

EMPLOYEE BENEFIT: AN EMERGING SOURCE OF CONFLICT BETWEEN EMPLOYEE EXPECTATION AND EMPLOYER PRACTICE

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ABSTRACT

A good relationship is necessary for the smooth running of any organization. The Employer and Employee relationship is an important element which drives to the path of success of the organization. Employer can perform their crucial roles effectively and efficiently only when there is a strong cordial relationship between employees in the organization. So the number of benefits provided by employer to the employee has increased drastically. However, in the face of intensified market competition, many organizations have started to decrease the employee benefits in order to take step in reducing the labor cost. Many employees have become dependent on benefits which are provided by the employers to satisfy their basic and security needs.

This article relates exclusively in recognizing the importance of employee benefits to companies and society as a whole which is an emerging source of conflict between employee expectation and employer practice. As soon as they feel dissatisfied with the current employer or with the job they switch over. It is becoming hard on the employer to retain employees, as the organization would not be left with good employees. So organization should know how to attract and retain its employees by satisfying their requirements.

Key words: Employer practice, Retention and productivity, Employee attraction and Employee benefits.

Introduction

Employee benefits are more than an important tool for companies around the world—they play a critical role in social and economic infrastructures as well. Benefits programs supplied by employers often end up filling gaps in national health and retirement systems. A common set of challenges faced by employers in the countries include recruiting and retaining the best employees; increasing employee productivity; managing the costs of benefits; responding to employees' need for financial planning and income protection; and recognizing the diminishing role of the state in health and social welfare programs.

External factors are always influencing the types of benefits employers offer. In the past decade there have been many times of uncertainty and economic volatility. All thought this makes employee benefits all the more important as a recruitment and retention tool, the rising cost of many of these benefits have made it more challenging for employees to continue to offer them. The two opposing forces- a strong demand for employee benefits by jobseekers and existing employees alike, and the ongoing rise in the cost of benefits, particularly health insurance which acts as a back drop to many of the trends uncovered in recent 2014 Employee Benefits Research Report.

Managing employee benefits is growing more complex. It involves high cost and take management time than they had in past. But providing benefit to the employees are the key part of the HR Strategy which now considered as critical element of the overall business strategy. In

past 20 years, the benefit landscape has shifted. The employers of various companies are trying to balance the competing demands of rising benefits expenditures mainly filled by health care costs against need to attract, retain and then maximize the productivity of their human talent base and their employees. It creates the need for a new mindset to gain more human capital value and at the same time, manage the financial exposure.

History of Employee Benefit

Employee Benefit program have existed in the United States since colonial times. Early programs include the Plymouth Colony Settlers' Military Retirement Program in 1636; Gallatin Glassworks' Profit sharing plan in 1797; American Express Company's private employer pension plan in 1875; Montgomery Wards' group health, Life and accident insurance program in 1910; and Baylor University Hospital's formalized prepaid group hospitalization plan in 1929. The federal government's involvement in the provision of such benefits further expanded coverage. In 1935, congress mandated basic retirement income protection under the Social Security Program; in 1956, which added income protection for disabled workers and their dependants. In 1965, it added health insurance for the elderly and disabled under the Medicare program.

Moreover, voluntary employment –based benefit programs became more prevalent as federal tax preferences for employee benefits coincided with rising tax rates, strengthening incentives to provide private benefits.

Employee Benefits in India

Employee benefits are provided to employees in addition to their normal wages or salaries. These types of benefits include Group 'insurance (Personal Accident, Medical Insurance and Life insurance), vacation, loans and gratuity.

RETIREMENT PROGRAMMES

(a) Employees' Provident Fund

Employer and Employee contribute to the plan. Employees contribute up to 12% of the basic salary with an option of paying an additional 12% contribution. Employers pay 12% of basic salary, out of which 8.33% is used to fund the pension portion of provident fund called as Employees Pension Scheme. Remaining 3.67% is deposited into Employees' Provident Fund Account.

(b) Superannuation Plan

This plan is offered only for selected employees. They are not popular with rank and have a very long vesting period and the funds cannot be withdrawn before a certain age.

(c) Pension Plans

Pension Plans in India are very limited to certain industries like banks, mines plantation and railways. Very few private companies sponsore pension plans in India.

(d) Gratuity

It provides a minimum lump-sum payment of 15 days for each year of service. It is applicable to all employers with more than 10 employees. The benefit is tax free up to Rs. 10,00,000.

Health Benefits

It is the most expensive employee benefits that an employer can provide to its employees. The health coverage may cover just the employee or spouse or children. Some firms cover employees' parents as well. The sum assured varies among employers but minimum sum assured is above Rs. 2,00,000 to each employee.

Wellness Programmes

Companies understand the importance of chronic disease on their employees and the need to move from disease management to health management. They started to identify their individual needs and wellness requirements. The usual benefits which employers offer to employee are preventive health checkups and gym memberships. Some additional programmes are vaccination, yoga and meditation classes.

TRANSPORTATION BENEFITS

(a) Cab / Shuttle Service for employees

Companies provide 24/7 support and services to customers and they want to ensure that employees have the ability to reach the office at any time. To facilitate this companies are paying for shared cabs or car pooling.

Financial Education

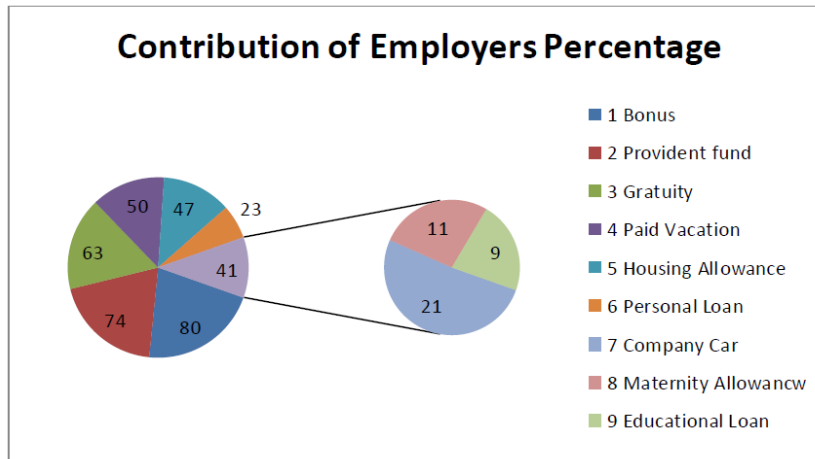
The employees' nearing retirement age will have to understand the need for a plan which can overcome the financial anxiety of retirement. In order to help its employees to overcome anxiety and provide them piece of mind, many companies in India started to conduct financial education seminars to help employees manage money more responsibly.

Current Trends and Challenges of Employee Benefits

Employee Benefits remain an important mechanism to support business goals of employee attraction, retention and productivity, and to forge an employer-employee bond by helping to financially protect employees and their families. The impact of the recession has made employee benefits more important than ever. One in three Indian employers is spending more than 20 percent of total payroll on benefit, but 43% believe their employees do not sufficiently value the benefits provided to them.

Employers feel that employees are having poor understanding of benefits which is a serious challenge for their benefit strategy in upcoming years. It also states that rising benefit costs remain the biggest challenge for employers in the Asia Pacific Region, and Indian companies appear to be feeling this pressure recently. The economic slowdown, rising inflation and increased benefit costs, benefit optimization has become the buzzword among employers. As the war for talent intensifies, employee benefits have gradually emerged as powerful tool to attract and retain key talent, and are increasingly being leveraged to enhance the employee value proposition.

CONTRIBUTION OF EMPLOYERS PERCENTAGE



Advantages of benefit plans

- Employers can not only recruit but retain qualified employees by providing increased access and flexibility in employee benefits.
- It helps in managing high risk coverage at low costs and easing the company's financial burden.
- Premiums are tax deductible as corporation expense, which means savings for the organization.
- Employees can feel a sense of pride in their employer if they are satisfied with the coverage they receive.
- Employees can experience a peace of mind which leads to increased productivity and satisfaction by being assured that they and their families are protected in any uncertainty situations.
- Employees with personal life and disability insurance can enjoy additional protection including income replacement in the event of serious illness or disability.

Conflict between employee expectation and workers practice

Most people do not communicate their expectations clearly, to the appropriate person, and at the most effective times. Broken psychological contracts between employers and employees are at the root of many workplace conflicts, absenteeism, poor performance, retention and costly employee turnover.

Employee expectation and Employer practice normally have a wide gap in today's era. Employees expect assured security for themselves and their families through better employee benefit but employers feel that employee do not have sufficiently value of the benefit the mantra among the employers.

The rising benefit cost remains the biggest challenge for employers to satisfy the employees. Since both their expectations are in different pole the understanding and proper interpersonal relationship in workplace gets affected.

Future Trends in Employee Benefits in India

- The most significant changes that taking place in relation to retirement benefits is the introducing retirement education. Currently there are not many employer sponsored retirement plans. Hence, employees are left on their own for planning their retirement financial needs.
- Offering retirement education would be extremely beneficial to all employees from a new graduate who can learn the benefit of saving to a 40-plus-year-old-mid-career manager

who can plan for his retirement and his family needs to an employee who is nearing retirement and must start making immediate plans.

- The future of offered group health benefits lies on the ability to control costs, in terms of premiums for insured employers and claims for self-insured companies.
- Companies may adapt flexible benefits strategy for the revenue growth. The recruitment and retention rates should improve as a result of higher levels of employee satisfaction and commercial benefits.

Suggestions in improving Employee Benefits

- As companies look ahead in the context of the benefits that should be offered to their employees. Some suggestions in improving Employee Benefits.
- Employers should examine their strategy carefully for coordinated or integrated set of retirement related benefit.
- Employers that provide retirement benefits should consider developing a communication strategy to raise awareness of the benefits and their value.
- Employers can take a lead in this area through internal surveys of employees' concerns, needs and values. The result of the surveys will help employers focus their intention and budgets in the right places both for their employees and their share holders.
- Employer should consider a flexible benefits strategy and the kind of structure that would be most appropriate in the context of the employee satisfaction, expense control and revenue growth.

Conclusion

Employees are the main asset of any organisation. It is the responsibility of the employer to satisfy the need and requirements of the employee. In this article the most common benefits that are currently offered to the employees are explored.

The most important task of the companies is to retain and attract the talents to be successful in the market. However, the poor understanding of benefits among employees is becoming a biggest challenge for the employees. Employees need to be flexible enough to adapt their policies as per the needs of their employees depending on various factors.

The Indian companies have provided with employee benefits and targeted towards a generation who believed and adhere to the concept of lifelong employment. Therefore as the economy grew, people became mobile and managers started to develop newer employee benefits to attract and retain employees so that it bridges the gap between employee expectation and employer practice.

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