Employee Non-Benefit Plans

We are constantly amazed when we see the same mistakes over and over. One of the most frequent examples is the management decision to install a new employee benefit plan. The most frequent object of this affection is a 401(k) Plan, in which employees save a portion of their wages for current tax deferral, future tax advantaged earnings and often a matching contribution from their employers. Often the decision is made based on the best interest of their employees, sometimes supplemented by pressure from a few very vocal advocates. The problem is this: employees who don't want the benefit you are giving them won't appreciate what they are getting. If you give Joe a 401(k) and he really wants two extra holidays or a better medical program, you're wasting your time and your money.

To put this another way, it doesn't matter how good the proposed benefit is in your mind, the main purpose of a benefit program is to make your employees feel better about your company, which they will do only if they value whatever it is you are giving to them.

(HINT: ASK YOUR EMPLOYEES WHAT THEY WANT!)

Companies wonder why no one participates in their generous, but contributory, plans—a constant frustration with 401(k) businesses. They don't seem to remember, for example, that if their population averages 28 years old, a common high-tech company norm, their workforce probably won't be interested in retirement funding, pension plans, or long-term programs in general. Such employees most often want immediate rewards and immediate recognition. A membership in an executive health club could be more appreciated than deferred compensation costing twice as much.

If you don't feel comfortable asking and making employee-driven decisions in this area, bring in a compensation consultant to do it for you.

Best wishes,

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