

## Everything you need to know about employee benefits

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Companies have a wide range of tools to use to attract, motivate and retain employees. One of these tools is remuneration. Remuneration refers to the cash and non-cash elements paid to employees in exchange for work done while employed.

### What are employee benefits?

Employee benefits are additional perks offered by employers, over and above the usual salary of an employee. They are the non-cash elements of remuneration that are intended to aid in improving workplace retention and engagement and can include anything from pension schemes and health & wellness packages to flexible hours and support programs for family leave. It is important to note that some benefits are legally mandated.

### Importance of employee benefits

According to Glassdoor's 2015 Employment Confidence Survey, four in five (79%) employees would prefer to receive new and additional benefits over a pay increase. This highlights that while pay increases are important, employee benefits and perks must also be taken into account when considering rewarding and retaining employees. Benefits allow employees to:

- Save money and use their disposable income on other things
- Boost their health in the workplace
- Maintain a better work-life balance

Employee benefits do not only benefit employees as the name might suggest. The advantages of offering them are also enjoyed by employers.

### Recruitment

Through providing perks and benefits, employers increase their ability to attract top candidates and recruit new employees.

The 2017 Metlife Benefits Trends report revealed that three in five (60%) employees consider the employee benefits offered by an employer when deciding whether to accept a job or not. The Aflac survey supported this result by showing that 55% of employees are more likely to accept a job with reasonable benefits even if it comes with a lower salary.

### Loyalty

Offering employee benefits to employees is likely to keep them loyal to a company. Aflac's 2016 Workforce Report showed that three in five (60%) employees believe that having an employee benefits package goes a long way in ensuring their loyalty to their employer.

Employees would also like to be able to select and choose their benefits to suit their preferences. According to the 2017 Metlife Benefits Trends Report, seven in ten (72%) employees said their loyalty is boosted by the opportunity to modify their benefits. A fixed selection of benefits doesn't allow employees to choose what best suits them.

Starting a benefits program or adding to the existing one can encourage employees to remain with an employer. The 2016 Workforce Report by Aflac reveals that almost two in every five (36%) employees would stay in their job if their employer improved their benefits package.

## **Absenteeism**

Employees are more likely not to be absent when they have benefits at work. According to the article by Mike Kappel titled "How to Reduce Absenteeism in the Workplace", finances, family obligations and health problems are the three main causes for absenteeism in the workplace.

Employees may need to take care of financial errands. Providing benefits will reduce the amount of financial errands workers may need to attend to. The Metlife Report showed that owing to these errands, 43 per cent of workers believe that incentives influence their number of job absences.

Owing to family obligations, three in every four (74%) employees have at some point been absent from work. Benefits, such as flexible work arrangements, can minimize the number of days employees are absent from work due to family matters.

Employees who have health insurance are less likely to miss work for health reasons. Employees with sufficient employee benefits are less likely to delay going to the doctor, and less likely to postpone a medical procedure.

## **Focus & Productivity**

The absence of a benefits package can adversely impact the focus and productivity of employees at work. This is because employees could become consumed with the cares of life, such as childcare, illnesses, and finances. This could potentially take their entire focus, leaving none for the workplace.

The 2017 Metlife Benefits Trends Report found that one in every five (23%) employees are less productive at work as a result of financial concerns. The report also showed that more than half (58%) of all employees have likely had sleepless nights worrying about childcare and the lack thereof. Sleepy, preoccupied employees are by definition unfocused.

Companies may provide benefits that help alleviate their employees of stress. When employees know that issues in their personal lives are taken care of, they can be more focused on work. Half (51%) of the

participants, voiced that benefits are likely to have an impact on their ability to focus at work. This went further with another 51% affirming that benefits would also have an impact on their productivity.

## Types of employee benefits

The Benify “2019 Employee Happiness Index” categorised employee benefits into 4 categories, namely

- Benefits at work – working hours & leave, skills development, food & beverage, and employee clubs, activities & gifts.
- Benefits for health – healthcare and health & wellness programs.
- Benefits for financial security – pension plans, insurance, financial benefits, and personal finance benefits.
- Lifestyle benefits - work-life balance and mobility.

### Benefits at work

- **Working Hours & Leave** – These benefits speak to issues around extra vacation days and paid parental leave to flexible working hours and the opportunity to work remotely
- **Skills Development** – Companies identify their employees’ strength and skills gaps, and work on developing and honing these skills. This is important because employees’ skills determine their ability to carry out their jobs successfully.
- **Food & Beverage** – This includes subsidised meals, free fruit, tea and coffee etc. This category can brighten the days of employees, as well as, encourage healthy eating habits at work.
- **Employee Clubs, Activities & Gifts** – This includes art clubs, anniversary gifts, wine lotteries, Secret Santas, running groups, (video) game nights, knitting clubs etc. Encouraging social events within and outside the workplace can go a long way in creating a sense of community and togetherness among employees, at very low cost.

### Benefits for health

- **Health & Wellness** – The list of options for health and wellness is vast and can include gym membership, smoking cessation, physical exams, massages, and dietary advice.
- **Healthcare** – Healthcare benefits come in various shapes and sizes, too. This category includes things like physiotherapy and chiropractic therapies, fertility treatments and psychological support.

### Benefits for financial security

- **Pension Plans** – These are funds or schemes in which employers make contributions to a pot of funds which have been set aside for an employee's future retirement income.
- **Insurance** – Most insurance contracts cover sickness, work injury or parental leave
- **Financial benefits** – This includes commissions, bonuses and the possibility for employees to buy shares of the company they work for.

- **Personal Finance Advice** – This category involves advice of budgeting, saving, and investing one's assets.

## Lifestyle benefits

- **Work-life balance** – Benefits in this category support work-life balance e.g. by providing discounts on services like home cleaning, grocery delivery, childcare, homework help, legal services etc.
- **Mobility** - This category includes car leasing, workplace parking spaces, carpooling, public transport tickets and bicycles.

## Which employee benefits should you offer?

### 1. Consider the law

Companies need to ensure they familiarise themselves with the laws of the country of operation and include the benefits prescribed within the law. This is the starting point when designing a benefits scheme. There are some benefits that companies may need to provide whether or not they are required by law. These are mainly those benefits that employees expect to receive and to not provide them might bring unwanted publicity to the company.

### 2. Consider the industry

Companies must consider the industry in which they operate to see what their peers are offering. They can then decide what is reasonable and perhaps necessary to set them apart.

It is important to bear in mind the benefits that competitors are offering. Companies will then be in a better position to identify how they fare in comparison to the rest of the industry. Are you on board with what they're offering? It is here that a company determines what is the bare minimum necessary to be competitive.

Taking into account how rapidly the industry is changing is also important. This will allow companies to think ahead and determine the benefits packages that the industry will likely require in the future. Such forward-thinking will set companies apart from their competitors.

### 3. Consider the team

Once the benefits offered to employees adhere to the legal requirements and are competitive within the industry, benefits can be further narrowed down to better suit the company's unique workforce. To do so would ensure a company stands out and can recruit hire the best employees.

Consider the current workforce and the desired workforce. What appeals to these two different workforces is likely to be different from each other. What is necessary for the workplace culture to be

attractive and suitable for the desired workforce. For example, what would appeal to older employees may not necessarily appeal to the younger employees. For example, the Benify 2019 Happiness Index Report revealed that pension plans become more important the older the employees are, while skills development was more important for the younger employees. These results make sense, as in the first instance older employees are closer to retirement and are keen to ensure that they will have sufficient to live on in retirement. In the second instance, the development of new skills is more important for younger employees as they are likely to be more affected by technological developments than employees nearing retirement.

The gender of employees is another point of difference as indicated by a Harvard Business Review article. In an article titled, “The Most Desirable Employee Benefits”, Kerry Jones wrote, surveyed “women were more likely to prefer family benefits like paid parental leave and free daycare services” while “men were more likely than women to value team-bonding events, retreats, and free food.” These differences are also evident even where both genders value similar things like fitness-related perks. “Women are more likely to prefer free fitness and yoga classes, while men are more likely to prefer an on-site gym and free gym memberships.”

These are just two points of differences, but there are so many others such as marital status and how far an employee is in their career (i.e. whether they are still novices or now matured specialists/professionals)

#### **4. Consider the cost**

The most important step in this process is considering the cost of the benefits. The benefits schemes must be affordable and sustainable. Google and Twitter have been known for their luxurious benefits. For Google, this includes lunches made by a professional chef, biweekly chair massages, yoga classes, and haircuts. In the case of Twitter, this includes three catered meals per day, on-site acupuncture, and improv classes. However, not all companies can afford the benefits offered by Google and Twitter.

There are some benefits that companies can offer that are not particularly costly to a company. Examples of such benefits are the four-day work week with longer days, allowing telecommuting or flexible hours. It is important to really understand what employees require. This will help clarify whether they require an expensive vacation or simply a better work-life balance.

Companies are thus encouraged to offer benefits that not only meet the legal requirements but are competitive on an industry level and address their workforce’s core concerns all while ensuring they live within their means.

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