

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 employees
- Avoid turnover
- Motivate employees
- Keep out the Union
- Meet Union requirements