CHAPTER 15

Constructing Retirement and Benefits Plans

## Table of Contents

[EL 1: Case: Background Information: Changing a work schedule at Provincial Health (from text) 1](#_Toc492736069)

[Briefing Note Structure 6](#_Toc492736070)

[PL 3: Checking your financial awareness 7](#_Toc492736071)

[EL 3: Strategically navigating the new world of benefits 13](#_Toc492736072)

[References 20](#_Toc492736073)

# EL 1: Case: Background Information: Changing a work schedule at Provincial Health (from text)

## Task:

Please provide an analysis of this case in briefing note format where you assess various options in making a decision. Provincial Health decided to assess a range of scheduling options – a traditional schedule, two flex-time schedule options, and a compressed work week. You are asked to review these options in a briefing note structure. See below for briefing note structure.

### Addition notes on task:

Job analysis, employee involvement and flexible work schedules each serve an important organizational function and are tools line managers can utilize to support and engage their employees and maximize individual contributions within their work unit. Through job analysis, managers and HR professionals can determine job requirements and create job descriptions to support many HR functions including: recruitment, selection, training and development, performance appraisal, compensation and various labour relations activities. Perhaps most importantly, the presence of a well-written job description supports employees, and managers, in objectively appraising employee performance.

Employee involvement is a method used to engage employees in their work by involving employees in business decision-making processes by placing them in employee teams. By engaging employees in business planning, the organization can assimilate employee knowledge of affected areas and technical expertise into their decision-making processes and employees can become engaged with the strategic direction of their organization.

Flexible work schedules are widely used in the public sector as an employee retention tool. Compressed work weeks, flex-time, job sharing and telecommuting are attractive opportunities for employees with family obligations and health issues. Further, the use of flexible work schedules can help promote a culture of diversity and inclusiveness, by giving individuals the ability to balance work with cultural and/or religious observances. However, not all work is suited to flexible arrangements and it can be difficult for supervisors to manage expectations around flexible work schedules when arrangements cannot be universally applied across an entire work unit. What kinds of performance management issues do you think flexible work arrangements might present from an organizational perspective?

**Description - Flexible Scheduling Options**

One of the planning tools available to managers is to provide different work options and work arrangements. Chapter 15 of your text discusses retirement and benefits plans in addition to focusing in on the new world of work family benefits. One of these benefits, in responding to the needs of families, is related to designing work to take into account the needs of the family in addition to those of the organization.

This assignment asks you to analyze a case in Provincial Health where concerns have arisen about the present schedule and the need to review more flexible work schedules. See pages 302-304.

## The Problem of Shifting to a New Schedule

According to some people, the 5-day, 9-to-5 schedule that organizes many work lives is disappearing. But, not fast enough for some people and too fast for others. There is nothing inherently magical about this schedule. A majority of organizations use the traditional work schedule and most do this because they have always done so.

Yet, the needs of society seem to be changing. The pressures for flexible work arrangement come from many sources, including the growing number of women in the workforce and their needs to balance work and family, an increase in the number of single-parent and dual provider households, and an older population.[[1]](#footnote-1) There are increased interests in taking advantage of non-work opportunities, including education, and the changing perceptions of work and non-work. Most recently, new technologies have provided tools for computer-based work to be done from home or from almost any location.

***Provincial Health decided to assess a range of scheduling options – a traditional schedule, two flex-time schedule options, and a compressed work week***. In comparison to a traditional work schedule such as a 9:00am to 5:00pm day, employees have a core work period (perhaps, 50% of the working day) when employees are expected to be at work. For example, they were expected to be available in person or virtually for a core period between 10:00am to 3:00pm. Beyond that, they could choose when they worked to make up the required daily, weekly, or monthly hours. The flex-time work schedule they were interested in assessing was of two sorts:

One flex-time option that they were considering is what they called *Peak-Hour Flex-Time.* Employees still work an 8 hour day with this schedule. Instead of the normal 8-5 schedule, an individual could work other schedules such as between 6:30 – 3:30, 7-4, 7:30 - 4:30 9:00-6:00. A valid 8 hour day is any arrangement of work within an hour day. However, the level of service must be maintained during peak hours (e.g., 12:00 to 3:00). Therefore, supervisors will need to coordinate the schedules of all flex-time participants to ensure ample coverage during these hours.

Another flex-option they were considering was an *Adjusted Lunch Period.* With this variation, an employee could adjust the lunch period and, perhaps, take a 30 minute to a maximum of 2 hours for lunch. Employees who want to go to the gym might in a longer lunch hour attractive. Or, they might leave work later, perhaps at 6:00 rather than 5:00.

Some employees expressed interest in a *compressed work week,* where an employee works a 40 hour week in less than 5 days. For example, a popular compressed work week is the 4-10 plan, where the employee works four 10 hour days. In some cases, an employee might work this schedule on a two week rotating basis, working the 4-10 plan every second week.

*Employees also expressed interest in an e-work option so they could work from home.*While the traditional work schedule meant that employees travelled to the office location four or five days a week, the e-work schedule suggested that employees could work from home on a regular basis and only have to come in for scheduled meetings. They got the idea from a blogging company, where employee who worked around the world and connected virtually, met twice a year to make policy decisions and set objectives of what they needed to do in the next six month period. Jamal took the idea and suggested a system where employees met once a week and then they didn’t have to come in at all, but had to be available virtually during the core period of the flex-time system.

Overall, employee interest is very high regarding a need to develop better scheduling options. However, the options put on the table need more thought. Generally, while employees want a change and might be less dissatisfied, it is not clear that the change will improve motivation, but just take people away from work. Most of the concerns of any new schedule relate to managing employees when they are not around and making sure they are accountable and productive. Customers are used to the traditional schedule.

## Additional notes on Provincial Health

Provincial Health’s key strategic theme is to promote and protect health and prevent disease and injuries so that all people can live healthier lives.

In health care, this is not a simple task as there are many complex factors that affect health including: the use of tobacco, alcohol, and unhealthy foods; lack of physical activity; poverty, discrimination and social exclusion; climate change; and healthy development of children.

Within this overall strategic theme, the department also seeks to understand the health needs of people in the community before taking action. As the leader in this area, the Department of Provincial Health works in collaboration with district health authorities, communities, citizens, experts, and other government departments. The structure of the department is illustrated in Figure 15.1

### 1. Provincial Health’s Administrative Group

Katherine Thomas and Sydney Harrington and 12 administrative support staff provide administrative and operational support services for the five other teams head the administrative group. Katie feels strongly that the traditional 5 day work week is best for her group.

*Mary Smith is an example of one employee in this group who has worked in the administrative group for 4 years. She spends a significant amount of time talking to clients and staff in the various teams and in coordinating activities. Alongside her busy work schedule, she is also a mother of two kids and wants to make sure that she spends enough time with them. Being a full-time time mom and full-time worker doesn’t leave her with much time for herself. The idea of a new scheduling option makes her ecstatic.*

Figure 15.1: Organizational Structure of Provincial Health

Provincial Health

Central Administration

Director: Katherine Thomas

Assistant Director: Sydney Harrington

CV

Population Health Assessment & Surveillance

Healthy Development

Environmental Health

Communicable Disease Prevention & Control

Healthy Community

### 2. Communicable Disease Prevention and Control

The Communicable Disease Prevention and Control team of 30 people provide a full range of services related to communicable diseases (e.g., influenza, mumps, lymes disease). They provide information for professions and coordinate immunizations for adults, children and schools.

*Hilary likes any idea of a flexible schedule. This would mean she could drive her kids to school every morning and be home for them when they got back in the afternoon. This flexibility allowed her to set her own hours and get her work done when it worked best for her. Her work hours allowed her to have a balanced work and family life, “It means so much to me that I can divide my time between work and my family.” Therefore, her typical work hours would be during the day when her kids are at school and in the evening. The only thing that she misses about regularly going into the office is the interaction she had between her workers and herself. She remembered how they used to talk about their lives and projects they used to work on.*

*All meetings are held over Skype, a software application that permits its users to make free voice calls to other Skype users over the internet free of cost. Also, as long as they connect to their work “Messenger”, they can easily chat with their co-workers and Team Leaders if any questions or concerns arise.*

### 3. Environmental Health

Environmental Health, as part of Provincial Health, works to prevent disease and injuries where people live, play and gather. The 15 staff assess the potential for natural disasters. They coordinate the assessment and response to reported or suspected health hazards in many settings and situations. These include housing, public swimming pools, personal service settings (i.e., nail, hair or tattoo salons), beaches, arenas and myriad other settings or conditions.

*Marie Brown is an inspector. Marie is in her mid-twenties and as much as she enjoys working, she spends a considerable amount of time at the gym and hanging out with her friends. Martin often tries to make it to the office where she can work and interact with her co-workers but if she has any plans or appointments during the day, she can easily choose to book off that time and ensure that her daily tasks are completed later on the day. The flexibility of working from home and/or at the office provides the freedom to enjoy what she does and when she’s most productive, “I’m much less stressed since I was able to work from home. Some days, I just feel like working from home works best for me because I can just work quietly from the comfort of my own home. I still make sure that the work is done on time.”*

### 4. Healthy Communities

This group of 7 people focuses on creating a supportive environment, healthy policy and community action to promote well-being and health. Key areas are healthy eating, injury prevention, reducing health disparities and inequities, sexual health and tobacco control.

*Gwen has been working for the company for 3 years now and she finds her job very rewarding. Her Team Leader, also referred to as Team Manager, works very closely with others to ensure accurate information.*

### 5. Healthy Development

The team in Healthy Development team of 10 people is most concerned about health promotion and illness and injury prevention across the life span. However, the team emphasizes early childhood and school aged children and youth.

The team works collaboratively with the District Health Authorities, community organizations and other partners. It seeks to develop and implement healthy public policy, provincial standards, strategies and initiatives that improve the health of children, youth and families in a multitude of settings (home, school and community).

 *Joni Lee has been a researcher with Healthy Development for 5 years. Joni was in a tragic accident when she was a child and has since lost sensation in both his legs and has been in a wheelchair since the age of 7. She had grown a strong interest in computers and programming videogames since she was in high school and knew that programming was what she saw himself doing as a career when she finished school. Due to his hard work and excellent programming skills, she was recruited in his last year of university by the same company she now works for. Healthy Development made sure that she was comfortable in and around the office thereby making his space wheelchair accessible. They provided her with all the necessary office furnishing that may be of help to her. Due to her sense of humor and charm, everyone at the office enjoys working with Joni. She is very good at her job and knows exactly what is expected from her. When Joni was offered the flexibility of working her own hours, she was very pleased. She was relieved to know that on rainy or snowy days, she didn’t need to wake up extra early to make sure that she caught the earlier bus to allow for delays, “This is a really great policy. As an employee, I feel respected by my employer to work from home. On days that are difficult for me to get in, not having the stress about going in allows me to be productive at home.”*

### 6. Population Health Assessment and Surveillance

Population Health Assessment and Surveillance (PHAS) provides the methods, tools, and human resources required to support data, information and knowledge needs for public health programming. They gather and analyze qualitative and quantitative information to aid decision-making for the other teams. They provide leadership in informatics, evaluation, and surveillance. The Informatics area supports assessment and evaluation of qualitative information. Evaluation provides answers to questions about the impact of a program and use the information to improve programs. Surveillance focuses on ongoing and systematic collection of health data to understand population trends.

The 10 people in this team work very independently and, as far as they are concerned, they would work from a home office.

# Briefing Note Structure

*Please provide an analysis of this case in briefing note format where you assess various options in making a decision. The structure for the briefing note is suggested below.*

### Introduction (issue, need, purpose)

*In looking at the norms of good introductions, they usually have an issue statement, need statement, and purpose paragraph. So, this might be 3 paragraphs (although there are different ways to do this).  A background subsection can also provide useful context of why the problem is important to resolve.*

Background *The writer might provide a bit more detail to help the reader understand the issue (how a situation arose, previous decisions/problems, actions leading up to the current situation). This can provide a brief summary of the history of the topic and other background information. What led up to this problem or issue? How has it evolved?*

*One challenge in responding to this case is that the Administrative Departments have different than other departments like the Healthy Communities Department and other departments in Provincial Health.*

## Discussion

*In this section you should consider two subsections. One subsection will provide a review of key criteria or considerations that need to be addressed in solving the problem. These are the key considerations or criteria that the organization needs to consider in order to make an informed decision. Just like in buying a car, the key consideration or criteria might be cost of purchasing, cost of maintaining, etc. In making our decisions, what are the criteria (and possibly relating to objectives in our strategic plan) that are most important to observe?*

*A second subsection should review three or four possible alternative scheduling options. Your analysis should provide an indication of the advantages and disadvantages of each based on common criteria. The analysis part is the heart of your paper and will take the majority of the words you have been allotted for this assignment. You might consider using a table to illustrate the advantages and disadvantages of each option within common criteria. However, if you are using tables to illustrate, please recognize that tables are only illustrations. You should point to the table and the heart of your analysis should be in the paragraphs which provide the added details and logic.*

*Please add references as appropriate.*

### Conclusion and Recommendation(s)

*Your conclusion should first summarize your key learnings. Your recommendation(s) should provide a course of action that you believe the organization should take and why. Make sure that you don’t make the recommendations contingent, i.e. don’t recommend choices between options. Recommend one and only one option and support it.*

#

# EL 3: Checking your financial awareness

Ravi Poon owns a very successful financial planning practice specializing in developing retirement packages for package for a range of customers. On her website, she has the following statement:

In our retirement planning, we’ll focus in on things you need to know and questions you might have such as: How can you maintain your current life style after you retirement? What investment strategy is best to suit your needs? We will help you set and meet specific financial goals and explain how you can gain from RRSPs and other tax-deferred saving plans.

Compare two retirement strategies.

Strategy 1: In using an registered retired saving plan (where some governments allow you to invest money task free in saving for your retirement) over a 30 year period, you can invest $5000 in a registered plan. The money might earn 7% and will be taxed at 40% upon withdrawal 30 years later.

In strategy 2, if you invested $7000 outside the registered plan, your returns of 7% would be taxed annually at the same 40% rate. Note the registered plan advantage in the table below. An example of a type of registered retirement plan might be a defined contribution pension plan where money can be invested for retirement.

|  |  |  |
| --- | --- | --- |
|  | Registered retirement plan | Non-registered retirement plan |
| Annual investment | $5,000 | $5,000 |
| Re-invested tax refund each year | YES | NO |
| After 30 years | $801,752 | $302,159 |
| Taxes payable | $320,701 | $0 |
| Money for retirement | $481,051 | $302,159 |
| Registered plan advantage | $178,892 |   |

As part of her work, Ravi has a newspaper column where she responds to questions about investment. In response to questions about financing planning, she provides advice from financial experts in the field of retirement planning.

Ravi Poon has asked two retirement experts (Amber McIntyre, and Tom James) to join her in responding to this week’s letters from clients.[[2]](#endnote-1) You are asked to take the roles of Ravi, Amber, and Tom and prepare answers to each letter.

To: Ravi Poon

Re: Question about what we do with a reserve of money we have for emergencies

We are in our early 20’s and 30’s and have a disciplined saving routine where we are able to put away 20% or more of our gross income each year. Luke teaches tennis and Hannah works as a marketing manager. We just want to build up our asset so that we can retire at 50 or 55 and not have to work.

Warren Buffet says that diversification is not necessarily the key to good investing ... if you know what you’re doing. We have to admit that we are new to this game and we’d like some advice.

We’ve built up about $157,000 over the last 7 years and hope to boost this to another $30,000 this year. We invested about $44,000 of our money in eight good dividend paying stocks. They were doing well and, even although they took quite a dip during the 2008 recession, they are worth about $65, 000 now. We’ve got $50,000 in cash reserves for emergencies but this only earns 2%, and we know we should find some other place for this money. We invested the remainder of our money in housing.

We believe in property. We own a $300,000 home which we live in and have purchased a rental house which does not pay the mortgage. We have two other rental condos which we have had to subsidize over the last two years because the rents don’t pay the taxes. The properties are worth about $1,000,000. As for liabilities, we owe about $600,000 on the four properties and have a car loan for $30,000. So, the question is what to do with our cash reserve of $50,000, which would last us for about 8 months during an emergency. And, if you have any other thoughts, please let us know.

Sincerely,

Luke and Hannah Dewolf

To: Ravi Poon

Re: Question about whether to invest in real estate

We’ll soon have an extra $2,000 a month of income and would like to get your thoughts on what would be the best thing to do with it. We wonder if we should use the money for: registered retirement savings plans or a rental property in Montreal’s Westmount area. We’re 51 and 52 years old and we’d like to invest something now for our planned retirement in 8-10 years.

We have about $145,000 in unused registered retirement saving plan room. Jean has $70,000 in a defined contribution plan and Johanne has a defined benefits plan which will give her about $1000 after tax when she retires at 60.

We know that buying the condo in Montreal’s Westmount area or a second house to rent in \_\_\_\_\_\_\_\_\_\_\_is a bit of a stretch. We’d have to take out a line of credit against the equity of our current home for the down payment. Frankly, we are confused whether property is the way to go, considering capital gains. But, we have really been disenchanted with the stock market where we lost over 20% of Jean’s investment value. Jean’s investments are back to the value they were two years ago now, but we have to say that mutual funds and stock investments have made us wonder.

As to what we owe, we have a bit of credit debt at $17,000, a car loan of $15,000, and a mortgage of $400,000.

The question for us is whether we should buy an investment property to assist with our retirement or put the money in the stock market and RRSPs.

Yours Truly,

Johanne and Jean

To: Ravi Poon

Re: Question about balancing

We just got married a year ago and are beginning to think about making sure we establish a strong financial foundation for the future. We’d like to get your advice.

We each owned a condo in Toronto and, when we moved in together, we were able to sell one of the condos and pay down the mortgage on the other. Now, we have a $400,000 Condo with no mortgage.

We are 37 and 34 years old. Tim makes about $65,000 and Ally makes $55,000, both working in the health sector.

Our plans, in the short term are to have children and buy a house in Toronto, and set the foundation for retirement in the future. Hopefully, we can still keep the apartment, but we would also like to buy a house were we can rent out suite to help subsidize the mortgage.

We are able to save about $700 a month outside of our pension plans.

As to assets, we have $13,000 in a bank account, TFSAs at $15,000, mutual funds $38,000, general stocks, $4,000, and condo at $400,000.

The question we have is how to balance our cash flow of approximately $7,000 monthly so we can buy a house, start a family, save for the children’s education needs and save for retirement.

Ali and Timothy

**Appendix: Experts Comments:**

*Re: Question about what we do with a reserve of money we have for emergencies*

Experts comments: Good ideas but be careful. If you can, put the $50,000 in higher paying liquid assets like bonds or GICs.

*Re: Question about whether to invest in real estate*

Experts comments: Pay off debt first. Take advantage of unused RRSP room. Build a balanced investment portfolio to supplement pensions. Housing investments will be costly and require a lot of time and energy.

*Re: Question about what we do with a reserve of money we have for emergencies*

Experts comments: Good ideas but be careful. If you can, put the $50,000 in higher paying liquid assets like bonds or GICs.

*Re: Question about balancing*

Experts comments: Be cautious and ask yourself if you really want to keep the condo as you could use the money for your house. Establish a budget and keep high interest debt to a minimum.

# EL 3: Strategically navigating the new world of benefits

In addition to being very important to an employee, benefits programs are important to an organization’s profits and viability. Consider how General Motor’s (GM’s) bottom line was affected by recent labour-management negotiations over the benefits package. Coming into bargaining in the Spring of 2008, General Motors wanted to reduce their wage and benefits costs, from $77 to approximately $48 an hour, to be more in line with the hourly wages that Japanese based companies in the U.S. were paying. Part of the solution was to agree to a two-tier waged system where newly hired employees would not get the same benefits coverage. Auto Workers balked.[[3]](#endnote-2) When GM settled the contract a year later, GM workers did not give up their extra paid holidays, child care (up to $2400 per child per year) or car purchase allowance (up to $2600) which was also given to some 30,000 retired employees.[[4]](#endnote-3)

 When the financial crisis rocked GM’s car sales, G.M.’s large and underfunded benefits and pension liabilities imploded. For many analysts, G.M.’s problems were predictable as they were spending approximately $1784 per vehicle for retiree pension and health care costs, while Toyota was spending $200 per vehicle.[[5]](#endnote-4) In the end, the Canadian government loaned G.M. $60 billion, funds which were contingent on G.M. restructuring and reducing retiree benefits.

G.M.’s case is not unique as many organizations have faced similar issues where the costs of their benefits package affected their viability. In this chapter, we first review a new reality which might affect the way we think about employee benefits. We then examine ideas that managers and employees should consider in effectively designing programs.

How do we effectively manage the costs of pension and health benefits plans? A typical knee-jerk response is to contract out services, cut the benefits coverage or increase the amount the employees and retirees have to pay for health services and prescription drugs. Other options are to change the nature of the pension plans where employees share the costs and risks. On the other hand, implementing these strategies might have effects on the organization’s bottom line since benefits are an important driver of job satisfaction, employee well-being and commitment to an organization.

The pension and benefits cost crisis which began in 2008/09 is calling for new and creative ways to manage the costs and still respond to employee’s needs. Some managers and employees are finding creative ways to manage benefits. The solution, it seems, is to go back to basics. As is the case with compensation systems in general, managers need to place pensions and health benefits plans in a strategic context.

### Recognizing that Different Benefits Accomplish Unique Objectives

While employees receive many pension and health benefits as part of a country’s social safety net, employers also provide many benefits to assist employees and their families. Most countries offer some form of social, health and quality of life benefits whether we work or not. Beyond this, many employers provide a range of medical, extended health insurance, vacation and quality of living and retirement benefits for employees in attracting them to stay with an organization. Many benefits come from the public purse and others are supported by employer and employee payments in the same way that a person contracts with an insurance company. While many of these benefits assist employees if they are sick or injured or need to change jobs, other benefits help employees make adjustments during retirement, and others provide employees with paid vacations and educational leave.

Benefits are usually thought of as **i**n-direct compensation as they enhance the salary and rewards that people receive for doing their jobs.[[6]](#endnote-5) The benefits as contingent on employee needs and provide income replacement when people are injured or ill and can be temporary protection to save employees from going into debt. They also support people in providing time off for holidays, educational development, or retirement. As benefits are important to employees and their families, they can be a powerful tool for recruiting and retaining highly talented employees.

### Figure 15.1: Types of benefits

Figure 15.1 illustrates four types of benefits that employees enjoy in Canada. First, there are basic **social benefits** which are required by federal, provincial, and territorial laws and other **health benefits** which some employers offer to assist their employees. The primary purpose of social and health benefits program is to provide partial replacement income as a safety net in case of illness or injury. Some health benefits protect employees and their families when they are ill or injured, while others encourage preventive health, dental health and optical health. These benefits act as a form of insurance or stabilizer in the economy as the payments that employers and employees make in a healthy economy provide funds to sustain productivity in the larger economy. It is for this reason that many governments are generally supportive of social programs to sustain employment or stabilize income.

Other benefits go beyond income replacement or insurance and give employees time off, fringe benefits or perks, and opportunities for life balance through rest and **rehabilitation.** Some benefits provide funds for training and educational development in supporting employees to learn new skills. Holiday benefits allow for relaxation and time off from work, while education benefits encourage learning and growth. Such programs benefit both employer and employee.

Many organizations offer **retirement benefits** to support employees when they are no longer earning income from employment. While employer sponsored retirement plans require both employer and employee contributions, employees can develop and direct their own retirement plans to supplement government and employer plans.

* To place an organization’s benefit package within a strategic context, we might ask what we want to accomplish by the benefit package and the total compensation package. Being strategic involves targeting the benefits so that they respond to organization’s objectives, legal requirement, and competitive position and needs of employees.
* What type of benefits help an organization achieve its strategic objectives? Do the benefits support our vision and strategic objectives?
* What are the legal requirements in the benefits we offer? Do the benefits fit within the total compensation plan: its equity requirement, cost effectiveness and fairness?
* How do they compare with other organizations in cost, structure, and value to employees and their dependent? Are we responding to the needs of our employees and the demographic characteristics of the workforce?

### Responding to Strategic Objectives

* An organization’s strategic and HR objectives provide the framework for the design of the benefits health and retirement benefits package in outlining the importance of certain benefits over others or for defining the relationship of the benefits package to base compensation or variable pay systems. Strategic considerations assess whether the organization is growing, downsizing, acquiring new areas, making geographical changes, or responding to changes in profitability. For example, the strategic business objectives might recognize the organization’s stage of development and whether it is working to expand or move into different markets. Many organization who are contracting trade workers in Alberta’s oil industry might offer high base compensation and keep the benefits costs as low as possible. Governments which rely on a career work force places a higher priority on an equitable compensation system and a health and retirement benefits rather than variable pay for performance. WordPress, one of the world’s largest computer blogging companies hired predominantly under 35 year old employees, with a competitive base salary and shares based on company performance. Health care and retirement benefits were modest, but one key benefit for employees was being able to work from home and be hooked up virtually whether they were in Canada, United States, Australia, or India.

Beyond basic health and retirement benefits, employers offer a range of benefits to implement strategic objectives related to developing a high performance culture. For example, some airlines offer benefits which help employees focus on work-life balance through flexible scheduling and the opportunity to work remotely on days they are not able to make it into the office. That is, employees can customize their benefits package to their own needs in providing family assistance, travel, scholarships, share purchases, and career planning among other things.[[7]](#endnote-6) While these benefits focus on improving work-life balance, they are within Westjet’s vision and strategic objectives of developing a corporate culture to reinforce a sense of ownership and service. The slogan - “We succeed because I care – reinforces this sense of ownership.”[[8]](#endnote-7)

### Responding to Legal Requirements

Employers in some countries are required by legislation to provide certain benefits to employees. These benefits are defined within provincial (or state), federal and territorial law and include. For example, Australia, Canada, Singapore, and some other countries have plans under different names such as a superannuation plan, and Central Providence Fund. Beyond that, there are some old age security plans, employment benefits when not able to work, in addition to state or provincial health programs which provide support. Employers can add to these basic benefits in supplementing the health coverage by providing medical, prescription, vision and dental plans and designing a retirement plan which goes beyond the basic plans. Employers can also provide long term life and disability insurance plans as well as providing wellness programs for encouraging employee health, fitness, and professional development.

###

### Designing Competitive Benefits Programs as Well as Meeting Employee Needs

The general objective of an organization’s total compensation package (both direct and indirect compensation) is to develop a pay package which helps achieve the organization’s strategic objectives. While a pension plan or a health benefits plan will not motivate a person on a daily basis, it can help attract and retain good employees. Benefits plans can enhance overall satisfaction with an organization, sustain loyalty and discourage people from leaving.[[9]](#endnote-8) In addition, organizations which offer retirement fund plans, medical plans, and the choice of benefits are thought of as more desirable places to work.

The satisfaction with the benefit plan and its place in the total compensation partially reflect a person’s work values and the attractiveness of certain benefits, in addition to the workforce demographics. Different work values might suggest a preference for different benefits plans.

* Comfort and security: job security and, possibly, benefit plans and larger health benefits.
* Competence and growth: intellectual stimulation, continued development of skills, and a feeling of accomplishment, and more emphasis on salary and incentives over benefits plans.
* Status and independence: opportunity to work independently, advance to high responsibility and take risk and benefits plans which
* Family-supportive: desire to comfortably support a family’s general well-being and financial security and health, and benefits plans which are supportive of family health and retirement.
* Education-supportive: desire for continued education and learning is likely to result in preferences for training and development in a benefit package. [[10]](#endnote-9)
* Work-life balance: desire for benefits such as: flexitime, compressed work weeks, job sharing, part-time work, seasonal schedules, telecommuting, paid time-off plans, personal leave of absence/respite, childcare benefits, on-site childcare centers, school-age programs, dependent care spending accounts, managerial work/family training, eldercare benefits, and work-family resources.[[11]](#endnote-10)

These work values and preferences are linked closely to demographics such as marital status, number of dependents, and employment status, and age. Older workers prefer time off and schedule flexibility over cash compensation.[[12]](#endnote-11) They are also more likely to prefer a more flexible life style and training and education benefits. Single workers prefer ‘financial advancement’ and ‘work–life balance’ over family supportive benefits and those who have partners and young families prefer ‘opportunities for skill building and professional growth’ as being of greatest value to them. The gender, age and number of dependents is also related to the perceived importance of family-supportive programs.[[13]](#endnote-12) Women are more interested in childcare benefits over flextime, telecommuting, and eldercare [[14]](#endnote-13) and single parents want both childcare and parental leave. Families with two working parents often end up with certain benefits duplicated. [[15]](#endnote-14)

Being strategic in implementing these ideas involves moving away from conventional, fixed benefits plans which are designed to meet the needs of the traditional “nuclear” family. Since the composition of the labour force has changed, there is a need to recognize that employees have widely different needs. Flexible benefit plans allow employees to tailor their plans to their specific needs and employees select benefits that are most valued. Thus, the employer does not pay for benefits that are not used because they are not valued. For example, Alberta Health Services provides flex credits on 6.25% of an employee’s salary and employees can choose from a range of supplemental health (prescriptions, psychologist, vision, emergency and ambulance) and dental services.[[16]](#endnote-15)

Flexible benefits plan, also called cafeteria benefits plans, recognize the need to craft the mixture of benefits to meet the needs of an increasingly diverse workforce. In some cases, families have two working spouses and they want different benefits than a single person or a single person who has parental responsibilities, as do older parents whose children are no longer in the home. Employees can opt for some benefits over others in a menu of benefits rather than a “one-size-fits all” benefits approach which is often more costly. Other mechanisms to reduce costs include communications and involving employees in the development of benefits programs and policies.[[17]](#endnote-16)

### Task:

Review the different work values defined above and what they might suggest for different benefits plans.

* Comfort and security:
* Competence and growth:
* Status and independence:
* Family-supportive:
* Education-supportive:
* Work-life balance:

Being strategic in implementing these ideas involves moving away from conventional, fixed benefits plans which are designed to meet the needs of the traditional “nuclear” family. Since the composition of the labour force has changed, there is a need to recognize that employees have widely different needs. Flexible benefit plans allow employees to tailor their plans to their specific needs and employees select benefits that are most valued. Thus, the employer does not pay for benefits that are not used because they are not valued.

Flexible benefits plan, also called cafeteria benefits plans, recognize the need to craft a mixture of benefits to meet the needs of an increasingly diverse workforce. In some cases, families have two working spouses and they want different benefits than a single person or a single person who has parental responsibilities, or older parents whose children are no longer in the home. Employees can opt for some benefits over others in a menu of benefits rather than a “one-size-fits all” benefits approach which is often more costly. Other mechanisms to reduce costs include communications and involving employees in the development of benefits programs and policies.[[18]](#endnote-17)

### Questions

1. Given the values of different age groups (i.e., boomers, Generation Y or other groups), what types of benefits would they desire?
2. How will your benefits preferences change during different stages of your life and career?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Traditionals  | Baby boomers | Generation X | Generation Y  |
| Comfort and security:  |  |  |  |  |
| Competence and growth:  |  |  |  |  |
| Status and independence:  |  |  |  |  |
| Family-supportive:  |  |  |  |  |
| Education-supportive:  |  |  |  |  |
| Work-life balance:  |  |  |  |  |

# References

1. Allen, T.D., Johnson, R.C., Kiburz, K.M., & Shockley, K.M. (2013) Work-family conflict and flexible work arrangements: Deconstructing flexibility. *Personnel Psychology*, 66: 345-376; McGuire, J.B. & Liro, J.R. (1987) Absenteeism and flexible work schedules. *Public Personnel Management*, 16: 47-59. [↑](#footnote-ref-1)
2. Maley, D. (2010). Balancing Baby and a house. Financial Facelift. Globe and Mail. Globe Investor. June 19, 2010. B10. Maley, D. (2010). Mortgage Free, retirement-bound. Financial Facelift. Globe and Mail. Globe Investor. May 29, 2010. B9. The ideas for two of these cases are from two articles by Dianne Maley. [↑](#endnote-ref-1)
3. Keenan, G. (2008). CAW open to cost cuts, not two-tiered wages. Globe and Mail, Report on Business, March 26, p.B5. [↑](#endnote-ref-2)
4. Union concessions were giving up 5 fewer scheduled paid absences (nicknamed “spa” days) and reduced holidays of four weeks rather than six. They lost their annual bonus and wages were frozen until 2012 and they have to pay $360 a year in new health premiums. DeCloet, D. (2009). GM had a gun to the CAW’s head – and missed. Globe and Mail, Report on Business, March 10, p.B2. [↑](#endnote-ref-3)
5. Byrnes, N. (2004, July 19). The benefits trap. Business week, pp. 64-72. [↑](#endnote-ref-4)
6. Direct compensation: payments in the form salaries, bonuses, or incentives. [↑](#endnote-ref-5)
7. Westjet-Progressive Employees of Canada list. Accessed at <http://connectmoms.com/2009/05/westjet/> on June 6, 2010. [↑](#endnote-ref-6)
8. Westjet works to maintain its teflon image. Vancouver Sun, January 2, 2008. Accessed from the Vancouver Sun website at: <http://www.canada.com/vancouversun/news/business> on June 6, 2010. [↑](#endnote-ref-7)
9. Griffeth, R.W., Hom, P.W. and Gaertner, S. (2000). ‘A Meta-Analysis of Antecedents and Correlates of Employee Turnover: Update, Moderator Tests, and Research Implications for the Next Millennium’, Journal of Management, 26(3): 463–88; Griffeth, R.W., Steel, R.P., Allen, D.G. and Bryan, N. (2005). ‘Reducing Voluntary, Avoidable Turnover through Selection’, Journal of Applied Psychology, 90(1): 159–66. Guthrie, J.P. (2001) ‘High-Involvement Work Practices, Turnover, and Productivity: Evidence from New Zealand’, Academy of Management Journal, 44(1): 180–90. [↑](#endnote-ref-8)
10. Lawton, K.E., & Chernyshenko, O.S. (2008). Examining determinants of employee benefit: Joint effects of preferences: personality, work values, and demographics. Asia Pacific Journal of Human Resources, 46, 220-240. [↑](#endnote-ref-9)
11. Johnson, A.A. (1995). “The business case for work-family programs”, Journal of Accountancy, Vol. 180 No. 2, pp. 53-9. [↑](#endnote-ref-10)
12. Hedge, J.W., W.C. Borman, and S.E. Lammlein. (2006). The aging workforce. Washington DC: American Psychological Association. [↑](#endnote-ref-11)
13. Frone, M.R., and J.K Yardley. (1996). Workplace family-supportive programmes: Predictors of employed parents’ importance ratings. Journal of Occupational and Organizational Psychology 69(4): 351–66. [↑](#endnote-ref-12)
14. Thompson, L, F., & Aspinwall, K.R. (2009). The recruitment value of work/life benefits. Personnel Review, 38, 195-210. [↑](#endnote-ref-13)
15. Meisenheimer, J.R., and W.J. Wiatroeski. (1989). Flexible benefits plans: Employees who have a choice. Monthly Labor Review 112(12): 17–23. [↑](#endnote-ref-14)
16. Alberta Health Services. (2010). Benefit: Out of Scope Flex Benefit Program. [↑](#endnote-ref-15)
17. Pearse, J. (2008). Getting the most of the benefits plan premium helps plan sponsors manage increasing health costs. Benefits Canada. May 1, Accessed at <http://www.benefitscanada.com> on March 27, 2010 [↑](#endnote-ref-16)
18. Pearse, J. (2008). Getting the most of the benefits plan premium helps plan sponsors manage increasing health costs. Benefits Canada. May 1, Accessed at <http://www.benefitscanada.com> on March 27, 2010 [↑](#endnote-ref-17)