



Talkin' TEC

What goes into total employee compensation?

- **Base salary**
- **Mandated Benefits**
 - Federal Unemployment Tax
 - State Unemployment Tax
 - State Disability
 - Workers Compensation
- **Retirement Benefits**
 - Social Security (FICA)
 - Medicare
 - 401k Match
- **Insurance Benefits** (ER and EE Contributions)
 - Medical Insurance
 - Dental Insurance
 - Vision Insurance
 - Short Term Disability
 - Long Term Disability
 - Flex Spending Accounts
 - HSA Account Funding
- **Time Off Benefits**
 - Paid Holidays
 - Sick Time
 - Vacation Time
- **Parking**
- **Bonus/Increases/Rewards**
 - Holiday Bonus
 - Annual Bonus
 - Merit Increase
 - Spot Rewards
- **Employee Meals**
- **Continuing Education/Training/Other Perks**
 - Free Coffee/Snacks
 - Annual Holiday Party
 - Annual Summer Party

How is this communicated? A BENEFITS STATEMENT - a document showing an employee's total compensation, including all cash income and the value of all benefits; sometimes called a total compensation statement or a hidden paycheck.

Clearly communicating TEC is a great way to help your employees fully understand their cost **and VALUE** to your organization. So many people think in terms of their base wages (e.g. their paycheck) that they do not fully understand the recognition and value add of these other benefits.

Utilizing Total Compensation Statements can show your employee's where they may have received a significant increase in overall compensation without their being a shift in their paycheck. Increased benefit costs as well as increases in other areas can greatly impact the bottom line while remaining invisible to the employee.

Many payroll processors will offer benefit statements as part of their service and I always suggest that you check with your provider to see what is available. There are multiple software programs that will also help you put together information that is easy to read and easy to explain. Some great resources are:

- www.compackage.com
- www.mybenefitstatements.com
- www.freetotalcompstatements.com

Budget Neutral Rewards

Now that your employees understand their total compensation, how do you make them feel appreciated during tough economic times? With rewards that are of low or no cost to your organization.

For low cost and easily planned rewards dollar allocations, know what you can spend and then devise a program that fits the budget. One idea is to provide your management team with a "reward" budget of a certain number of activities. Be as creative as you want here. Assign a point total to each reward. Since reinforcement and rewards are highly individualistic, you may want to give managers the flexibility to create their own. As employees accumulate rewards, they can cash them in for one of the services provided in your reward point catalog:

- Hobby class (e.g. cooking class, language class, etc)
- Free Spa treatment
- Housecleaning (a day with Merry Maids or other resource)
- Manicure/Pedicure
- Free car wash
- Lunch with the Boss

etc....

You should also create rewards that have no added cost to the company (e.g. employee recognition for a job well done at an all-hands meeting, a day off with pay, choice parking spot in the lot, etc). These types of rewards should be visible making them highly powerful. Monetary awards don't give companies that luxury as the granting of a monetary reward and its amount are often not made public.

Another way to redistribute your budget dollars in ways that each employee can embrace is to implement a **cafeteria style compensation plan**. Flexible benefit, or cafeteria plans generally allow employees to choose between cash compensation, tax-exempt benefits, and taxable benefits without the choice itself resulting in the inclusion of the tax-exempt benefits in taxable income. Flex or cafeteria plans are authorized by Internal Revenue Code (IRC Sec. 125) and are often referred to as Section 125 plans. Under such a plan, it is possible for employers to provide employees with an additional benefit package at virtually no extra cost while reducing both the employer's and the employees' tax bills. Flex plans allow employers to upgrade and customize the array of benefits offered while keeping a handle on total benefit costs. Flex plans range from the most simple (that merely pay group insurance premiums with pretax dollars) to the most complex (that provide benefit credits and a choice of types and levels of benefits that may be chosen and paid for on either a pretax or post-tax basis). Standard in many organizations are pre-tax dollar Flex programs for the employee portion of health care premiums, health care reimbursement (full flex is for medical, dental and vision as well as other provisions; limited-flex is for all but medical), and dependent care expense reimbursement.

WHY Pre-Tax??

1. It saves the employer thousands of dollars in payroll taxes. This is possible through employee salary reductions. When the employee's salary is reduced, the company reduces payroll expenses for FICA, and in some cases may also reduce Unemployment Tax and Workers' Compensation premiums. For a company with 50 employees, a Flexible Compensation Plan could mean \$2,000 - \$10,000 a year in reduced payroll taxes and expenses!
2. It increases employee's benefits and take home pay. Employees who are participants in the Flexible Compensation Plan are reimbursed for eligible expenses with tax free dollars. The tax savings provide increased benefits and increased take home pay. Employees can have either full or limited flex plans based on what is offered within their company medical coverage options. If the company sponsors an HSA (health savings account) plan, then the employee can have access to a limited-Flex benefit plan for health care reimbursement.
3. There is no increase in employer contributions for employee benefits. Added benefits under the Flexible Compensation plan are paid for by redirecting employee tax dollars, not by increasing employer contribution.

During difficult economic times when an employer is looking to maintain staff or current salary levels, having the employee understand their true cost often is eye-opening and helps the employee realize their organizational worth! Equally as important is putting into place programs and communications that make it possible to maximize every dollar!

Other budget neutral reward options include tweaking work time (e.g. flex time, alternate work week, etc) as well as granting time off with pay (e.g. set up a reward program so that the employee selected gets a Friday afternoon off with pay) as these dollars are all ready in the working budget. Can also create "spot" rewards such as a \$10 or \$20 gift card for employees who go above and beyond when needed.

Some great websites for additional information:

- <http://www.workforce.com/> (Workforce Management)
- <http://www.ecfc.org/> (Employers Council on Flexible Compensation)

Communicating TEC at the beginning of your business calendar or fiscal year is a great way to present information to your employees so they understand the impact of full compensation costs on the organizations' bottom line!

Call us to schedule a consultation at 888-717-3046. We are launching our new website on January 18, 2010; visit us at www.hrbizpartners.com and see our new resource section for white papers, training and development, hot topics and 2010 calendar.

As part of the COR-Alliance, we are also dedicated to participating in free business education seminars. Please visit us at www.cor-alliance.com and review the educational offerings!

BIO: Jill Collins Williams MS, SPHR

Jill Collins Williams the President of HR BizPartners LLC. She is passionate about creating a dynamic strategic HR department within every organization. She provides coaching and guidance to clients to implement positive change while keeping the focus on an organizations most important resource – its people! Jill has over twenty years of human resources and consulting experience and brings humor, flexibility and exceptional results for clients.

Her philosophy is simple; work with integrity, fully understand the client's needs and budget, deliver as promised and keep it simple!

Jill is a member of the adjunct faculty at Golden Gate University where she teaches within the undergraduate and graduate HR and Business degree programs. She is on the Board of Directors of Marin Abused Women's Services (MAWS). She is a member of Taproot Foundation and is the founding member of COR-Alliance, which offers free or low cost seminars to the business community on business topics.

Professional Memberships' include SHRM (Society of Human Resources Management), NCHRA (Northern CA Human Resources Association), CVNL (Center for Volunteer and Nonprofit Leadership in Marin) and Marin HR Forum. HR BizPartners LLC is a member of the San Rafael and Novato Chambers of Commerce.

Jill holds an undergraduate degree (BA) from San Francisco State University in Business and Educational Technology, a graduate degree (MS) from University of San Francisco in Human Resources and Organizational Development and designation as Senior Professional Human Resources (SPHR) from the Human Resources Certification Institute. Jill can be reached at 415-717-3046 or jill.williams@hrbizpartners.com.