Chapter 13 – Employee Benefits

Chapter 13 provides concepts and material most students may only be superficially aware of, and instructors should be prepared to first explain benefits and the many types and purposes. Given the extensive number of benefit programs and types, instructors may wish to spend significant time ensuring students understand the material within LO13-2. Once students are exposed and understand what types of benefit programs exist, instructors may then wish to introduce LO13-1 and LO13-3, as students may have a foundation of different benefits programs, and can recognize and explicitly discuss examples within the context of the LOs. LO13-4 should be recognizable to students, as it builds-upon previous discussions of the need to manage costs, yet be competitive. LO13-5 further builds on the internal management of benefits, while LO13-6 introduces the regulations that organizations must meet in the administration of benefits programs. LO13-6 may seem complicated to students due to the nature of the content, so instructors should be prepared to answer questions and provide examples to reinforce concepts.

Learning Objectives

LO 13-1: Discuss the growth in benefits costs and the underlying reasons for that growth.

LO 13-2: Explain the major provisions of employee benefits programs.

LO 13-3: Discuss how employee benefits in the United States compare with those in other countries.

LO 13-4: Describe the effects of benefits management on cost and workforce quality.

LO 13-5: Explain the importance of effectively communicating the nature and value of benefits to employees.

LO 13-6: Describe the regulatory constraints that affect the way employee benefits are designed and administered.

Society for Human Resource Management *Body of Competency & Knowledge*

This chapter contains content which may be identified within the following content areas in HR Expertise:

* Talent Acquisition
* Employee Engagement & Retention
* Total Rewards
* Employee & Labor Relations
* Technology Management
* HR in the Global Context
* Risk Management
* U.S. Employment Law & Regulations

Human Resource Certification Institute’s *A Guide to the HR Body of Knowledge*

This chapter contains content which may be identified within the following content areas:

* Business Management & Strategy
* Employee and Labor Relations
* Compensation and Benefits
* Risk Management

Guidance to Discussion Questions and End of Chapter Sections

**Discussion Question 1:** The chapter opener described how some companies are reducing their expectations of employees to work long hours each week. Why are these employers changing their expectations? Explain what the consequences are for employers and employees and whether you think such changes are a good idea.

Responses should reflect an understanding concerning work performance, long hours, and whether hours actually translate into performance.

**Discussion Question 2:** Employers are shifting more responsibility to employees in the area of employee benefits. Describe specific examples of this trend. What are the likely consequences of this change? Where does the social responsibility of employers end, and where does the need to operate more efficiently begin?

Responses should include examples, such as how it is the employee’s responsibility to sign up for and manage their benefits, including their retirement fund, and how some employees in the gig economy are required to obtain benefits completely on their own. Fewer employees may take advantage of these benefits, thus impacting the overall community.

**Discussion Question 3:** Your company, like many others, is experiencing substantial increases in health care costs. What suggestions can you offer that may reduce the rate of cost increases?

Cost shifting to employees, use of alternative providers such as HMOs and PPOs, claims review, attempts to decrease experience rating, self-funding, health education and preventive care, and encouragement of external controls. It is also possible to revise packages on the basis of employee input, using cost-benefits models.

**Discussion Question 4:** Why is communication so important in the employee benefits area? What sorts of programs can a company use to communicate more effectively? What are the potential positive consequences of more effective benefits communication?

Communication is critical since a great deal of money is spent on benefits, yet often employees neither understand the benefits nor their cost. Most communication about benefits programs are written, but using alternative techniques such as videos, benefits fairs, and telephone hotlines may be more helpful to employees. The positive results may be an informed and satisfied workforce and lower turnover.

**Discussion Question 5:** What are the potential advantages of flexible benefits and flexible spending accounts? Are there any potential drawbacks?

Advantages are an increased understanding and appreciation of benefits (since so much communication is required to help employees make informed choices), better matching of the plan with the needs of individual employees (which should result in increased satisfaction and retention), and cost reductions. Potential drawbacks would be the increased complexity and the responsibility for the employee to understand and take advantage of such benefits.

**Discussion Question 6:** Although benefits account for a large share of employee compensation, many people feel there is little evidence on whether an employer receives an adequate return on the benefits investment. One suggestion has been to link benefits to individual, group, or organization performance. Explain why you would or would not recommend this strategy to an organization.

Responses may vary, however, students should be able to differentiate between the current legally mandated and discretionary benefits, not conflating those in the response (unless they are recommending the mandatory no longer be so).

**Exercising Strategy**

Different Employers Take Different Approaches to Employee Health Care and Benefits

1. The overarching question is: Why do employers use such different strategies/approaches to employee benefits, especially health care? Are some employers simply more altruistic or are there other factors? (Hint: The next question implies that we think there may be other factors!)

Responses will vary, but there are many variables that affect choice of health care plans.

1. What other factors influence employer benefits strategy choice, especially in health care coverage and cost-sharing with employees? Think of how the companies we have seen are similar and different? What are the key ways they differ? (Another hint: Think of how they compete, the types of employees they need to do that, and what they need to do to attract, motivate, and retain these employees.) How and why might these matter in choosing a health care benefits strategy?

A good benefits package makes a company more competitive and reduces employee turnover. Cost is the biggest factor in choosing a health care plan. As health care coverage has become more expensive, companies have been shifting the burden to employees. Different kinds of employees look for different types of benefits, so a plan must be flexible. Legal compliance and tax benefits are also factors. Students should discuss several companies from the text and compare their strategies.

1. How do workforce demographics come into play specifically?

Basic demographic factors such as age and sex can have important consequences for the types of benefits employees want. Examples will vary.

1. Are some of the factors that influence employer benefits strategies cyclical? What about the role of the unemployment rate and the labor market?

Benefits strategies are, by necessity, always changing to meet the changing needs of the employees and the changes in the health care marketplace. The tighter the labor market, the more importance is placed on benefits packages.

**Managing People**

Some Companies Want Employees (Back) at the Office

1. Do these companies that have scaled back or ended remote work have anything in common? For example, are these companies with strong revenue, profit, and market value growth? Are they in similar or different industries/businesses? To the degree they have something in common, are these companies likely representative of what other companies are doing, or will do in terms of how much they permit remote working?

Responses should link not only the commonalities, but the company objectives and strategies.

1. Summarize the advantages and disadvantages of remote work. Are there particular types of companies where remote work is more/less likely to be effective?

Responses should balance the employee benefit of freedom and autonomy with the inability of the company to track and/or maintain employee performance.

1. How do you think employees will react to changes (such as those at IBM) in remote work policies? What will be the short-run and long-run consequences?

Students should be able to recognize that current employees may react negatively to the changes. In the long run, IBM may see improved performance.

**HR in Small Business**

Babies Welcomed at T3

1. Of the employee benefits mentioned in this case, which do you think are important for keeping a creative workforce engaged at T3?

Responses will vary, but it would seem the “bring your \_\_\_\_ to work” benefits would certainly need to be on the list. These are unique benefits that may lead to more employee engagement at work, depending on implementation.

1. What are some of the advantages of the agency’s T3 and Under policy? What are some of the risks? How can the company address those risks?

Again, this will be a varied conversation but some of the advantages are spelled out in the vignette. For example, employees not having to worry about their babies while they work allows them to concentrate more on their work.

1. At what other kinds of companies, if any, do you think a “bring your baby to work” policy might be effective as an employee benefit? Why?

Students will likely come up with a wide variety of types of firms here. It seems, however, that a key to this type of program’s effectiveness would be a culture of acceptance and innovation, but also one where children are not at physical risk.

Guidance to Chapter Cases

**A Look Back**

Employee Benefits: More Responsibility for Workers

1. Why do employers offer benefits? Is it because the law requires it, because it makes good business sense, or because it is the right thing to do?

Benefits are offered to employees to attract and retain a talented workforce, but also to be legally compliant. Responses should balance these to facts against the strategy of the organization.

1. How much responsibility should employers have for the health and well-being of their employees? Take the perspective of both a shareholder and an employee in answering this question.

From the perspective of shareholders, benefits could be viewed as an unnecessary burden to the company or a way to ensure that their workforce is healthy and motivated. From an employee’s perspective, benefits may be mandatory since the costs of individual plans are an expense and the company will need the employee to be healthy in order to perform their best.

1. If you were advising a new company on how to design its health care plan, what would you recommend?

Responses will vary. It is important to note that the health care plan must match the strategy of the organization, be competitive in the industry to attract and retain top talent while also meeting regulatory obligations.

**Competing through Environmental, Social, and Governance Practices**

*Employers Become Health Care Providers*

1. What factors have contributed to adoption of these health care delivery strategies by Fiat Chrysler, Serta Simmons, Henry Ford Health System, Goldman Sachs, and other companies?

The primary factor is cost, but proving low-cost primary care can also reduce sick days and chronic conditions.

1. Will both employees and companies from this policy? What about shareholders? Explain.

Students will likely say that all stakeholders may benefit from this policy.

1. Discuss why these companies use somewhat different health care delivery strategies.

Responses will vary, but should focus on the employee population and the associated costs.

**Competing through Technology**

Alliances, Technology, and Virtual Care (Telemedicine)

1) What role do you think technology will play in controlling what Warren Buffett calls “the hungry tapeworm of the American economy”? How successful do you believe this initiative will be? Explain.

Responses will vary.

2) As an employee, how would you feel about using the telemedicine option? Explain.

Responses may vary, but should identify the cost savings for employees, as well as employers. However, some students may also identify the issues of privacy and accurate diagnosis.

**Integrity in Action**

Being a Contractor versus an Employee

1. Do you believe that Google should change its use of contractors? Explain.

Responses will vary.

1. Why did Microsoft take the action it did? Do you feel other companies can and should do the same? Explain.

Microsoft likely recognized that its contractors were lacking in benefits that Microsoft employees had. By requiring its suppliers to provide certain benefits, it leveled the playing field. Responses will vary based on students' opinions.

1. Is doing something that is good for workers and costs money always bad for business (win–lose, zero-sum), or can it be good for business and workers (win–win)?

Responses should demonstrate sensitivity to how employers may make decisions that are not always to the benefit of the employees, thus the potential need for government oversight.

1. What are the different types of contractors/gig workers? Do the groups have similar or different preferences and leverage? Does one group need more protection than the other group? Explain.

Responses will vary, but should include a discussion of the different industries/companies discussed in the chapter that use contract workers and how they compensate them.

1. Do you feel it is better to leave decisions about the relationship with workers in the hands of employers, or do you see the need for a larger role of government? Explain.

Responses will vary.

**Competing through Globalization**

Improving Expatriate Access to Health Care

1. Have you ever had a health problem while overseas and needed care? Describe your experience.

Responses will vary.

1. How do you feel about using teleconsultation/telemedicine? Explain.

Responses will vary.

Other Classroom Materials: CONNECT

There are CONNECT exercises available through McGraw-Hill, which can greatly assist student preparation for class and understanding of chapter concepts. Instructors may wish to structure the class, where students must complete the CONNECT exercises prior to class, thus, further reinforcing material and allowing instructors to expand and challenge student understanding during class time. CONNECT exercises may be set-up to be time-based, requiring students to practice chapter materials for a specific timeframe. It is the instructors’ discretion how they desire to include this into the course grade, but a low-stakes grading system based on completion is suggested to help encourage student usage, while minimizing penalties for mistakes during completion.

The following activities are available in Connect for this chapter:

**The Cost of Benefits**

*Case Analysis*

This activity reviews the various forms of benefits and their costs.

LO: 13-01 Discuss the growth in benefits costs and the underlying reasons for that growth.

13-06 Describe the regulatory constraints that affect the way employee benefits are designed and administered.

Difficulty: 2 Medium

Blooms: Remember; Understand; Apply; Analyze

AACSB: Analytical Thinking; Knowledge Application

Topic: Overview of Employee Benefits; Major Provisions of Employee Benefit Plans; Employee Benefits Required by Law

**Family-Friendly Benefits**

*Video Case*

This activity discusses family-friendly benefits at SAS Corporation.

LO: 13-04 Describe the effects of benefits management on cost and workforce quality.

13-05 Explain the importance of effectively communicating the nature and value of benefits to employees.

Difficulty: 1 Easy

Blooms: Remember

AACSB: Analytical Thinking

Topic: Overview of Employee Benefits; Communicating Benefits to Employees

**Benefits: Okay or Not?**

*Click & Drag*

This activity asks students to determine which benefits proposals are legal and illegal under U.S. law.

LO: 13-06 Describe the regulatory constraints that affect the way employee benefits are designed and administered.

Difficulty: 2 Medium

Blooms: Remember

AACSB: Analytical Thinking

Topic: Employee Benefits Required by Law

**Which Benefits to Offer?**

*Case Analysis*

This activity discusses the importance of workplace benefits in attracting and retaining employees.

LO: 13-01 Discuss the growth in benefits costs and the underlying reasons for that growth.

13-02 Explain the major provisions of employee benefits programs.

13-05 Explain the importance of effectively communicating the nature and value of benefits to employees.

13-06 Describe the regulatory constraints that affect the way employee benefits are designed and administered.

Difficulty: 1 Easy; 2 Medium

Blooms: Remember; Understand

AACSB: Analytical Thinking

Topic: Employee Benefits Required by Law; Overview of Employee Benefits; Cost Containment Strategies Regarding Employee Benefits

**Manager's Hot Seat: Work-Life Balance**

*Video Case*

This activity reviews the importance of creating a work-life balance for employees.

LO: 13-02 Explain the major provisions of employee benefits programs.

13-04 Describe the effects of benefits management on cost and workforce quality.

13-05 Explain the importance of effectively communicating the nature and value of benefits to employees.

Difficulty: 1 Easy; 2 Medium

Blooms: Apply

AACSB: Knowledge Application

Topic: Various Types of Flexible Benefits; Communicating Benefits to Employees; Major Provisions of Employee Benefit Plans

**The Effects of Benefits Management on Cost and Workforce Quality**

*Case Analysis*

This activity discusses various ways to help control benefits costs.

LO: 13-04 Describe the effects of benefits management on cost and workforce quality.

Difficulty: 2 Medium

Blooms: Apply

AACSB: Knowledge Application

Topic: Cost Containment Strategies Regarding Employee Benefits

**CHRO Conversations: CEO Robert Andrews, Health Transformation Alliance (HTA)**

*Video Case*

This activity has students watch a video interview with the CEO of the Health Transformation Alliance and answer questions about the factors that go into the costs of health insurance benefits.

LO: 13-04 Describe the effects of benefits management on cost and workforce quality.

Difficulty: 2 Medium; 3 Hard

Blooms: Analyze

AACSB: Analytical Thinking

Topic: Cost Containment Strategies Regarding Employee Benefits