

INCENTIVES & BENEFITS

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AGENDA

Introduction:
What are they?

Advantages &
disadvantages

Impact on
managers

Solutions + future
projections



**WHAT TYPES OF
INCENTIVES
& BENEFITS
CAN YOU NAME?**

INCENTIVES



INCENTIVES

TANGIBLE

Money

Fixed pay

Variable pay

Benefits

Government mandated

Employer sponsored

Employee services

INTANGIBLE

Employee recognition programs

Recognition

Praise

FOR OPERATIONS EMPLOYEES:

1. PIECEWORK PLANS

Straight piecework plan

Guaranteed piecework plan

Differential piece-rate plan

FOR OPERATIONS EMPLOYEES:

2. TEAM OR GROUP PLANS

Earnings based on **highest** producer

Earnings based on **lowest** producer

Based on **average** pay earned by the group

FOR SENIOR MANAGERS & EXECUTIVES:

1. SHORT-TERM INCENTIVES

Non-deductible formula

Deductible formula

Split award method

Multiplier method

FOR SENIOR MANAGERS & EXECUTIVES:

2. LONG-TERM INCENTIVES

Stock options

Performance share unit plan

Restricted share unit plan

Deferred share unit plan

FOR SALESPEOPLE:

1. SALARY PLAN

Paid fixed salary

2. COMMISSION PLAN

Pay based on portion of employee's sales results



3. COMBINATION PLAN

BENEFITS



GOVERNMENT MANDATED:

Employment insurance

Pay on termination of employment

Leave of absence

Canada Pension Plan

Workers' compensation

Vacations and holidays

Paid breaks

VOLUNTARY EMPLOYER-SPONSORED:

Life insurance

Supplementary healthcare insurance

Retiree health benefits

Short-term disability & sick leave plans

Long-term disability

Mental health benefits

Retirement benefits

*Defined **benefit** pension plan*

*Defined **contribution** pension plan*

EMPLOYEE SERVICES



EMPLOYEE SERVICES

PERSONAL SERVICES:

Credit unions

Counselling services

Employee Assistance Plans (EAPs)

Other personal services

EMPLOYEE SERVICES

JOB-RELATED SERVICES:

Subsidized childcare

Eldercare

Subsidized employee transportation

Food services

Educational subsidies

Family-friendly benefits




ADVANTAGES & DISADVANTAGES






ADVANTAGES & DISADVANTAGES

INCENTIVE PROGRAMS



-  Increases productivity
-  Enhances performance
-  Contributes to employee retention



-  De-motivates employee
-  Creates conflicts
-  Contrary to teamwork




ADVANTAGES & DISADVANTAGES

BENEFITS & SERVICES



-  Competitive advantage
-  Retain top performers
-  Tax advantage



-  Limited benefits (*stock options*)
-  Pay more (*health insurance*)
-  Eligibility (*part-time workers*)
-  **High cost to employers!**

IMPACT ON MANAGERS



IMPACT ON MANAGERS

WHY SHOULD MANAGERS CARE?

Happy employees =
improved productivity



OBJECTIVE

Improve productivity while **minimizing** cost

Easier recruitment

Increased retention

Improved attitudes

Result? Lesser costs **in the long run**.



HOWEVER,
IT'S NOT QUITE THAT SIMPLE.

(BENEFITS AREN'T CHEAP.)



IMPACT ON MANAGERS

Both government mandated and employer-regulated benefits are very costly...

...and you *can't please everyone.*

Changing family structures

Overlapping coverage

Skeptical employees

Flexibility



THIS PUTS MANAGERS IN A



**YOU'RE THE MANAGER.
WHAT DO YOU DO?**



SOLUTIONS & FUTURE PROJECTIONS



SOLUTIONS & FUTURE PROJECTIONS

ANALYZING

FACTORS INFLUENCING BENEFIT PACKAGE



EMPLOYEE NEED



EMPLOYER NEED

DESIGNING

COMPENSATION PLAN



BENEFIT PACKAGES

COMMUNICATIONS

COMMUNICATION & EDUCATION



SOLUTIONS & FUTURE PROJECTIONS

ANALYZING EMPLOYEE NEEDS

FACTORS INFLUENCING TOTAL COMPENSATION PACKAGE:

1. DEMOGRAPHIC CHANGES

Aging workforce
Life expectancy
Gender mix

2. FAMILY COMPOSITION

Single parents
Never married
Divorced
Single + single

3. EDUCATION

Increase education level

4. EMPLOYEE VALUE

Voice opinions
Challenge authority
More independent
Participate in decision-making process
Control over careers & finances

SOLUTIONS & FUTURE PROJECTIONS

ANALYZING EMPLOYER NEEDS

FACTORS INFLUENCING TOTAL COMPENSATION PACKAGE:

1. INCREASED COMPETITION

Foreign competition
Unfavourable exchange rate
Cheaper foreign labour cost

2. RISING BENEFIT COST

Mandated contributions
Voluntary contributions
Health care cost
Pension

3. BENEFIT ADMINISTRATION

Advance technology
Design
Track

4. GOVERNMENT REGULATIONS

Contribution %
Income tax rate

SOLUTIONS & FUTURE PROJECTIONS

DESIGNING COMPENSATION PLANS

Flexible compensation

Pay for performance:

Individual performance

Group incentives

Ensure goal congruency between performance goals and corporate goals

Direct employees' efforts toward corporate goals



SOLUTIONS & FUTURE PROJECTIONS

DESIGNING BENEFIT PACKAGES

Flexible and more **diversified benefit** packages

Consider and rank each benefit based on the **cost** and **profit**

Return on benefit dollars invested



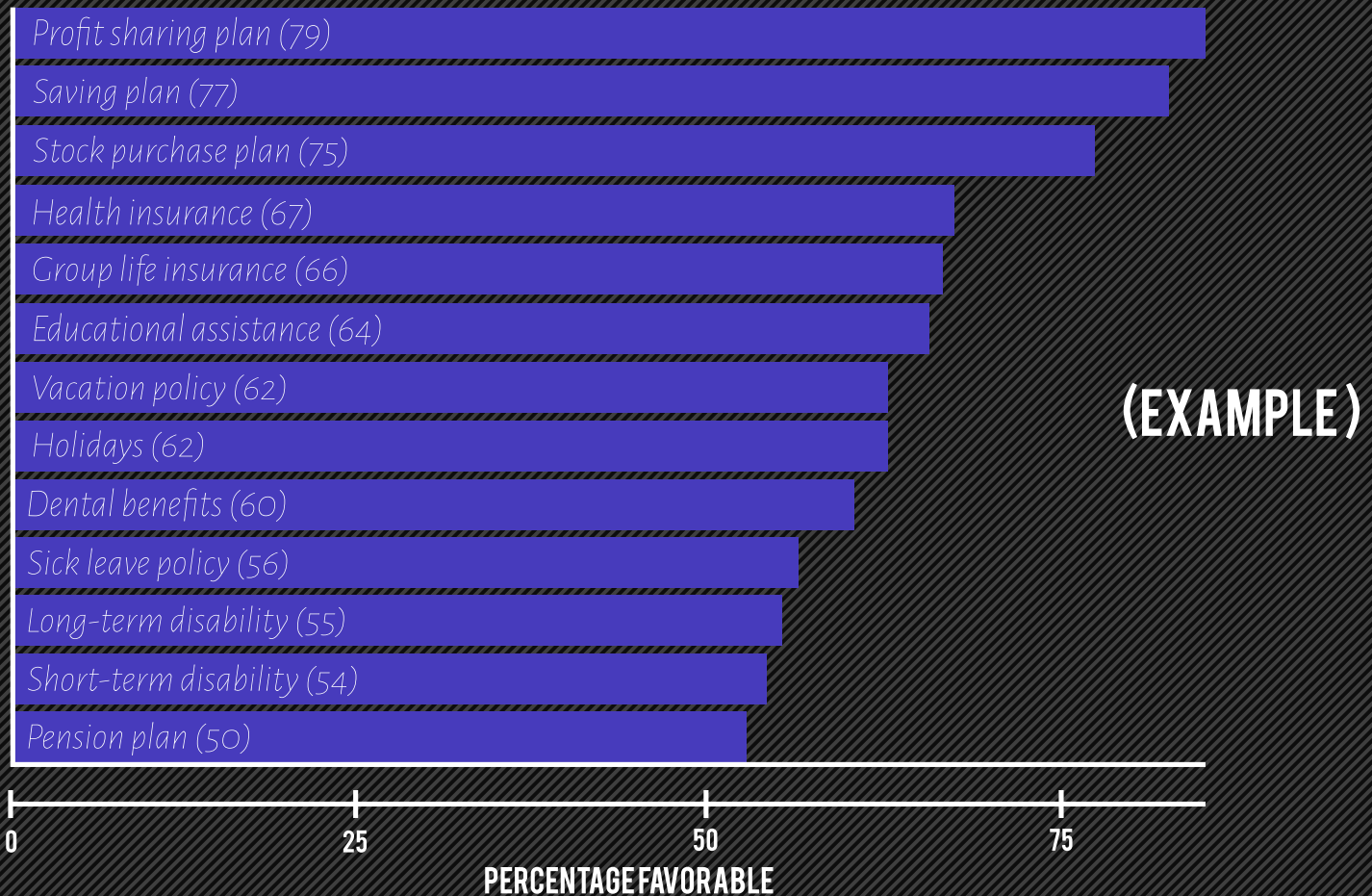
SOLUTIONS & FUTURE PROJECTIONS

WHICH BENEFITS
DO YOU THINK
EMPLOYEES VALUE
MOST? LEAST?



SOLUTIONS & FUTURE PROJECTIONS

EMPLOYEE RATINGS OF SPECIFIC BENEFITS*



*Based on 108,000 employees in the U.S.: 1983-1988

SOLUTIONS & FUTURE PROJECTIONS

DESIGNING BENEFIT PACKAGES

Flexible and more **diversified benefit** packages

Consider and rank each benefit based on the **cost** and **profit**

Return on benefit dollars invested

Benefits must satisfy employees' *real needs*



SOLUTIONS & FUTURE PROJECTIONS

COMMUNICATION & EDUCATION

The **success** of the compensation and benefit design depends on:

1. Solid understanding and acceptance of compensation policies
2. Ongoing workforce education about pay and benefit practices
3. More effective communication and administration method



IN SUMMARY,



QUESTIONS?

