

Got benefits? How to offer employee perks that balance cost and satisfaction.

A good benefits package is like a tightrope act. On one side, you want to offer a program that keeps your best employees from jumping ship. On the other, you want to trim an expense category that can account for a third of payroll costs as reckoned by the U.S. Chamber of Commerce.

Smaller retailers have a particularly hard time balancing benefits with costs. What's the solution? Take a new look at the array of low-cost or no-cost benefits that can keep your workers happy without busting your budget.

"I think it's possible for smaller retailers to build employee loyalty and retention by providing low-cost or no-cost benefits," says Julie Stich, senior information and research specialist at the International Foundation of Employee Benefit Plans, Brookfield, Wisc. (www.ifebp.org). "Even small gestures can go a long way in making workers feel appreciated, and to create a lighthearted yet productive work environment."

Such as? How about an employee discount program, for starters? "You can offer discounts for your own products and services, and maybe also for other stores in your area," says Stich. "Look into reciprocal arrangements with other small retailers."

Recognition awards can also be tremendous morale boosters, says Stich. "These don't have to be expensive. They can be as simple as a certificate, a Starbucks gift card, or free tickets to a ball game or passes to a movie."

Depending on the composition of your employee pool, you might also consider offering flex time, which allows employees to better juggle their personal and work schedules.

"People want more flexibility in their hours today, with all the demands we are faced with in terms of families and work," says Stich. "They want to work from home maybe once a week, or have the flexibility to come in and leave when they can. It's nice, for example, to be able to

attend a child's recital in the afternoon."

Related benefits are giving time off for birthdays or volunteer work, or holding "bring your child to work" days.

Voluntary benefits

Smaller retailers also should be aware of the growing popularity of so-called "voluntary benefits." This term refers to an entire range of employee-paid benefits that an employer is able to offer with minimal cost and relatively easy administration. (These programs were once called "payroll deduction plans.")

Although the employees pay the full premium costs, they are offered at group discount rates. Furthermore, many of the premiums for these offerings can be paid with pre-tax payroll dollars, which makes them much more attractive for both

employee and business owner.

The most popular voluntary benefit today is dental insurance, now offered by 52% of employers, according to a report from the Principal Financial Group, Des Moines, Iowa (www.principal.com). Other popular benefits are vision (41%), short-term disability (36%), and long-term disability (34%). Also available are insurance for auto, identity theft, and homeowners.

Some for-profit organizations offer baskets of voluntary benefits for businesses with as few as two employees. AlwaysCare in Baton Rouge, La., offers programs in 48 states (www.alwayscarebenefits.com). A website dedicated to the topic is www.voluntary.com.

Bear in mind voluntary benefits will require some employer costs in the form of administration. For example, you will be required to gather information about potential vendors, assess quality, provide employee lists, and answer employee questions. However, these costs likely will be considerably lower than traditional employee benefits such as health insurance.

Retirement plans

Saving for retirement is a laudable goal too often put on the back burner. Wouldn't it be great if you and your employees were able to accumulate funds for the golden years while lowering your tax burdens? Smaller retailers should look into payroll deduction IRAs ("Individual Retirement Arrangements"), sometimes referred to as traditional IRAs.

You can't find a retirement plan that's easier to administer than this. All it requires is that the employer fill out an application form with a financial institution, such as a bank or insurance company, that sponsors such a plan. The employer contributes no money to the plan and has no annual reporting requirement.

Beyond record-keeping simplicity, the advantages of payroll deduction IRAs lie in their flexibility. Employees get to decide how much money to deduct from their salary to invest in their plans. The amounts can vary annually and some years can be skipped. Contributions are in pre-tax dollars and the IRA grows on a tax-deferred basis.

Quick List

Benefits That Boost Morale Without Breaking the Bank

You can offer your employees a variety of coveted benefits that don't break your bottom line. The following list has been put together by the International Foundation of Employee Benefit Plans, Brookfield, Wisc. (www.ifebp.com).

- Recognition awards
- Employee discount programs
- Coffee service
- Sports and recreational programs (e.g., sports teams)
- Company picnics/a bowling party, etc.
- Pizza or sub sandwich lunches
- Holiday gifts
- Gifts when immediate family member dies
- Access to an employee assistance program
- Changes in dress code—maybe have a day where everyone wears a team jersey or T-shirt, have everyone wear red on "Wear Red Day" in February, etc.
- Discounted tickets to recreational, cultural, or sporting events (e.g., outdoor festivals, the zoo, State Fair, soccer games, art exhibits)
- Massage (e.g., bringing in a massage therapist to do 10-minute chair massages)
- Nap room
- Direct deposit of paychecks
- CPR and first-aid training

In exchange for the traditional IRA's simplicity and flexibility, there is a disadvantage: The annual contributions are limited to \$5,000, plus an additional \$1,000 for employees over the age of 50.

These plans can be established by individuals without the assistance of employers. However, few people take the initiative absent encouragement from the workplace powers-that-be. Furthermore, the payroll deduction process introduces a weekly regularity and the investment of funds before they enter the employees' pockets. Both features encourage participation.

Quick Tip

Internet Resources

As with most other areas of business, the internet has taken a seat at the benefits table. Web-based services can help employers select a benefits package and manage the programs they have.

One example is www.employease.com, owned by ADP. This site allows employers to outsource their benefits administration. Services include maintaining a centralized database of employees, managing enrollments, issuing benefits statements, and allowing employees 24-hour access to data.

Another Web-based outsourcing organization, www.trinet.com, claims to serve more than 5,000 employers nationwide, and offers an "outsourcing toolkit" with information such as how to select benefits

that attract and retain top talent.

Do your employees realize the value—in terms of dollars and cents—of the benefits your business provides? One way to make sure they do is to distribute a graphic benefits summary (www.benefitssummary.com offers such a service).

Bank of America has put together some advisory materials to help small business owners get a handle on what's available. Go to www.benefitplans.baml.com, then click on "Small Business." You'll see some additional links for resources such as the "Small Business Retirement Planning" report.

On a related note, some 41% of employees responding to the Principal Financial poll indicated they had used an online tool to help them in their retirement planning.

Run a survey

So now we have quite a basket of low-cost benefits to consider. Which ones will pay off the most for your business? For the answer, ask your employees.

"The first thing to do is find out what your employees really want," says Stich. "It doesn't do you any good to implement a benefits plan that people don't care about."

While informal discussions with employees can highlight desired benefits, a more structured approach will be more reliable. "Conducting a survey of your employees is important," says Stich. "Tie in the results with what other employers are offering in your region. "You want to make sure your benefits are competitive."

One caveat: For any proposed benefit that will cost substantial money, your survey should assess the willingness of employees to contribute a portion of their pay. Enthusiasm for life insurance, for example, may cool when employees are informed that part or all of the premiums would be deducted from their paychecks.

Stay realistic

While surveying employees is a great idea, avoid raising unrealistic expectations by asking about benefits that are too costly. "The biggest mistake is to fail to set some dollar limit on benefit costs per employee, and then ask employees what they want," cautions Ian Jacobsen, a management consultant based in Morgan Hill, Calif. "Asking about specific benefits raises hopes they will be offered and that the employer will pay for all or part of them. When expectations are shattered, morale suffers."

Bear in mind that costs to an employer go beyond the basic contributions to premiums. Maintaining programs can be expensive when employees pepper you or your support staff with questions and request assistance. Do you have the personnel—or the time, yourself—to maintain the records required by a potential benefit?

"Employers need to not only assess their budget, but also the legal, regulatory, and tax impact of proposed benefits and the company's ability to effectively manage their programs,"



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Quick Tip

Communication Is Key

Benefits are powerful motivators to attract and retain the best quality employees. But if people are unaware of the value of their benefits, your business will not get top value for the dollar invested.

“Oftentimes, organizations do not invest enough resources to communicate what benefits they offer and convey their value,” says Lenny Sanicola, benefits practice leader at WorldatWork, a human resources research organization based in Scottsdale, Ariz. (www.worldatwork.org). “Employers should make sure that communication initiatives are top-of-mind when putting a package of benefits together, and not make communication a by-product.”

Employers also can do a better job of helping employees make the connection between their needs and the programs available to them, adds Sanicola.

“Finally, another mistake to avoid is talking about benefits to your employees with lots of acronyms and terminology they may not understand,” he says. “Use terms employees can understand. Often that might mean talking about how a particular benefit fulfills a need at a particular life stage of an individual. Or address the need for income protection, or the availability of pay for time not worked.”

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Cohesive approach

Given the fact that hourly workers and salaried staff all demand good benefits as part and parcel of the employment agreement, your challenge is to offer the right mix that helps retain good personnel while maintaining a healthy financial position.

Left uncontrolled, the rising costs of employee benefits can erode your bottom line and lead to staff discontent when cuts are needed to cap spiraling expenses. Take action now to review your entire benefits package. Survey your staff to find out what

benefits they really want, in contrast with the benefits you have always assumed are most important. And finally, share information on growing costs with your employees. When employees know the effect benefits have on the health of your company, they will be more willing to help by cost-sharing and responsible utilization of benefits.

“In designing their benefits packages, employers need to take a step back and determine how their programs support their larger business goals,” says Sanicola. “The bottom line is this: What does the organization need to do from an employee benefits perspective to attract and retain the individuals it needs to help drive the company’s success? Employers need to look at all of this from a strategic perspective.”

Phillip M. Perry is a freelance business writer with more than 20 years experience in the fields of workplace psychology, employment law, and marketing.

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