons that non-monetary compensation has become popular, the types of incentives that employers may offer to facilitate a healthier work-life balance among its employees, and the potential setbacks to these types of programs.

As companies continue to require more from their employees than an eight hour work day can accomplish, work-life balance will become more of an issue. Instead of negotiating flexible start times and work at home

schedules, employees will expect them to be a part of their normal compensation package. It will become just as commonplace as health benefits and paid vacation time. Employers will have to change the way that they do business in order to retain their current employees and attract new ones.