Indirect Financial Compensation

• Called benefits and services
• employer provided rewards and services, other than wages and salaries, arising from the following categories: legally required social insurance payments, private insurance & retirement plans; payment for time not worked; extra cash payments other than those based on performance; costs of subsidized cafes, clothing allowances, and so on
Benefits and Services Decisions

• Mandated programmes must be funded
• there is little evidence that benefits really motivate performance or increase satisfaction
• most employees view benefits as entitlements
• unions, competitors and industry trends continue to pressure managers to provide or increase voluntary benefits
• costs of benefits continue to escalate
Steps for Managing Programme

• Set Objectives and Strategy for Benefits: pacesetter, comparable, or minimum
• Involve Participants and Unions
• Communicate Benefits
• Monitor Costs Closely
Strategic Choices

• How much of benefits should be paid by the employer vs the employees?
• How comprehensive the benefit package should be?
• How flexible should the benefit package be?
Reasons Given by Employers

- Attract good employers
- Avoid turnover
- Motivate employees
- Keep out the Union
- Meet Union requirements