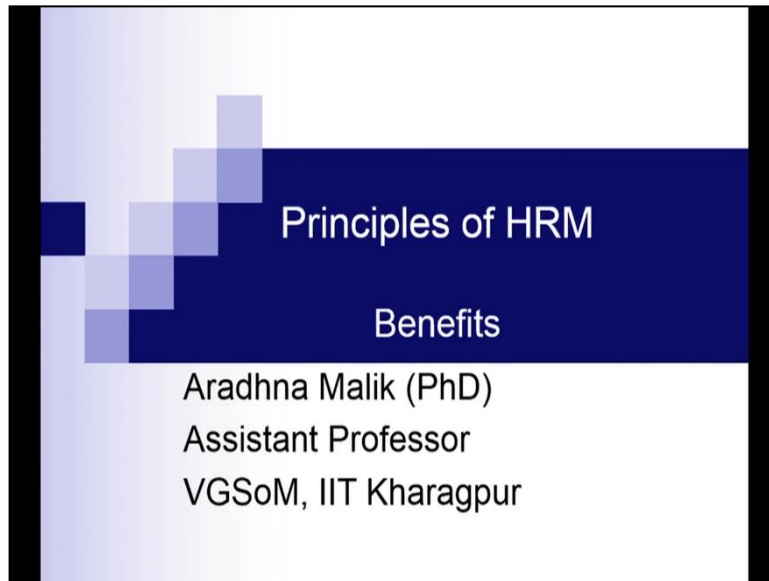


Principles of Human Resource Management
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Module No. #05
Lecture No. #13
Benefits

Welcome back, to the course on, Human Resource Management.

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Principles of HRM

Benefits

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Today, we will talk about, benefits, very quickly.

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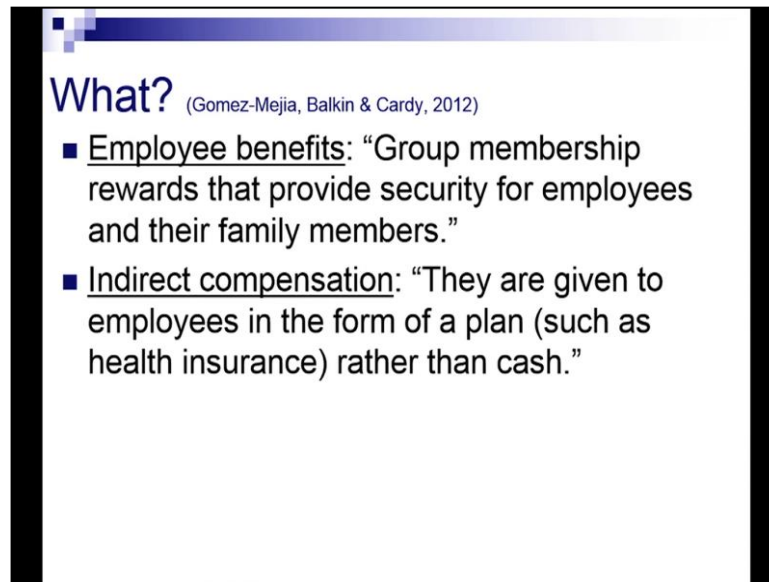
Sources

Briscoe, D.R., Schuler, R. S. & Claus, L. (2009). *International human resource management: Policies and practices for multinational enterprises*. NY: Routledge.

Gomez-Mejia, L. R., Balkin, D. B. & Cardy, R. L. (2012). *Managing human resources (7th Ed.)*. New Delhi: PHI Ltd.

I have referred to, two books. One by Briscoe, Schuler, and Claus. And, the other by Gomez-Mejia, Belkin, and Cardy. And, even though, I have not taken anything, directly from the book by, Briscoe, Schuler, and Claus. Since, I have gone through their book. And, I have understood things, from their book. I have decided, to mention it, here.

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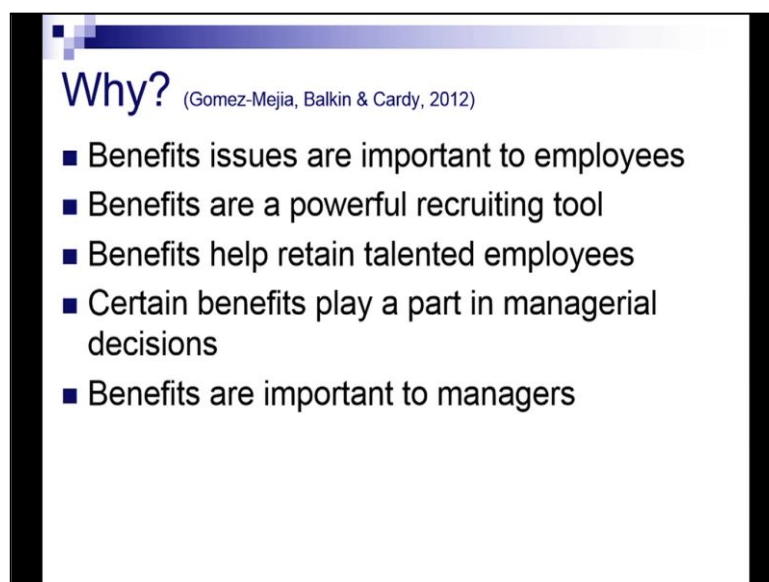


What? (Gomez-Mejia, Balkin & Cardy, 2012)

- **Employee benefits:** “Group membership rewards that provide security for employees and their family members.”
- **Indirect compensation:** “They are given to employees in the form of a plan (such as health insurance) rather than cash.”

What are employee benefits. Employee benefits refer to, group membership rewards, that provide security, for employees, and their family members. Now, when we talk about benefits, we are essentially talking about things, that the company does for you, in addition to your salary. This is something, we talked about, even last time.

And, there is another concept here, called indirect compensation. Indirect compensation refers to, the other benefits, additional incentives, additional rewards, additional remuneration, in addition to cash. So, salary is the money, that comes into your account. And, benefits are the other conveniences, as we call them, for whatever, you do, for the company.



Why? (Gomez-Mejia, Balkin & Cardy, 2012)

- Benefits issues are important to employees
- Benefits are a powerful recruiting tool
- Benefits help retain talented employees
- Certain benefits play a part in managerial decisions
- Benefits are important to managers

So, it is like, you know, the company is saying, thank you, to you.

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Why are benefits important for the company. Benefit issues are important to employees. As an employee, I do not only want money, from the organization, I want my organization, to value me, as an employee. We have been discussing this, in various sessions. We have talked about this. If I am an employee, of an organization, I am not just a machine. You know, I do not want the company, to treat me like an output device.

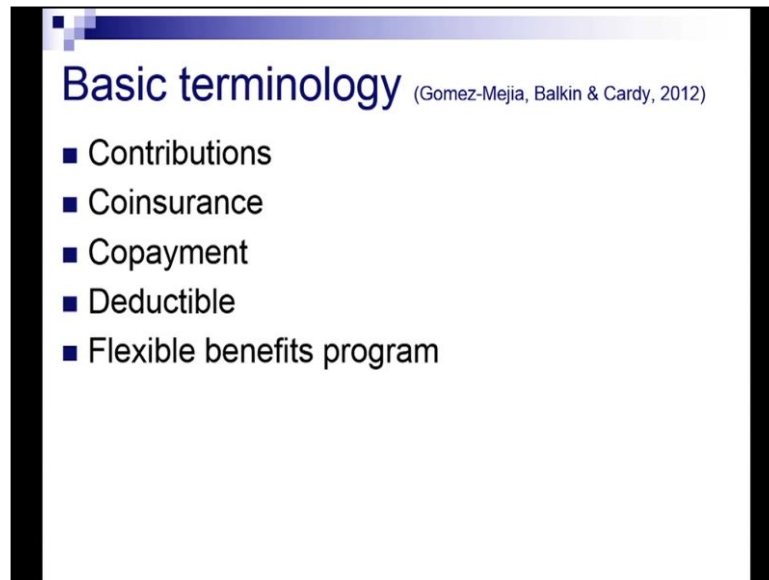
You put in. You give them cash. And, this is, how much work, that comes out. So, I want the company, to acknowledge me, as a human being, who feel intrinsically motivated, by various gestures. And, that is why, it is important to me, as an employee, that the company does, something for me. Benefits are a powerful recruiting tool. The number of ways in which, you can thank your employees, the number of ways in which, you can look after your employees, is a big motivating factor, for recruiting the best talent.

Because, everybody wants to be treated, well. So, this is just a repetition of, what I told you, right now. Benefits help retain talented employees. If the amount of benefits, that is given to you, is proportionate to, what you do for the company. You feel, valued as an employee. So, that the longer, you serve the company, the larger the benefits, or the more the benefits, that the company gives you.

Certain benefits play a part in, managerial decisions. Now, benefits cost the company money. And, I mean, it adds to the cost, of the retaining an employee. It adds, to the cost of running a company. So, they form a part of managerial decisions. What should we do, in order to, get our employees, to work for us, the way we need them, to work, despite their limitations, as human beings.

Despite their limitations, as you know, despite their family issues, health issues, energy levels, motivation levels, what should we do, in order to, enhance their commitment, to the company. And, that helps us, make some decisions. And, benefits are important, to managers also. Because, we should know, how much our employees are expecting, and what we can give them. So, it is important that, we have a discussion, on benefits, in organizations.

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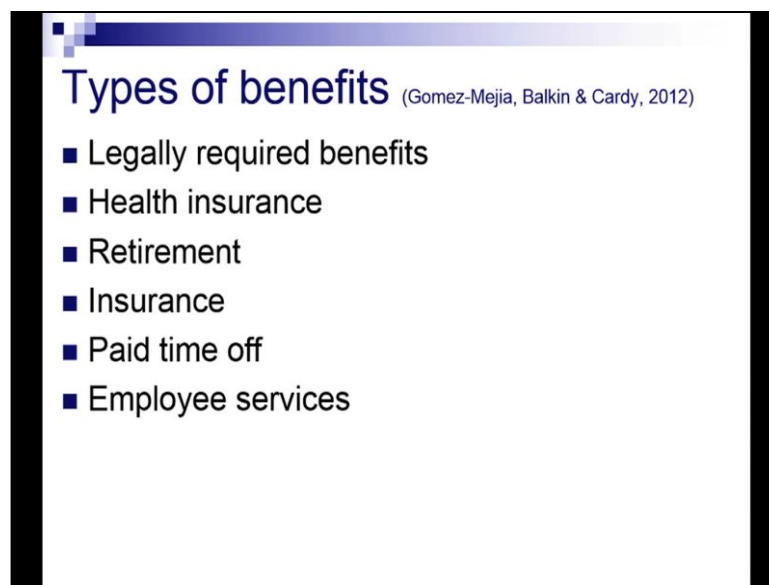
Basic terminology. Some basic terms, that we need to know, before we move on to, the concept of benefits. One is contributions. Contributions constitute, what you gave as an employee, to the organization, to save up for a later date, that the organization may also match, you know, that just adds up. It is your bit by bit addition, to what the company is either putting into that pool, or what you are giving, what the company is matching. So, contributions are, what we put into the larger pool of, the positive remuneration, that we are going to get, from the company.

Then, coinsurance. Coinsurance is another term. Coinsurance means that, we pay for the insurance, together. So, we are collaboratively contributing, towards the insurance. Copayment is another term. Copayment is again, we are paying together, for something that, we are going to get. Sometimes, organizations give you, they let you have a car, for official purposes. And, they say that, if you serve us for, maybe, five years, you can have the car.

So, initially, we will give the down payment. We will let you use the car, for official and personal purposes. And, after you have served the company, for five years. You can, and you

can pay us, the remaining amount, and get the car transferred to your name. So, it becomes your property. And, this whole process is called copayment. Flexible benefits program is something, we will talk about in a greater detail, some other time, or maybe towards the end of this lecture, or maybe the end of next lecture.

But, flexible benefits program is a program, that helps you choose from, a pool of benefits, that you are eligible for, in your position, in what you do. You become eligible, for getting some benefits. And, the flexible benefits program, lets you choose, from this pool, depending on your needs, stage in life, your inclination, whatever. So, that is called, the flexible benefits



program.

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Various types of benefits, that we have in organizations. The first one is, legally required benefits. We call it a benefit. But, it is a legal requirement. Law mandates that, every organization provides, some things for its employees, in addition to the salary, they are giving their employees. One very good example of legally required benefits is health benefits. And, we have health insurance.

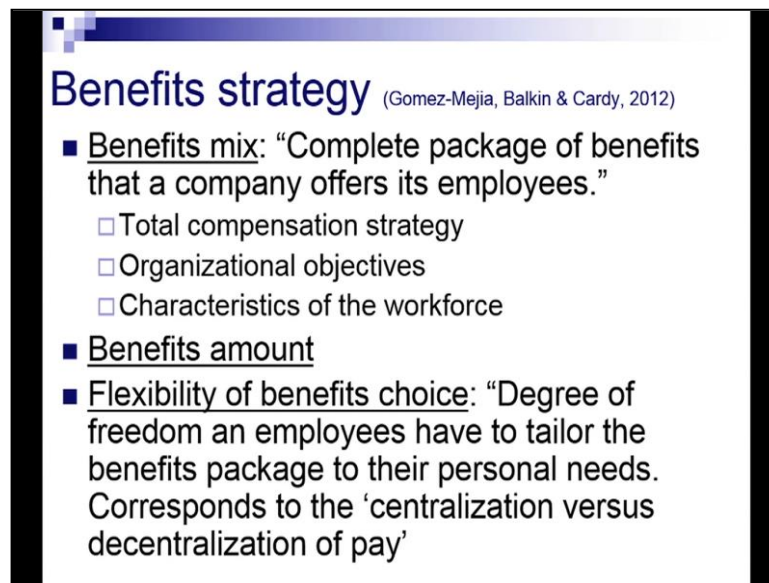
But, health benefits, paid time off, maternity leave, and paternity leave. So, parental leave. So, you know, that is all. These are legally required benefits. Or, maybe accommodations, for temporary or permanent disabilities. So, all of these things are required by law. The other type of benefit is health insurance. The organization either, you know, agrees to help you

with your health needs. So, various types of health insurance are there. And, we will go into detail, a little later.

Then, retirement. Some organizations also help you, or compensate you, for the years, that you may lose, due to advancing age. And, there are various ways, of doing it. And, we will come to that, a little later. Retirement is separation from the organization, after you have served the organization, for a significant number of years. And so, that usually depends, on the age, that you are at. After which, you are no longer, required by the company.

You may be growing. You may be very skilled. But, the company needs you, to leave the office. Because, newer people are coming in. And, space needs to be vacated. Various reasons are there, for people to retire. Paid time off is another one. And, employee services is another type of benefit.

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Benefits strategy (Gomez-Mejia, Balkin & Cardy, 2012)

- **Benefits mix:** “Complete package of benefits that a company offers its employees.”
 - Total compensation strategy
 - Organizational objectives
 - Characteristics of the workforce
- **Benefits amount**
- **Flexibility of benefits choice:** “Degree of freedom an employees have to tailor the benefits package to their personal needs. Corresponds to the ‘centralization versus decentralization of pay’

How do we decide on a benefits strategy? Benefits strategy refers to, how we decide on, what benefits to give. Who to give the benefits. And, how these benefits are actually disbursed, to people. Now, the benefits strategy consists of three different parts. The first is the benefits mix, which is the complete package of benefits, that a company offers, its employees. This mix is a characteristic, of the total compensation strategy. It also has to be in line, with the organizational objectives.

What is it that, the company is doing. What is it that, the company wants to do, for its employees. What is it that, the company needs, from its employees. How much commitment, it needs? What it can, and wants to do, for its employees. And, what the ultimate goal of the company is. So, all of that forms, or the benefits strategy, the benefits mix, has to align itself, to the objectives of the organization.

And, the characteristics of the workforce, have to be taken into account, while planning the benefits mix. For example, we are based in, say, high reach area like, Ladakh. Now, Ladakh is a far-flung area. It is a, you know, it is very high up in the Himalayas. And, till a few years ago, it was almost impossible for people to, or a few decades ago, it was impossible for normal people, to go there. There is just an army base, there. And, you know, there were no flights, of course, tourism has taken over.

So, people have set up, you know, I mean, people have started going there. But, it is very difficult to live in that region. Because, it is so cold. It is up in the Himalayas. The topography is very rugged. You know, you can get things up there. So, depending on the climate of that place, and what is available, you might want to spend. Or, if you set up shop there, for whatever reason, you may decide to put up a, say, a tourist park, over there. Or, you know, winter sports park over there.

And, the employees, that are working there, would probably need things like, you know, some contribution towards the travel, back to their hometowns. Because, it is so cold. Sometimes, families may not be able to go there. They may not be able to live there. Maybe, you need to give the employees extra money, to stay warm for, you know, winter jackets or, maybe, you know, you may need to put a generator, in your employee's colony. So, that the power is not out. And, so that, they stay warm.

So, you know, these kinds of things, or maybe, you need to give them, winter shoes. So, that is a benefit. I mean, of course, you know, if the, not only for their job, but for their personal use. You may need to give them, winter shoes, winter jackets. Give them, some way to keep warm. And, maybe, add to, or maybe, you need to provide them, with better health insurance. So, stuff like that, would depend, you know, this is the local topography.

Then, characteristics of the workforce. For example, you have, you know, you are in an, in some sort of a profession, where a lot of young women are there. Who are on the verge of either getting married, or recently getting married. And, you may need to keep a, larger provision for maternity leave. Maybe, you need to have, childcare facilities, if you have a lot of young women, who are working in your organization. Because, they do not want to leave their children, in the care off, or they do not have anyone, to take care of their little children.

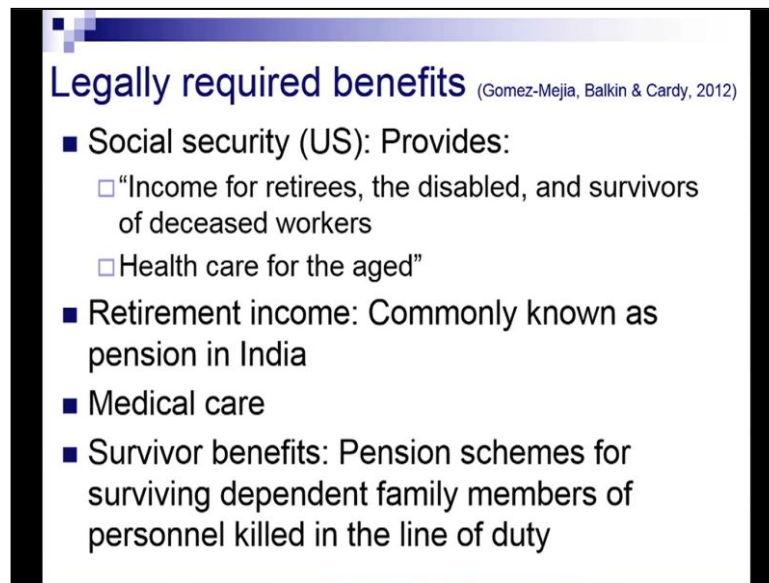
So, maybe, you need to have a crush, in your office premises. So, that they are able to bring their children, drop them off. And, then also, come to work without bothering, or without worrying as to, who will look after their children. So, it all depends on, what your employee's needs are. What you give them, depends largely on, what they need. You can say, okay, i will give everybody, a computer, a desktop. I will give everybody, a cell phone. But, maybe, they already have cellphones. These days, the marginal utility of cell phones, is nil.

What will I do. I already have two cell phones. What will i do, with the third cell phone. I do not need that. Instead, please spend that money, may be on my training, maybe give me a nice bag, may be, you know, stuff like that. So, anyway. So, all that forms, a part of your benefits strategy. These are the things, that help you decide, what you want to put in the benefits package. What kind of benefits, you want to design? Then, comes the amount. How much, can the company afford, to spend on benefits.

Salary goes towards, the operational cost. Benefits go towards, the operational cost. After all, we have to stay in business. We have to make profit. We have to have, some surplus money in hand, in order to, stabilize or grow. So, we need to decide, that after, we give peoples their salaries, how much money, we have in hand, that we can give to our employees, to help them, feel comfortable. It cannot be all the money, all the balance, you have. If you are a non-profit organization, maybe, that is what, you do. But, you have to decide that.

And, that money, will then, you know, what you have available to you, will help you decide, what you put in the benefits mix. Then, flexibility of benefits choice. And, this is the degree of freedom, an employee has, to tailor the benefits package, to their personal needs. So, how much of flexibility, do you want to give them. And, we will come to the challenges of administering, a flexible benefits program, a little later. But, what i mean, what do you put there. And, how much of flexibility, do you give them. How much can the company afford?

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Legally required benefits (Gomez-Mejia, Balkin & Cardy, 2012)

- **Social security (US): Provides:**
 - “Income for retirees, the disabled, and survivors of deceased workers
 - Health care for the aged”
- **Retirement income: Commonly known as pension in India**
- **Medical care**
- **Survivor benefits: Pension schemes for surviving dependent family members of personnel killed in the line of duty**

Some of the legal. Legally required benefits include, social security, as in the US. You have income for retirees, the disabled, and survivors of deceased. Deceased workers, not diseased workers. And, health care for the aged. So, everybody, who is working, contributes a little bit towards, the social security. And, it all adds up. Because, every employee is contributing, a little bit. And, that is collected by the government, towards social security.

And, whatever is collected, is then, dispersed to people, who die in the line of duty. Or, to the families of people, who die in the line of duty. Or, to providing health services, or, living facilities, for the elderly, who do not have money, to take care of themselves, or, who do not have people, to take care of themselves. So, the government collects the money, from one end, passes on to the people, in the community, who can use that money.

And, this is called social security. Our retirement income is a legally required benefit, in some organizations. The Indian government has done away, with the pension system, for most central services. But, it still exists in the armed forces. And, that is just to ensure that,

you have something to live off of, after your working years are over. What will you do. So, we do not have a system of social security. So, we have these contributory pension plans. And, we have, we used to have, pension in the central government services, till a few years ago.

And, medical care is another legally required benefit, depending on which organization, you are a part of. The amount, the percentage of the profits, can vary. Or, what you give to your employees, can vary. For example, in a company, that deals with mining operations, for example. They will have to have, I think, there are required by law, to have a primary health center, on site, that can take care of respiratory problems, that can take care of burns, that can deal with mine collapses.

So, you know, those kinds of emergency services are absolutely required. They have to have, a health facility, within their mining operations, that can help deal with, these emergency, that are very common, in that particular job. On the other hand, maybe, a software company is not required to have a, burns unit in its complex. But, in a mining operation, for example, or, maybe, a respiratory unit is not required, say, in a software company, where people are sitting in their offices, and doing desk work for the most part.


They do not need health center, where people's respiratory problems, can be taken care of. But, that is required for places, where this kind of thing is, very high. Then, we have survivor benefits. Is a pension schemes, for surviving dependent family members of the personnel, killed in the line of duty. So, in again, I keep talking about the armed forces. Because, I know about them, a little bit more than, I know about, a lot of other professions.

And, i know for sure, that the survivors, because the armed forces is so, you know, it is such a dangerous profession, when people are deployed, in the field. That, you never know, what you might hear, people may come back lamed. They may die, in the line of duty. And, the chances of that, happening are much higher. And, so to take care of their families, we have pension schemes.

We have, you know, healthcare benefits are given to their surviving dependents, for life. Okay. So, this is a survivor benefit. One example of a survivor benefit, that if you have a

dependent spouse, or a dependent differently abled child, who may not be able to look after himself, or herself, then these benefits come with the package.

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Workers' Compensation (Gomez-Mejia, Balkin & Cardy, 2012)

- “Provides medical care, continuation, and rehabilitation expenses for people who sustain job-related injuries or sickness.”
- Management of workers' compensation:
 - Provision of safe work procedures
 - Auditing claims of workers' compensation
 - Aligning workers' compensation with health insurance schemes of employees
 - Ensuring safe work design to minimize work related injuries
 - Provision of '*modified duty plans*' for injured or temporarily disabled personnel – e.g. permitting an employee flexible work hours during recovery, or assigning shop floor workers to desk jobs during recovery

We also have, something called as a worker's compensation. Workers compensation provides, medical care, continuation and rehabilitation expenses, for people, who sustain job-related injuries or sickness. So, when you are at work. And, something happens to you, while you are doing your work. It is the responsibility of your organization, to take care of you, or your medical expenses. So again, I take the example of the armed forces. A lot of times, when people go to war. When they are in the field, they get hurt. They may lose a limb.

They come back, and they are unable to continue, with their jobs. And, at that time, the government, depending on the nature of injury, the job itself is, you know, the benefits package is such, that they are given, some alternative profession, that they can choose from. They are given a few choices, that they can take up. That can help them, sustain themselves. That can help them, earn their living. You know, because, they are not able to do, what they are expected to do. And, they got hurt, in the line of duty. They are given an alternative profession.

And, they are given enough money, to set it up. And helped, set it up. And, that is part of the worker's compensation. Similarly, firefighters, for example. They go. Their work is very dangerous. So, if they get hurt. Then, basic facilities, their health expenditure, is taken care of. And, I think, in some cases, there are also reimbursed up to a point. So, that they are able

to live their lives, comfortably. So, all this counts for worker's compensation. Or the, you know, a certain amount of money is calculated, based on what your earning capacity would be.

If you had not got hurt, till the time, you retired. And that is then, you know, it is calculated. There are formulas. And, that is then, disbursed to you. Either as a lump sum, or in instalments, by the organization, for which, you are working. How do you manage, worker's compensation? As a HR personnel, you needs to know. So, you need to provide, safe work procedures. As far as possible, if it is, say, a building and construction area, i think, it is now mandated by law, to provide hard hats to people.

Okay. If there is some welding going on, it is the responsibility of the employer, to provide the antiglare glasses or screens, you know, through which the welders can see, and do their work. It is not the employee's responsibility. You are supposed to give them gloves, if they are handling hot stuff. It is the responsibility of the employer, to give the employees, fireproof gloves to work with. So, stuff like that, is part of the deal. And, if you do these things, the chances of people getting hurt, are significantly reduced.

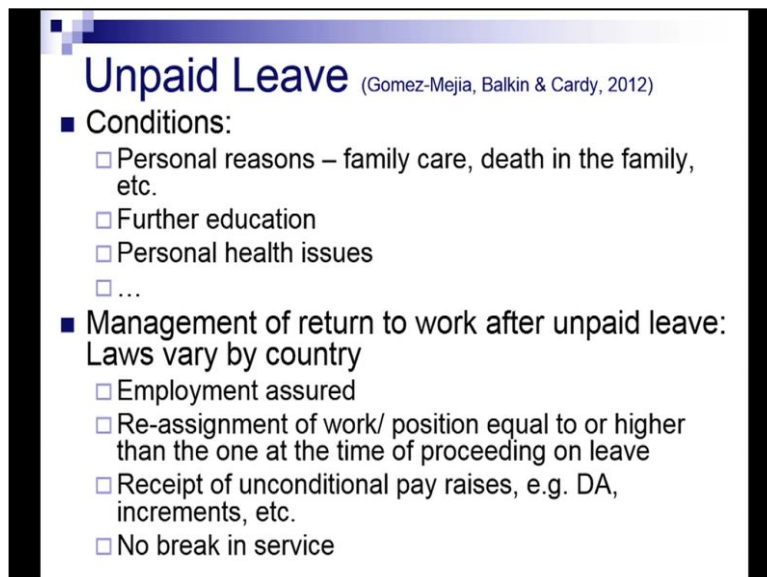
The other thing is, it is absolutely essential, as an HR manager for you, to audit the claims of worker's compensation. This is a very dicey issue. I do not know, if i should be mentioning, it in a public forum. Unfortunately, some unscrupulous elements, at some time, may tend to misuse this provision of worker's compensation. And, that may end up, costing the organization, a lot. Sometimes, this may happen. In such cases, to avoid such false claims, or the possibility of false claims, it is imperative that, as an HR manager, you go through every claim meticulously, and ensure the authenticity of the claim, as much as possible. Okay

So, it is very important, to audit the claims. The other is, aligning worker's compensation, with health insurance schemes of employees. Now, a lot of times, health insurance schemes, give you some benefits. It will not help the organization, if the worker's compensation benefits, or whatever you are giving them, through worker's compensation, duplicate whatever, their health insurance is giving them. So, you know, since these claims are dealt with, on a case-by-case basis. It will always help to see, what their medical insurance covers, and give them, what the medical insurance does not cover.

So, the employee himself or herself, has benefited the most. You have money, allocated for this purpose. So, if their health insurance, is already taking care of, a part of their expenses, it would be very helpful to the employee, if you said, okay. Since, they are doing this, I will take care of this much. It will cost me the same. But, you, as the beneficiary, will get something more, something that will make you, more comfortable. Ensuring safe work designed, to minimize work-related injuries, in addition to, giving your employees, the equipment.

It is always helpful to ensure that, the workplace is also, as safe as, possible. I cannot stress on this enough. Provision of modified duty plans, for injured or temporarily disabled personnel. For example, permitting an employee, flexible work hours, during recovery from an injury, or maybe, re-assigning shop floor duties. The shop floor workers, to desk-jobs, during recovery. So, if a shop floor worker get hurt, in the line of duty, or even otherwise, you know, somebody is hurt. We tell them, okay. You are coming to work. You may not be able to physically lift things, but maybe, you can take care of this desk work.

So, some flexibility, if it is allowed, it always helps the employees, feel much more valued. We need our employees, to feel like, the organization is their family. They can depend on the organization. As soon as the employees start feeling that, they are, the organization is not just 'work', it is their family, the commitment goes up. When the commitment goes up, the productivity increases. The quality of work becomes, much better. And, everybody is happy. The organization is happy. The employee is happy.



Unpaid Leave (Gomez-Mejia, Balkin & Cardy, 2012)

- **Conditions:**
 - Personal reasons – family care, death in the family, etc.
 - Further education
 - Personal health issues
 - ...
- **Management of return to work after unpaid leave:**

Laws vary by country

 - Employment assured
 - Re-assignment of work/ position equal to or higher than the one at the time of proceeding on leave
 - Receipt of unconditional pay raises, e.g. DA, increments, etc.
 - No break in service

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Unpaid leave. Unpaid leave, the conditions for unpaid leave could be, unpaid leave means, you give the employee leave, and you give them an assurance that, they can come back, and they can join their work, again. So, some conditions that, you could give unpaid leave under, would be personal reasons, family care, death in the family, etcetera. Further education. Indian government gives a study leave. Sometimes, i do not know, what the requirements are, or what the conditions are.

But, I think, part of it is paid in, part of it is unpaid, or half paid, or whatever. But, anyway, you could tell them that, okay, if you want to go and get an education. You want to get another degree. You can come back to your old job. I will not take your job away. But, I will not pay you, for this time. And, that is fine. A lot of people, in the hope of getting a jump later, will want to do this. And, personal health issues. You get hurt, in the line-out of duty, or on your personal account. But, I mean, in your, still committed to your work.

And, it is always nice to let employees, come back to their workplace, if you see that, they are otherwise qualified. Management of return to work after unpaid leave. The laws, vary by country. But, as an organization, it is always nice to be employee friendly. So, some conditions that, or somethings that, one can do is, one can re-assure employment. That is why, it would be called unpaid leave. Otherwise, it would be called firing or severance.

Re-assignment of work, or position, equal to, or higher than the one, at the time of proceeding on leave, if everything is okay. If they come back with a better qualification. And, you put them in a position, that is lower than the one, they were at, when they left. Then, the employee is going to be, greatly demotivated. They will not like it. So, at least give them, the same position, with the hope of a jump. Or if possible, if they get an additional degree, then you give them a jump. Always helpful for the company.

Also, receipt of unconditional pay raises. For example, dearness allowance, increments, etcetera. I mean, things that happen in routine. It is always nice to give them, those pay raises. Pay commission comes. Revises the pay rates. In the meantime, the employee, when the employee goes, its sixth pay commission. When the employee comes back from unpaid leave, it is seventh pay commission. You cannot say, no, no, we will give you sixth. Because, you have not served for so many years. One, it is complex. Two, it is unfair to the employee.

So, no break in service. This should not be counted, as a break in service. It is unpaid, but authorized leave.

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Voluntary benefits (Gomez-Mejia, Balkin & Cardy, 2012)

- Health Insurance: “Provides health care coverage for both employees and their dependents.”
 - Traditional health insurance: “Provided by an insurance company that acts as an intermediary between patient and health care provider”
 - Health maintenance organization: “Health care plan that provides comprehensive medical services for employees and their families at a flat annual fee”
 - Preferred provider organizations: “Health care plan in which an employer or insurance company establishes a network of doctors & hospitals to provide a broad set of medical services for an annual flat fee per participant.”
 - Health savings accounts: “Let individuals save money for a qualified health plan that has a high deductible” Usually non taxable. Prevalent in the US.

Voluntary benefits. You have health insurance. We have various types of health insurance. We have traditional health insurance, provides health care coverage, for both employees and their dependents. We have traditional health insurance, which is provided by an insurance company. We have health maintenance organization, which is the health care plan, that provides comprehensive medical services, for employees and their families, at a flat annual fee, which is lower than, what they would have, anyway spent.

Preferred provider organizations. You say, okay, if you are with us. You can go to these hospitals. And, they will take care of you. Or, you could also have a health savings account. So, you could give them, some way of contributing to their health issues. And, you let individuals, save money for a qualified health plan, that has a high deductible. Deductible is what, you pay out of your own pocket. And, you know, towards the expenses, towards the medical expenses. And, that is a percentage of the total expenses incurred.

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Managing health care benefits

(Gomez-Mejia, Balkin & Cardy, 2012)

- Develop a self-funding arrangement for health insurance
- Coordinate health insurance plans for families with two working spouses
- Develop a wellness program for employees
- Offer high deductible health plans for employees

How do you manage healthcare benefits? Develop a self-funding arrangement, for health insurance. Coordinate health insurance plans for families, with two working spouses. You know, you could have a self-funding arrangement. Let people decide, how much, they want to put in. And, give them the opportunity, to put into their health insurance. And then, maybe, you can match it, or give them, a percentage of it. It will always be nice to coordinate, health insurance plans for families, with two working spouses.

If you have two people, from the same family. I would say, not even for two working spouses, if you have two people, from the same family. Father and daughter, or mother and son, or husband and wife, or two partners, living partners are working, in the same organization. Why not, i mean, that family could get a little more. So, develop a wellness program for employees. Encourage them to stay fit. Reduces your costs. And, offer high deductible health plans, for employees.

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Insurance plans (Gomez-Mejia, Balkin & Cardy, 2012)

- Life insurance: "...benefit to the survivors of a deceased employee"
- Long term disability insurance: "Provides replacement income to disabled employees who cannot perform their essential job duties."

You could have various insurance plans. You could have life-insurance. You could have a long-term disability insurance. So, long term disability insurance provides, replacement income to disabled employees, who cannot perform, essential job duties.

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Paid time off (Gomez-Mejia, Balkin & Cardy, 2012)

- Sick leave: "Provides full pay for each day that an employee experiences a short term illness or disability that interferes with his or her ability to perform the job."
- Management of sick leave:
 - "Wellness pay programs": Incentives for people who do not fall sick – Ethical issues
 - Flexible working hours to help employees balance work and personal lives and family needs
 - Accruing sick leave as encashable leave
 - Provision of casual leave

And, paid time off, could be sick leave, or could be, you know, that is one way of getting paid. Time off, it could also be, for additional training.

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Paid time off (Contd.) (Gomez-Mejia, Balkin & Cardy, 2012)

- Vacations
- Severance pay: Golden handshake
- Holidays and other paid time off

It could be vacations. It could be severance pay. It could be holidays, and other paid time off.
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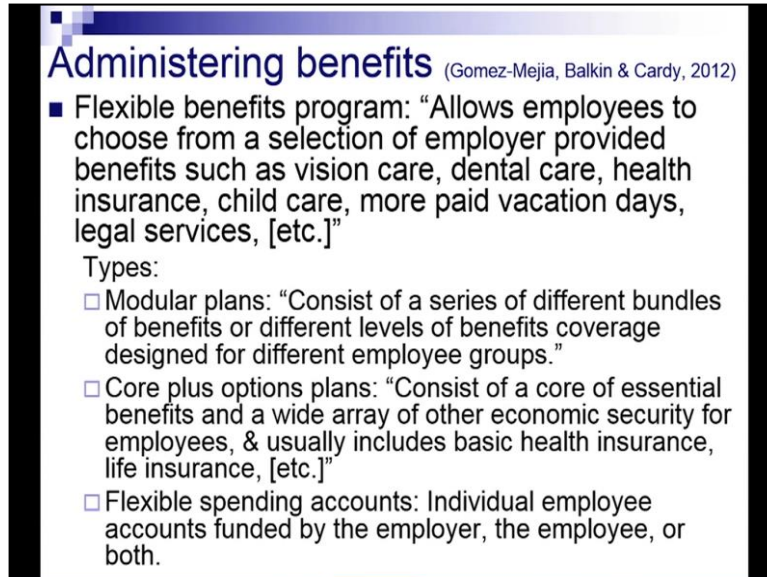
Employee services (Gomez-Mejia, Balkin & Cardy, 2012)

- Services provided to employees to “...enhance the quality of [their] work or personal lives.”
- Types:
 - Child care
 - Health club memberships
 - Subsidized company cafeterias
 - Discounts on company products
 - ...

You could have various types of employee services. These are services provided to employees, to enhance the quality of their work, or personal lives. So, these services, could be childcare, could be health club memberships, could be subsidized company cafeterias, could be discounts on company products, etcetera. So, if you working for a manufacturing organization, they could give you heavy discounts on, whatever they are making. Or, maybe,

if you are working for an airline, they could give you tickets, you know, at heavy discount, etcetera.

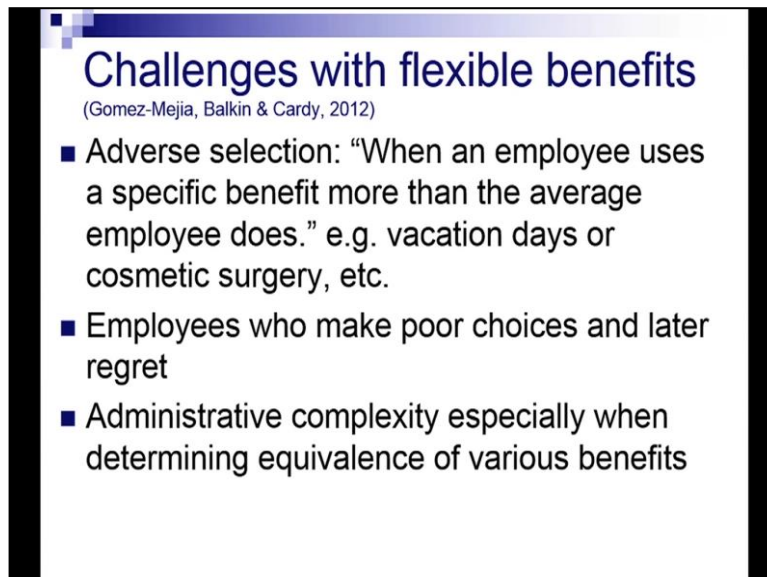
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Administering benefits (Gomez-Mejia, Balkin & Cardy, 2012)

- Flexible benefits program: “Allows employees to choose from a selection of employer provided benefits such as vision care, dental care, health insurance, child care, more paid vacation days, legal services, [etc.]”
Types:
 - Modular plans: “Consist of a series of different bundles of benefits or different levels of benefits coverage designed for different employee groups.”
 - Core plus options plans: “Consist of a core of essential benefits and a wide array of other economic security for employees, & usually includes basic health insurance, life insurance, [etc.]”
 - Flexible spending accounts: Individual employee accounts funded by the employer, the employee, or both.

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Challenges with flexible benefits (Gomez-Mejia, Balkin & Cardy, 2012)

- Adverse selection: “When an employee uses a specific benefit more than the average employee does.” e.g. vacation days or cosmetic surgery, etc.
- Employees who make poor choices and later regret
- Administrative complexity especially when determining equivalence of various benefits

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Benefits communication

(Gomez-Mejia, Balkin & Cardy, 2012)

■ Challenges:

- Increasing complexity of benefits packages
- Employers reluctance to devote enough resources to explain these complex packages to employees

We will deal with, the administration of benefits, and the challenges with flexible benefits in, and benefits communication, in the next lecture. So, thank you very much, for listening to me. And, we will continue with this topic, in the next lecture. Thank you.