
4D. Benefits

Benefits are important elements of the total reward.

4D.1 Major benefit plans are:

- ✦ Retirement benefit schemes, eg. Mandatory Provident Scheme
- ✦ Personal security e.g. healthcare, dental, hospitalization, accident or life insurance
- ✦ Financial assistance e.g. mortgage interest subsidies, rental subsidies, staff discounts, education subsidies
- ✦ Personal needs e.g. holidays and leave with pay, child care, fitness and recreational facilities, use of holiday house, etc
- ✦ Others eg. Employee shares purchase plan, company car

4D.2 Benefit plan management and communication

Below are the procedures for developing a benefit strategy and plan

Step 1: Decide objectives

- Assess what the company wants to achieve through its benefit strategy & policy and its ability to pay for the changes.

Step 2: Obtain views and input from employees

- Collect employees' views through employee surveys, focus groups and individual interviews.

Step 3: Analyze competitiveness

- Establish/Determine the company's competitive position, through conducting a customised survey or collecting available market data from external providers.

Step 4: Design the benefit package

- Determine the mix and scale of the benefit package, the allocation of benefits, the scope for flexibility and the cost of benefit provision.

Step 5: Consult the senior management team and employees on the proposal

- Get input and buy in from senior management team
- Make amendments if necessary, collecting comments and explore the inclusion of non-financial rewards as benefits.

Step 6: Plan the launch

- Communicate to everyone concerned what is happening, why it is happening, and how it will affect them.

Step 7: Evaluation

- Review the plan on a regular basis and obtain input from employees and management for evaluation purposes.

To enhance cost effectiveness of a benefit plan, it is very important to maintain proper communication with both management and employees:

- a. Get senior management support - explain the advantages of the new benefit plan and the possible outcomes, weighing the costs against possible gains from the employer's perspective
- b. Make sure employees understand the details of the benefit plan – what the benefit covers, when will the benefit take effect, reasons for offering such benefits, how will the employees benefit and any associated terms and conditions.

4D.3 Benefit plan administration

Administering benefit plans involve the following steps

a. Budgeting for benefits based on:

- ❖ Historical information
- ❖ Market information
- ❖ Accounting and tax treatment

b. Administering employee benefits will determine on:

- ❖ Whether the following parties will receive the benefit:
 - employees on probationary periods or long term absence
 - dependents of employees
 - retirees and their dependents
 - survivors of deceased employees
 - employees who are suffering from disabilities
 - full-time/part time employees
- ❖ How many will then be entitled to the benefits
- ❖ How the benefits should be financed
 - non- contributory - employer pays total costs
 - contributory - costs are shared between employer and employee
 - employee financed - employee pays total costs of the benefits
- ❖ Whether the benefits are legally defensible
 - a company should comply with all legal requirements and should develop
 - a compliance checklist and conduct audits regularly