

Guideline for Creating and Using an Employee Benefits Program

Many small business owners claim their greatest challenges are attracting, retaining and motivating their employees. With a strong economy and a tight labor market, it is essential to keep turnover low and productivity high. And while few, if any, employees will work without being paid a fair wage, the total benefit package is often the key element in an employee's decision to work for your company. Salary levels are only one part of the package.

Your total compensation plan must serve to attract, retain and motivate your employees. While wages will be the largest component, other parts of the plan are important. Together with the work environment, your benefit program may be the difference between having an effective, steady work force or a group of dissatisfied employees that you are constantly replacing.

Why do employees choose to work for your business?

Financial rewards are an important part of the total benefits an employee receives. Yet, an employee's decision to work for your company is probably based on additional factors, many of which you can control. In addition, there are some things that can increase the satisfaction an employee enjoys that do not cost additional money. The key is to make sure the "total compensation" an employee receives is adequate, is known and is appreciated.

Benefits that cost money

Along with wages, company contributions to a retirement plan and company paid insurance are usually the most expensive parts of "total compensation." If your company has a qualified retirement plan, make sure the type you offer is "economically" effective. By that, make sure your employees are fully aware of it and recognize that your contributions to it are part of what they get for working. You may also want to review other types of plans, such as SEPs, SIMPLE IRAs and 401(k) options.

If you offer company paid insurance plans, again make sure employees recognize that you are paying for some or all of it. If insurance costs rise, you may want to consider having employees pay some portion of the cost. This can be effective if there are choices of health insurance plan options (deductibles and co-pays) that have varying costs.

Retirement benefits

The right retirement plan should take into account the business's needs as well as the employees concerns. Costs and ease of administration must also be carefully evaluated. Here are very brief descriptions of several choices. Be sure to investigate them thoroughly before deciding which one is right for your business.

1. SEP-IRA - These plans are ideal for small organizations or self-employed individuals. They are easy to establish and have no special governmental filing requirements. Only the employer makes contributions.

2. SIMPLE-IRA - These plans are for companies with up to 100 employees and allow for employees to defer wages into the plan and for the company to also make a contribution. The

employer can elect to contribute either a match or a simple percentage of wages. There is some administration needed.

3. 401(k) Plans - These plans have become popular because of their flexibility and the higher limits for employee and employer contributions. There can be significant administration needed and annual filings are required.

Employee benefit consulting firms, trust departments or some investment firms usually have the expertise to help you evaluate your options. However, be sure to understand all the costs for administration and investing the funds.

Medical insurance

If your company has many employees, a group medical plan may be attractive. Health insurance has become expensive so you will want to consider your plan carefully, shop for the best plan and perhaps use a health insurance consultant. Your cost will be based on the size and make-up of your group. It will also change based on actual results. You may want to consider sharing the cost with your employees and providing different options for them to choose.

Disability and supplemental life insurance

Many insurance companies offer relatively inexpensive plans that can be established so the employees share in the cost.

Flexible spending accounts

This type of program is relatively new and offers some tax advantages for the employees with little or no additional costs for the employer. Employees direct a portion of their wages into the accounts to provide for the reimbursement of dependent care or unreimbursed medical costs. Employees pay lower income taxes and the company will pay less in payroll taxes.

These are "use it or lose it" arrangements. Employees decide how much to defer for each type of expense and that decision is irrevocable. Many insurance companies offer these types of arrangements and some will handle all the paperwork.

Education reimbursement programs

Many employees are interested in furthering their education. If your business requires ongoing training in certain fields, it may be prudent to provide partial or total reimbursement for certain types of classes. The employees enhance their skills and you have a better-trained employee group.

Vacation and days-off policies

Employees need time off occasionally for personal business or just for rest and relaxation. Having a policy that employees understand and that provides some flexibility will be greatly appreciated.

Benefits that cost little or no money

The work environment and the personal satisfaction an employee gets are also important parts of the "total compensation" an employee receives. No one likes to spend time in an environment that is emotionally uncomfortable. There are also the federal and state laws that protect workers from harassment and discrimination in the workplace.

Here are some ideas that can help boost employee satisfaction:

1. Make sure the work is meaningful. Even if it is boring and repetitive, make sure the employees know that their efforts are needed and appreciated. No one likes to think they just spent eight hours doing something useless that no one cares about.

2. Provide ways for employees to learn. This doesn't have to be paying for a class. Perhaps, there are tasks that can be switched with other employees. Such a switch will give two people the opportunity to learn something and you will have some backup if one of the two is sick or quits.

3. Empower employees to make decisions. Most individuals will make the right decisions if they have an understanding of the issues and have some guidelines. Also, by letting employees make decisions, managers' time is available for other tasks.

4. Let employees know what is expected of them and how they are doing. Performance reviews are essential. Every employee should receive a formal review at least annually.

5. Make it a point to recognize employees when they have done an especially good job. Bonuses are nice, but compliments are meaningful. Have you ever noticed plaques for "Employees of the Month" in many businesses? Some businesses even provide special parking spots for "Employees of the Month."

6. Provide some flexibility. Everyone is busy and unexpected things do arise. If you can go a little extra ways to allow employees to tend to important personal matters, it may come back to you many times over when you need something extra from them.

Savings programs and direct deposit

Many employees are interested in accumulating funds and yet have a very difficult time actually saving money on a month-to-month basis. You may be able to help them without any cost. Most payroll services offer employees the ability to direct a portion of their wages into an account at their financial institution. Be sure your employees are aware of this option and also direct deposit. These conveniences make it easier for employees to handle their finances and the company may save some of the costs of payroll processing.

Summary

Employee benefits are important. Creating a program doesn't have to be difficult or expensive. The trend is for more flexibility for employees to choose what is important to them and for employees to share in the total cost. While most recruiting conversations center on salary levels, ongoing employee satisfaction is greatly influenced by what comes with the paycheck.