Analysis of Employee Benefits

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Analysis of Employee Benefits”. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on ....................

Ekaterina Selivanova
Acknowledgement

I hereby wish to express my appreciation and gratitude to the supervisor of my thesis, 
Ing. Martin Šíkýř, Ph.D.
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1. Introduction

Today’s companies are intended to follow many aspects in running their businesses. When trying to do their best in delivering the products to their customers, they should not undervalue the communication with suppliers, mapping the competition and follow the trends on the market. When trying to reach the highest level of effectiveness, they have to focus on both the external environment of the company as well as internal. In the attempt to maximize the profit, companies usually look for the most effective way to manage the internal processes: production, sales, logistics and human resources capital. The last one usually involves one of the biggest parts of the company’s expenses. Therefore the goal of the managers is to decrease the costs by boosting the productivity, decreasing the fluctuation, lowering the number of sick leaves, improving the working environment and many more. Manipulating with salaries is usually dangerous, very costly and not really effective tool when following these goals. Different employee benefits, however, are targeted on special problems the company is trying to fix, making it much more cheaper and more effective.

One of the first reasons to have employee benefits in the Czech companies was to equalize the compensation system between Czech subsidiaries and mother companies abroad. The other was a sharp increase in the salaries range in some companies. The management has then begun to recognize the ineffectiveness of continuous increase of the salaries and started to look for other possibilities in rewarding of their employees. Thanks to the tax effectiveness, the choice was made in favor of the employee benefits. In the attempt of equalizing the competitive advantages, many other companies have also started to launch employee benefits. Today the employee benefits became the essential part of the employment policy in many companies (Cizek, 2008).

The issue of benefits has also become the epicenter of argues between the labor unions and companies’ management. When the disputes regarding the salaries level reach a deadlock, benefits start to be a tool to find the compromise. Benefits are today one of the key points in union contracts.

Latest developments happened on the international economic scene, which initiated series of defaults, layoffs and restricting forced managements to reconsider the amount and methods of rewarding the employees. According to PriceWaterhouseCoopers (hereinafter
as PWC) in the best companies in Czech Republic are only 50% of employees satisfied with their financial compensation (Huncík, Odměňování má důležitou roli při motivaci zaměstnanců, 2010). It means that in average, half of the employees are discontented with their salaries. In the times, when the companies can hardly increase the salaries levels, benefits come into force. Playing with their tax effectiveness, management can partly satisfy their employees with extra discounts on the partners production, non-monetary contributions on the healthcare services, cultural events, vacation abroad and many more.

The objective of this work is to analyze the current benefits offered on the market, their effectiveness, and future trends and apply it on the example of one big size company, based in Czech Republic. We will try to find out strengths and weaknesses of the company in delivering the benefits to its employees. Let’s consider therefore that there are two main parts of the work: theoretical and practical.

In the theoretical part we will first talk about the meaning of the term “employee benefit” itself and explain why the managers attach so much attention to this part of employees’ compensation. We will also provide you with different features and possible opportunities in the benefits area. As the benefits have relatively short but intensive past, we will mention the history and the reasons of launching the benefits beside the regular salaries in different time periods emphasizing the growing importance of the benefits. After we will talk about classification and different forms of the benefits that are most popular in Czech Republic as well as worldwide. When describing different benefits we will focus mainly on their tax efficiency – the most important factor for both the employee and the employer. The following chapter describes different trends of employee benefits that were notable before the recession and after it. Such differentiation relates to the impacts of the economic recession that shook the managers perception of the costs allocation and affected the structure of employees’ compensation. This part among others includes an interesting view on the future of the employee benefits by the year 2020.

The second part of the work includes the description of the benefits system in the certain company. After analyzing the satisfaction survey we move to the SWOT analysis stressing out the strengths of the benefit package offered, its weaknesses as well as opportunities the company may use and the threats. We are also delivering the possible solutions to increase the effectiveness of the benefit package by creating the TOWS analysis.
Benefits or employee benefits have always been one of the main parts of the employee compensation. Lately it has become the essential part of the prestige of companies and their proud. Benefits are the main extra offers except salaries, which are generally all around the average on the market, through which the employers can fight for attracting new staff and keeping the old.

The phenomenon of the benefits itself has started to expand in a late World-War II time, while in U.S. the history of benefits has its roots in 19th century or earlier. “In 1949, the Supreme Court let stand a lower court ruling that pensions, and by extension other employee benefits, were a “mandatory subject of bargaining” under the National Labor Relations Act (Inland Steel v. NLRB). This had the effect of reducing political pressure from organized labor and others to enhance government-provided retirement and health care benefits.” (John G. Kilgour, 2008). By the year 1960 through rapid development of the benefits (mainly because of the labor unions rising power) they had become a major part of employees’ compensation. Since that time the attention of the HR managers is riveted mainly on frequently updated legislation (John G. Kilgour, 2008).

2.1. Definition and significance of benefits
Before explaining the main functions, goals of the benefits and its necessity, let’s define the term “benefit” itself. It has both historical and modern meanings.

Formerly “benefit” was theatrical performance in behalf of some actor, whereas today its profit is sent for the charity purposes. The “benefic” (the incumbency) was a grange, given by the king for some services e.g. some institution and the profit connected with it. In the church meaning the incumbent means the revenue gained by some church institution (Pelc, 2009).

As we can see the historical meaning of the word “benefit” only slightly reminds us of the word we know now. Today’s term “benefits” (also known as perquisites, perqs, perks or fringe benefits) includes few different meanings. Hereinafter we will discuss the benefits from the personnel point of view. U.S. Department of Labor determines employee benefits as just “nonwage compensation provided to employees” (Bureau of Labor Statistics -
Online Glossary, 2008). Generally we can say that benefits refer to just about everything else than salary or wage, which are mainly designed both to attract and maintain employees. Here we speak mainly about the advantages that an employee gains from the employer mostly despite the performance of his or her work. However the employee generally has to meet certain requirements (e.g. full-time employment, finished trial period etc.) to get different benefits. It is known that today the benefits make up to 40% (Phillips, 2007) of the employees’ gross income in developed countries (in Czech Republic it makes about 10% (Pelc, 2009)) so the employers have to be really careful in designing the benefit package.

<table>
<thead>
<tr>
<th>Employer size</th>
<th>Benefit cost range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>0% - 30%</td>
</tr>
<tr>
<td>Medium</td>
<td>10% - 30%</td>
</tr>
<tr>
<td>Large</td>
<td>15% - 40%</td>
</tr>
</tbody>
</table>

Source: (Kornfeld & Rupp, 2000)

According to PWC study done in 2008, which examined 112 big companies in Czech Republic, the share of the costs on employee benefits compared to the salaries expenditures of the company make 4% as a median. Yearly costs of the benefits on one employee make around 18 300 CZK (around 750 EUR). This amount, however, does not include possible tax impacts of different benefits. It is also important to know that this amount varies considerably according to the employees status (from 12 000 CZK for the employee in manufacturing to 89 000 CZK for the manager) (Cizek, 2008).

Currently the benefits supply is boosting from year to year. Companies are trying to follow the demand, new trends and be at least on the same level as their competitors are. With the widening spread of the benefits offerings there are many companies that provide different services in implementing benefits whether it is a software provider that ease the employee orientation among different benefits available, the plastic cards provider for the flexible system of the benefits or the overall outsourcing of the benefit system management.

There are many challenges that have appeared to the employers last years, including personnel area. NuView Systems Inc., global Human Resources and payroll software provider has recently published a survey. It turned out that there was a shift in the workers
retention attempts and 34% of the employers have stressed out their benefits system and the incentive payments as a retention tool (See Chart 1).

**Chart 1: Employee Retention: Shift in Focus**

Source: (RecruitingTrends.com, 2011)

Today's ideal benefit package should satisfy a lot of criteria, but there are always few core rules it has to follow: it should reflect the objectives of the company, its demographical structure, maximize employees' savings, it should be designed in cooperation with employees and it should be transparent and easy to use (Barton, 2010).

- Meeting the objectives of the company. Duncan Brown, the director of reward services at the Institute for Employment Studies, stresses this factor especially when introducing the new benefits package: "What does (how it achieves its objectives) it say about the rewards and benefits an organization needs, compared to the labor market, and service and product competitors? What are the characteristics of those markets in terms of the rewards and benefits they provide?" (Barton, 2010). You should always compare the benefits packages with those of your competitors.

- Following the demographical structure. The benefit packages may vary between the sectors, but they should reflect the demographical structure of the organization. It is well known that each industry has its own specifics in the benefit offerings. For example, finance or consumer goods sectors will necessarily have an access to subsidized products of its own as a benefit.

- Boosting employees’ savings: Using tax-free benefits that are individually demanded will maximize employees’ savings. As Sarah Pickering, the managing director at Alvarez and Marsal Taxand in UK says: «If (employers) can deliver to
employees pay that is income tax free, or national insurance free, add them to salary sacrifice or allow them to participate in those sorts of benefit, that means the individual ends up with more net pay. So the gross pay does not change, but the cash they can take away and spend at the end of the month is greater. » (Barton, 2010)

- Considering employees demand. Employees’ participation should be considered when designing the benefit packages. «Ultimately, the goal of your total reward package is about improving performance, attracting and retaining people, » says David Wreford from Mercer, «so you would do well to listen to what employees need or desire. » (Barton, 2010)

- Being easy to use and understand. The benefits system should be transparent and easy-achievable for the employee. Some may think the more benefits the better, but he might be wrong. The goal of the HR personnel is to provide desired benefits, not to administrate tens of other useless benefits.

The main goal of the employer he wants to reach through benefits is to strengthen the employees’ loyalty, to satisfy their needs and to build the image of the company at the minimum cost. Number and the content of employee benefits are usually included in the union labor contracts or the individual contracts being the subject of the thorough corporate negotiations. The creation and strengthening of the employees’ motivation is long-term process requiring perfect knowledge of the psychology and sociology of the work (Pelc, 2009).

From the economical point of view offering benefits is referred to the lower taxability both for the employer and the employee. The level of taxation differs accordingly the character of the benefit, which will be explained in more details in the Chapter 2.

### 2.2. Features of Employee Benefits

There is a broad range of employee benefits with a variety of different characteristics today, but all of them have similar characteristics: they do not depend on the individual performance, they don’t have any influence on the short-term performance, they can discourage the worker to leave and they have an influence on the overall satisfaction of the employees. The dissatisfaction mostly appears when the company tries to narrow the
benefits offer or they have a bad package or the suppliers (Kleibl, Dvorakova, & Subrt, 2001).

There are always two angels while discussing corporate benefits: the employer’s and the employees. It is important for the employer to consider the following factors (Thomas J. Atchison, 2010):

- Purpose (for example to increase loyalty and continuity of the employment, improve satisfaction, boost or maintain the current performance of the employees, decrease staff fluctuation etc.)
- Legal requirements (these affect the consistency of the benefit package and the way they are administered. Some of the benefits are required by the law, some are managed by the state through tax levies)
- Contributions and cost (until what degree and who is going to contribute for a given benefit)

On another hand, the employee will value most of all the range of the benefits offered, their accessibility, the amount of the share he or she has to contribute or give up (in a sense of salary sacrifices) and many more individual aspects. Sometimes employee benefits can be a good tool in harmonizing the free time and the working life. They can contribute to lowering the stress from work, preventing the problems related with workaholism and burnout syndrome (the psychological disease when the employee is exposed to long-term stress and as a result is completely exhausted and doesn’t have any motivation, doesn’t see any sense in his work) (Novakova, 2010).

One of the main characteristics of employee benefits is their effect on the social development of the worker (Nemec, 2002). The company can create such internal and external conditions, which will have an impact on satisfaction of the employee’s social needs.

To create favorable internal conditions, the company can improve its overall working environment, safety and hygiene, healthcare, allowances for lunch, social consultations etc. External conditions would include such benefits as environmental care, employees’ living conditions, possibilities for recreations, conditions for sport, culture and entertainment, transportation to work etc (Nemec, 2002).
2.3. Opportunities in Employee Benefits

The employers who are implementing the benefit plans in their compensation system get many more than the satisfaction of their staff. They follow several goals connected to a broad range of the internal departments of the company (Beam & McFadden, 2004).

- Marketing majors. An important activity is to promote the benefits to the employees. This can be done either through internal communication channels or the external HR provider. In this case all the advertising attempts should be directed to “sell” the benefits to employees. The more popular benefits are, the more satisfied the staff is.

- Human resources majors. The task of the human resources department is to communicate benefits to the employees, solve different problems, collect references and, of course, administer the benefits plan. Usually human resources department also coordinates the tasks connected to benefit plans within other departments.

- Finance majors. Finance department is also a very important part of this chain. It usually decides how big should be the benefits fund, which directly affects the benefits range.

- Insurance majors. Healthcare benefits are often one of the main parts of the employees benefit package. As the insurance companies usually provide benefits in this field (dental, disability, life, medical, vision etc.), it has a big impact on the benefits market.

- Accounting majors. Accounting department is usually in a close relation to the human resources. Being either internal department or outsourcing, it usually advises in employee benefits decisions.

- Communication majors. Nowadays employee benefits often represent highly complex and expensive service. As such it requires a good communication to the employees.

- Mathematics majors. The proper pricing is essential for providing the benefits. It is necessary to find a right proportion between the employer’s payment and the employees’ contribution to the benefit.
- Social science majors. This involves personal interaction with employees while giving the proper advise with an understanding of social insurance programs, wellness programs, employee-assistance programs etc.

- Majors in medical fields. Some of the medical practitioners work for benefits providers who offer medical care assistance as a benefit. In some countries such opportunities represent a main facilitator of the growing demand for registered nurses.

“The above list is merely meant as an example of the many opportunities available in the field of employee benefits” add Beam and McFadden. As the today’s benefit packages often represent a complex system, there are plenty of possibilities to affect the provision of the employee benefits through different tools and departments in the company.

2.4. Growing importance of benefits

In the beginning of the 20th century, very few workers were delivered something extra from their job above their regular wage. Employees and their families were on their own in case of their healthcare, social needs, questions of their free time. The vacations, if any, they had to pay by themselves.

In 1940s and 1950s there was a rapid growth in popularity of employees compensation in the form of additions to their wage. In the last few decades, the employees benefits have expanded as new forms of the benefits were invented and existed have been modernized.

What happened that employers suddenly realized the importance of the employees’ stimulation? There is no simple explanation for such an expansion of the employee benefits during the last decades. Beam and McFadden see the reasons of the growth in a combination of different factors such as industrialization, influence of organized labor, wage controls, cost advantages, tax advantages, inflation and legislation (Beam & McFadden, 2004).

Industrialization

During the 19th century, many of the countries have changed their long-term path from being an agrarian country to industrialization and urbanization. As a result, people started to depend more on their monetary income to meet their basic needs. That is why the employers have started to provide some basic retirement, death and medical benefits. Suddenly they realized that not only the productivity and morale have improved but also
the turnover has decreased and the costs related to it. With the development of the insurance system, healthcare benefits have become a subject of more complex automated system.

**Organized labor**
The existence of labor unions had a big impact on the development of the benefits offers in the companies. Some countries experienced the appearance of labor unions in the beginning of the century, some later on. The organized employees’ pressure on the companies allowed them to negotiate better conditions of working including benefit plans. The changes were also applied to non-union members, avoiding the conflicts in the organization. Some companies also provide generous benefits in order to discourage its employees from organizing labor unions.

**Wage controls**
Some governments were used to control the inflation rate with help of incomes policy, which among other tools contained freezing wages. Countries like Germany, Austria, Netherlands, United Kingdom, France and the United states have experienced such measures in its history in different occasions. The prohibition of increasing the wages, however, didn’t apply to benefits through which the companies often regulated the welfare of its employees (Britannica, 2011).

**Cost advantages**
Through economies of scale it is more convenient to arrange group benefits at a lower cost rather than through separate contracts made by individual employees.

**Tax advantages**
Different types of tax levies and tax-free income that can be achieved through benefits for both an employer and an employee resulted in a big expansion of certain types of the benefits.

**Inflation**
As inflation has an impact on the salary rate, those benefits, which are connected with this rate, increase when the salary increases. If the amount of the benefits is fixed and is not related to the level of income, the employees’ pressure increases with the growth of
inflation. The cost of the benefits usually grows at a rate faster than the salary under the influence of the growth of healthcare benefits costs.

**Legislation**
Legislation has probably the most powerful impact on the development of the benefits. Governments can control the benefits market through different legislative requirements, related mainly to compulsory benefits that the companies must provide. These benefits are often profitable for both sides: the employer and the employee, and are usually most popular on the market.

2.5. **Cultural Influences on Employee Benefits**
Companies with international operations must design their benefit system in a variety of different countries. They should adjust their strategies to local requirements whether in the form of different legislation or in the form of social and cultural specifics. All the aspects of the business differ from country to country in both the external and internal environment of the company. Therefore it is necessary to find out until what degree should we count with intercultural differences when designing the employees benefit system.

Will employees appreciate more collectivistic approach on providing the benefits or more individual benefits? Until what degree should the company engage to employee’s private life? What preferences in the benefits so the employees have? These are all the questions the employer should ask himself when making up the benefits scheme and when comparing the benefits between several subsidiaries in different countries.

The cultural impacts the benefits in three different ways: by governmental regulation, the labor market and the managerial choice. When thinking about the benefits system in the company within one country, the legislation rules and the labor market habits are things, which are strictly given and the company cannot affect it. It has to adjust its scheme to these rules. Whereas the benefit choices, which managers make in respect to their employees, can be the most important field in making a competitive advantage against the competitors (Oliver & Cravens, 1999).

“There are a multitude of choices to make, including the nature and type of benefits offered, the specific type of plan, components of the plan and the level of generosity of the benefits package,” says Dany Mathieu, the HR expert from “Canadian HR Reporter” magazine. He mentions several factors the employer should take into account when
balancing between the cultural differences and corporate entity including nature of the industry, labor agreements and mandated programs, corporate culture, talents availability, stage of growth, governmental programs, taxation and cultural values (Mathieu, 2009).

**Industry.** Some of the industries usually offer more generous benefits than others (for example finance industry comparing to manufacturing)

**Labor agreements and mandated programs** can be the problem when integrating the global benefit plan. Some countries may have more strict requirements but richer subsidies hardly leaving the possibility for an employer to differentiate from the competitors, whereas some can be really flexible with the requirements but costly to apply the benefits plan.

**Corporate culture.** The company should define its global corporate benefits strategy, which would guide all the countries in providing the benefits. It is not advisable to have an image of the generous employer in one country and poor offer of the benefits in another.

**Talents availability.** The benefits also play the role of attracting new talents. Due to the fact that some countries can be different in the offer of professionally skilled labor, there can be difference in the benefits offer between the subsidies.

**Stage of growth.** Young subsidiaries usually focus on cash compensation with variable part depending on the performance of the employees, whereas well established companies are looking for different ways of rewarding.

**Governmental programs.** In some states the government provides comprehensive governmental programs so the provision of certain benefits by the company is not demanded and therefore not necessary.

**Taxation.** As different countries provide different taxation system on the corporate benefits, this aspect should not be undervalued.

**Cultural values.** In different countries people have different interests and values. The question of the culture is therefore one of the most important when designing the benefit package. Understanding the intercultural differences will help the employer predict what his employees might desire everywhere and what should be adjusted according to local traditions.
In the question of measuring the different specifics of the cultures, there is an analysis of the big range of the countries done by Geert Hofstede with help of IBM Corporation. This research is now viewed as a template for many companies in guiding the international communication in respect to customers, suppliers and colleagues abroad. “For those who work in international business, it is sometimes amazing how different people in other cultures behave. We tend to have a human instinct that ‘deep inside’ all people are the same - but they are not. Therefore, if we go into another country and make decisions based on how we operate in our own home country - the chances are we'll make some very bad decisions,” – say Geert Hofstede’s followers (Itim International, 2011).

The analysis is based on five different measures: Power Distance Index, Individualism, Masculinity, Uncertainty Avoidance Index and Long-Term Orientation.

**Power Distance Index (PDI)**
This index measures to which extent the power is distributed within the organizational hierarchy. It shows to what extent the employees from lower positions expect and accept bigger power of those on higher positions. Usually there are big barriers in communication of a manager and a subordinate (Itim International, 2011).

**Individualism (IDV)**
This index represents the extent to which the people tend to be individuals rather than integrated to groups. On the opposite side is collectivism where people are comfortable to feel themselves as a part of the team or group rather than as an individual. This factor is also reflected in the perception of the families, where in rather individualistic countries family includes only those closest members as wife or husband, parents and children. In collectivistic countries family is perceived as more extended institution including uncles, aunts, cousins, grandparents etc. As to the work, in individualistic countries people follow their own goals rather than the team (Itim International, 2011).

**Masculinity (MAS)**
This index represents the distribution of values supported by women or men mostly being extremely different. Hofstede’s research has noticed that feminine values do not really vary between the countries, however men’s values vary extremely. In some countries men tend to be more competitive and assertive, whereas in other they are modest and care about others, which is closer to the women’s values. The pole, where most of the people are
competitive and assertive was named as masculine. The opposite side represents feminine culture, where the difference between gender’s values is not so big (Itim International, 2011).

**Uncertainty Avoidance Index (UAI)**

The research showed that the cultures can be extremely different in the sense of being comfortable with uncertainty or trying to avoid it. Cultures with higher rate of Uncertainty Avoidance Index are comfortable in the structured situations, where they clearly know what to do next. These cultures usually have more rules, guidances, safety measures and strict law. People usually believe that they are right. They are also more emotional and tend to express these emotions. On the other side, there are people who do not like the rules. They acknowledge that there can be more opinions on the problem and the truth cannot be only one. These people usually are more flexible with following many ways to solve the problem, even by breaking some rules (Itim International, 2011).

**Long-Term Orientation**

This index relates to the perception of the time. Some cultures tend to be longer oriented then other. “Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face’” (Itim International, 2011).

When thinking about the issue to satisfy the employees from different cultures, these factors should all be taken into account. Would be employees more satisfied with team rewards or rather individual? Should the benefit package follow the long-time direction or rather short and frequent? Should the benefits differ between the managers and their subordinates? These are all the questions that are necessary to give when making up the cross-cultural benefits system.
Table 2: Intercultural Differences according to Geert Hofstede

<table>
<thead>
<tr>
<th>Region</th>
<th>PDI</th>
<th>IDV</th>
<th>MAS</th>
<th>UAI</th>
<th>LTO</th>
<th>Region</th>
<th>PDI</th>
<th>IDV</th>
<th>MAS</th>
<th>UAI</th>
<th>LTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>18</td>
<td>74</td>
<td>16</td>
<td>23</td>
<td></td>
<td>Japan</td>
<td>54</td>
<td>46</td>
<td>95</td>
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<tr>
<td>Finland</td>
<td>33</td>
<td>63</td>
<td>26</td>
<td>59</td>
<td></td>
<td>Colombia</td>
<td>67</td>
<td>13</td>
<td>64</td>
<td>80</td>
<td></td>
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<td>29</td>
</tr>
</tbody>
</table>

Source: (Hofstede, 2011)

There are some of the results represented in the Table 2. As we can see, some of the countries have similarities in their rates. For example, Nordic countries are lower in their Power Distance level and Masculinity index. These people believe that all people should have equal rights and the possibility to change their social status. But for example, Asian and Latin American people are used to strictly formed hierarchy in the company. Feminine values are also dominant in Nordic countries as people take care about nature and overall quality of life. This fact corresponds with a big share of social security and retirement systems in the benefit offers. Nordic companies are also lavish in their benefits regarding maternity leave and parental care. Stock plans are not very common in these countries and are usually tax inefficient (Mathieu, 2009).

Australia, United States and some European countries are notable for their high Individualism index. People here appreciate individual effort and performance. In Australia this can be seen in a big popularity of so-called salary packaging – an agreement through which an employee can sacrifice part of his or her future salary in exchange for the benefits in this cost. Therefore, the employee can manage the amount of the benefits offered by him or herself (Mathieu, 2009). Europe and USA also use flexible benefits rewarding with a possibility to adjust the benefits offer individually.

Latin American countries have comparably higher rating of Uncertainty Avoidance Index. These people should therefore prefer less risky benefits. Most of the Latin American
countries following Chile have introduced Defined Contribution Pension Plan where the employer contributes to the employee’s retirement pension a certain amount or a percentage of the employee’s income. This plan came into change for the Defined-Benefit Pension Plan, where the contribution of the employer is calculated according to the formula based on such factors as duration of the employment, salary history etc. The management of the portfolio and the investment risk bears the employer, so this method is considered to be less risky and more stable, but less flexible. Therefore, this might be the example of the exception where other factors in the managerial choice prevailed cultural values (Mathieu, 2009).

Asian countries considerably differ in Uncertainty Avoidance Index. For example, Singapore is ranked 8 and Japan 92 points. Japanese then appreciate stability and rules, whereas people from Singapore are more comfortable without any frames. As to the employee benefits, we can see now that in Japan Defined – Benefit Pension Plan still prevails and there is a resistance in launching the Defined Contribution Plan. In the same time, Singapore uses mainly governmental sponsored Central Provident Fund, which is a Defined Contribution Plan (Mathieu, 2009).

As we can see, the choice of the employers in favor of different kind of the benefit most of the time corresponds to cultural specifics of the country. That is why the intercultural specifics should not be underestimated when designing the global benefits strategy.
3. Classification and Types of Employee Benefits

We can look on the benefits from either the employee’s point of view or the employer’s, but there are few aspects that considerably differentiate all the benefits from each other both for the employee and the employer. Therefore we can divide the benefits into several groups according to their different features.

3.1. Benefits Classification

First of all it is the level of taxation. Considering the taxability we can divide the benefits into two main groups (Pelc, 2009):

- Very efficient – these are benefits which belong to the tax expenses from the employer’s point of view, and which are free of income tax and health and social insurance charge from the employee’s point of view.
- Partially efficient – benefits which are profitable mainly either for the employer (belong to the tax expenses, but are subject to income tax and health and social insurance for the employee) or the employee (are free of tax and therefore health and social insurance charge, but do not belong to the tax expenses for the employee).

From the substantive point of view we can divide benefits into the following few parts (Pelc, 2009):

- Supporting the connection between the employee and his job (e.g. everyday transport contribution, housing allowances etc.).
- Personal development and qualification improvement (e.g. language courses, leadership trainings etc.), which are basically strengthening the company’s know-how.
- Employees’ healthcare (e.g. corporate medical care, contribution on holidays, extra days off, vaccinations, providing vitamins, sanatorium and spa treatments etc.)
- Social support (e.g. favorable loans, special grants for the difficult situations etc.)
- Leisure activities (e.g. vouchers to the fitness centre, reduced prices for different cultural events tickets etc.)

Taking into consideration the employer’s expenses, we can divide benefits into (Pelc, 2009):

- Financial – the employer pays for the benefits (contributions, gifts etc.)
• Non-financial – without financial expense from the employer (providing own services and products for the lower price, using company car in private purposes etc.)

From the employee’s point of view we divide benefits into (Pelc, 2009):
• Cash (employee gets money)
• Non-cash (employee gets non-financial benefit)

From another point of view we can differentiate (Pelc, 2009)
• Common benefits – benefits that are given to all or almost all the employees as food tickets, pension plans etc.
• Voluntary benefits – benefits that are chosen according to the employee’s preferences and his/her fulfillment of certain requirements (e.g. being the full-time employee).

As the most efficient benefits system is considered to be the combination of common and voluntary benefits through which the employee can create his own benefit program he/she would prefer the most.

Due to the time period we differentiate (Pelc, 2009)
• One-time benefits (loans, social help)
• Short-time benefits (food tickets)
• Long-time benefits (pension and life insurance plans)

Generally we can differentiate benefits according to many more different aspects (type of the job, position level, years worked in the company etc.) but usually the most effective benefit systems combine many different types to make the system more flexible and suitable for most of the employee.

3.2. **Types of Employee Benefits**

When deciding about launching new certain benefit, the main condition for the employer he will look at is its tax efficiency. As was already said, benefits can be either very efficient which are fully free of tax charge and health and social insurance payments for both employer and the employee or just partially efficient with tax reduction on some of the sides and/or free of health and social insurance.

Hereinafter will be described most common benefits in the descending way according to its efficiency following the legal system in the Czech Republic up to the year 2009.
**Pension plan and life assurance contributions**  
The income tax law and the laws about the insurance on social security and health insurance make the employer’s contribution on pension co-insurance with the state contribution on private life assurance extremely efficient. That’s why such benefits are very popular not only in Czech Republic.  
As for the employer, since the year 2008 the legal system of Czech Republic indicates this benefit as a part of employer’s tax expenses, thus it decreases its tax base. From the employee side, this benefit is also free of tax charge, but only up to the limit 24 000 a year for both pension co-insurance and life assurance in total (Pelc, 2009).

**Employer’s contributions on food and beverages**  
This contribution is also deductible from the employer’s tax base without a limit in case he runs his own canteen or up to 55% in case of food tickets. In both cases the contribution is possible if the employee worked at least 3 hours. The employee is also free of tax and insurance fees (Pelc, 2009).

**Professional skills development**  
This benefit is also considered to be extra efficient as it is free of any tax and insurance fees in case we speak about development of the skills which are connected with the employer’s business activities. The employer can use whether his own educational facilities or outsourcing. The benefit can include language courses in case of languages that are used within the company (i.e. German company can offer German or English language courses), certain skills training or staff requalification etc (Pelc, 2009).

**Transportation to the work**  
According to Czech legacy, the contribution for the transportation is considered to be tax expense, so the employer doesn’t pay the tax, but the employee does. Therefore he also pays the social and health insurance on this type of income. The exception is if we speak about the transportation company, which actually offers the staff its own services – in this case this benefit is extra efficient (Pelc, 2009).

**Prolonged holiday, sick days, bridge days**  
These days off with salary compensation also belong to the tax expenses on the employer’s side, so he is not obliged for the taxes. As for the employee, this benefit is considered as
the activities connected with his job (as in case with transportation). Therefore this income is imposed by taxes and insurance fees as regularly paid salaries (Pelc, 2009).

**Anniversaries**

Usually the employer makes a gift when an employee has life or work anniversary. In most cases the employers give money payments. According to the law, only when these money payments have some connection with length of the employment or the life jubilees, they are considered as tax expenses on the employer side (but this benefit has to be mentioned in the collective agreement, individual employment contract or so). From the employee side this benefit unfortunately is obeyed to the tax and insurance fees (Pelc, 2009).

**Buying the products or services of the employer with a special discount**

The possibility of the employees to buy products or services employer produces for lower price than is usually offered to other customers is nowadays widely offered benefit. The difference between the usual price on the market and the price, which is offered to the employer, is considered to be a non-monetary income for the employee. This benefit doesn’t affect the tax base in case of income taxes for the employer. In employees’ case, as mentioned, the difference between prices represents a non-monetary income and therefore increases employees’ tax base for this amount. Insurance fees must also be paid out (Pelc, 2009).

**Recreation**

This benefit is free of any tax and insurance charges for both employer and employee only up to the amount of 20 000 CZK. Under the recreation the Czech law assumes all non-monetary donations to the employee as well as his or her relatives in the form of using the recreational, health and educational facilities, pre-school institutions, company libraries, sport institutions or cultural events. This benefit also extends to institutions abroad. There can be few forms of company’s recreation benefits:

- Company’s own facilities
  
  o On the side of the employer, his expenditures on running such a facility is limited tax expenditure up to the amount of taxable income that is coming from operation. On the employee’s side, his non-monetary income is free of tax and insurance fees.
- Non-monetary fulfillment
  o This benefit is serviced by the third party or the employee him- or herself. In this case, this benefit is also free of tax and insurance charges like most other non-monetary benefits, but as it was already mentioned, from the side of the employee it’s only up to the amount of 20 000 CZK.

- Monetary contributions for recreation
  o This form of the benefit is the most unprofitable for both employer and employee and in this case is obeyed to tax and insurance fees (Pelc, 2009).

**Healthcare centres**
This benefit implies all the possible contributions made by the employer to its employees’ health such as vitamins and other medicine, preventive injections, purchase of glasses, rehabilitations or for example sanatorium and spa treatment. In case of non-monetary fulfillment (employer pays for the service directly to the supplier or provides a voucher to the employee) neither employer nor employee pays any taxes or insurance fees. In case of monetary contributions there is no exception and both sides have to pay taxes and insurance charges (Pelc, 2009).

**Childcare centers and company libraries**
This benefit can be provided in several forms that are different mainly in the taxes and insurance fees.

- Company’s own facilities
  o In this case we talk about kindergartens or libraries that are owned by the company, which allows its employees to use its services for free or for the price that is lower than the average market price. As to the employer, its expenses on running such a facility are taxable up to the amount of taxable profits that flow from it. From the employee’s side, its income that flows from using these facilities is free of tax and insurance fees.

- Non-monetary fulfillment
  o This case applies when the facility is owned by a third party and the employer allows its employees to use it by paying the whole or the part of
the fees. Here we can see the tax balance in which the employee pays neither tax nor insurance fees and the expenditures for the employer are not viewed as taxable (in case this benefit is not mentioned in the employment contract).

- Monetary contribution
  
  - Like in monetary contributions for the recreation, this benefit is not free of tax and insurance charges of the employee, neither it is included in the taxable expenditures of the employer. Nevertheless if this benefit is agreed in the employment contract it is considered to be a taxable expenditure without any limit (Pelc, 2009).

**Culture, sports**

This benefit is also connected to the recreation benefit and is viewed as such. From the tax point of view we can also consider the usage of company’s own facilities, their lease or monetary payments to the employees for these purposes. The most common benefit is however contributions for the certain cultural or sport events in the form of nonmonetary fulfillment. As the other expenditures from the company’s social fund, this benefit is not a tax expenditure for the company but is not taxed for the employee and is free of insurance payments for both of them (Pelc, 2009).

**Gifts**

There are several types of gifts employers often encourage stuff with. In case of non-monetary gifts, we speak about gift vouchers, coupons etc. From the point of view of employer, these expenses are not considered as taxable, but from the point of view of the employee it is not taxed. The contribution for the both is that it is free of health and social insurance fees. However if this benefit is stated by the employment contract, the impact is opposite – the employer has a right on the tax return, but together with the employee they are obliged to pay the insurance fees. The employer is also obliged to pay tax on the monetary income (Pelc, 2009).

**Loans**

According to the Czech law, the monetary income of the employee in the form of the refundable loan from the employer is not taxed in case there is no interest at all or the interest is lower than the market average. In the same time the loan amount should not
exceed 100000 CZK for the housing purposes or 1000000 CZK in case the employee was hit by a natural disaster. The monetary income of the employee is also free of the insurance charges. This benefit involves a lot of questions since the law doesn’t exactly specify the term “housing purposes” and it is hardly possible to calculate an average interest on the market.

There is also a possibility for the employee to take an interest-free loan or the loan with a lower interest in case of a difficult financial situation. The law also doesn’t define the frames for this kind of circumstances. It is necessary though that the employee hasn’t caused it by him- or herself. The example of such a situation can be a robbery, baby birth, long-term work disability, natural disasters (in this case not for the purpose of reconstruction of the house but on whatever other needs) etc. There is also the limit for such a loan: 200000 CZK in the case of natural disaster or 20000 in other cases (Pelc, 2009).

**Social help**

In this case we speak about non-refundable monetary contributions that may be paid by the employer to the employee in special cases. If the employee was hit by a natural disaster, or was a victim of environmental or industrial accident, there is a possibility to contribute him the amount up to 500000CKZ without tax and insurance fees. Nevertheless according to Czech law, there are three points that have to be fulfilled in this case:

- Extremely difficult circumstances for the employee…

- …happened because of the natural disaster, environmental or industrial accidents…

- …in the region with officially announced emergency conditions.

In all other cases the non-refundable monetary contributions for the social help have to be taxed and they are charged with the insurance fees (Pelc, 2009).

**Employee volunteering**

This benefit is aimed to increase employees’ satisfaction and loyalty, therefore increasing their productivity. It can be significant addition to the corporate benefit system especially nowadays, when the companies are trying to cut the costs wherever it is possible. When healthcare and other welfare benefits are becoming more and more costly, volunteering programs can become a best substitute to promote wellness, helping environment, and
simply doing a good thing while increasing the brand awareness. However the day off that is fully paid is also taxed as every other normal working day, this benefit can bring much more extra to the employees especially if the volunteering is organized in the form of teambuilding (Brenner, 2010).

3.3. Employee Benefits in Czech Republic

As to the statistics of benefits offered in Czech Republic, the most popular employers offer mainly contributions on specialized trainings, mobile phones and language courses to their employees (see Table 3).

Table 3: Deset nejcastejsich zam.vyhod u nejoblibenejsich zamestnavatelu

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Percentage of the companies</th>
<th>Number of responds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions on specialized trainings</td>
<td>100 %</td>
<td>129</td>
</tr>
<tr>
<td>Mobile phones at least to some of the employees</td>
<td>98 %</td>
<td>129</td>
</tr>
<tr>
<td>Contributions to the language courses</td>
<td>98 %</td>
<td>129</td>
</tr>
<tr>
<td>Extra holidays 5 weeks</td>
<td>93 %</td>
<td>112</td>
</tr>
<tr>
<td>Soft skills trainings contributions</td>
<td>92 %</td>
<td>128</td>
</tr>
<tr>
<td>Pension plans</td>
<td>88 %</td>
<td>129</td>
</tr>
<tr>
<td>Contributions on social events</td>
<td>84 %</td>
<td>128</td>
</tr>
<tr>
<td>Part-time employment after the maternity leave</td>
<td>80 %</td>
<td>123</td>
</tr>
<tr>
<td>Snacks on the workplace</td>
<td>75 %</td>
<td>129</td>
</tr>
<tr>
<td>Part-time employment during the maternity leave</td>
<td>74 %</td>
<td>122</td>
</tr>
</tbody>
</table>

Source: (Smrcekova, 2008).

In this survey, done by PriceWaterhouseCoopers in 2008, took part 129 best companies from different industries in Czech Republic according to the award Employer of the year. Among main characteristics of the benefits offered by these companies belong engagement of the employees and long-term benefits together with investments in the future. All of the companies also offer cafeteria systems with flexible benefits. These companies invest more than others into these benefits, usually from 20 to 40 % of the total amount of the benefits. All of them also offer various kinds of discounts on the company products or their partners’ products and services (Smrcekova, 2008).
Despite the fact that almost three thirds of the respondents follow the employees’ feedback on their benefits, there are some weak parts of the packages that seem to be wrong investment. One example is pension plans. There are some companies, where the usage of this benefit hardly reaches 25%, therefore the necessity of such investment can be doubted (Smrcekova, 2008).

Other benefits, which are loosing their popularity, are for example life anniversaries, child’s birth, weddings or the work anniversaries. As Petr Boldis from the consultant company iMercer says: “The employees do not value this traditional Czech benefit as they used to. During the satisfaction surveys these benefits are the first candidates to be cancelled” (Hay Group Press Release, 2010). The recreation benefits or the contributions for the children camps are also not popular anymore. Today they are substituted by the contributions on free-time activities as wellness, fitness, culture and the like (Hay Group Press Release, 2010).
4. Trends in Employee Benefits

Since the expansion of the employee benefits after WW2, there have been many changes even in the traditional “must-haves”. Employers still believe that benefits are the main tool to motivate their staff in the most effective way and therefore keep the benefits being the strong part of the total compensation. However the employers’ expenses on the benefits can considerably vary not only according to the compensation package structure but also according to the other features. “A 1984 study on the costs of employing older workers, prepared for the Special Committee on Aging of the U.S. Senate found that substantial benefit costs are associated with age and that those costs vary with the structure of the benefit package. Those findings still hold true today. The forces responsible for the differences in benefits costs by age – the amount of time available to earn investment income and the operation of compound interest, plus differences in rates of illness and death – have not changed in the past 16 years” (Rappaport, 2000). However, the emphasis is still moving among the different benefits.

When talking about the recent trends in the benefit offers, we cannot forget about the latest economic meltdown that affected all the business and economic areas. Obviously, the economic recession had a dramatic impact on the companies’ profits. As a result, the companies had to considerably adjust their expenditures on benefits. Therefore when talking about the new trends in the benefit plans, it is better to divide the recent trends into three periods: before the economic recession, when almost all the companies experienced the dynamic rise and after it.

4.1. Trends Before the Recession

The main changes in the benefit practices after year 2000 were notably (Rappaport, 2000):

- Increase in the number of staff in small companies which mostly offer fewer and poor benefits
- Rise in popularity of contribution plans and cash balance plans which are less sensible to the age variation at the cost of traditional defined benefit plans
- A growth of the match savings programs and in the size of the match
- Rise in employer’s contributions on healthcare costs
- An increase of the flexible benefits share
There were many reasons, which led the European companies to reconsider their benefit packages as constant economic rise, low inflation, skills shortages, changing demographics, (mainly in age), increasing competition for labor among the companies, rising European market for labor, higher competition within a global marketplace, more part-time and freelance employees, more women employees, changes in national and European Commission legislation and standards (Aldred, 2001).

Some of these trends are not true today, but some of them led to the real revolution in the benefit offerings. For example, more and more companies today implement flexible benefits where the employee can adjust the offer to his or her own needs. Perfect flexible benefit systems usually offer bigger companies, but surprisingly, it were the small companies who had led the way in the beginning.

The benefits market is very dynamic and it continues to adapt to new problems and needs of the employers. So as we consider the very last few years following the economic recession, we can see many new changes implemented by the companies.

4.2. Trends During and After the Recession

In the time of economic recovery the new and the main way which are companies following is to deliver the most effective benefits for the lowest possible cost. According to the study of Society for HRM in 2010, at least 72% of companies have changed their benefits system after the economic crisis (See Chart 2).

![Chart 2: To What Extent Have Benefits Offerings Been Negatively Affected by the Economic Recession?](source)

Source: (SHRM, 2010)
As to the Czech Republic, according to the study of Hay Group, for the first half of the year 2010, 31% of the companies reconsidered the benefits they were offering. Czech companies were cutting the costs mainly in the management benefits but also the benefits of the manual workers. Benefits, which were likely to be reduced as first were mainly insurance-connected as pension plans, life insurance and insurance for the case of invalidity (Hay Group Press Release, 2010).

The companies have also changed their attitude to the training courses that were offered without any contribution from the employee side. Now 22% of the companies have started to ask for the surcharge from the employee. On the other hand, there was a small increase in the offer of the benefits like discount on the company’s products, possibility of home-office or paid short-time sickness (Hay Group Press Release, 2010).

As it was mentioned before, the main trend that can be seen in all of the benefits offered by the employer is to provide financially efficient benefits. Specially right after the crisis in 2008 and in 2009 the companies were tend to cut the costs whenever it was possible. As the personal costs make one of the biggest company’s expenses parts, many of the companies were solving their problems by decreasing the payrolls and/or narrowing the benefits offers. The competition in the labor market switched from the supply side to the demand side and people started to appreciate whatever job with suitable salary not considering a poor benefit system.

These hard times are not so far behind us, and the employers are steel looking for most efficient benefits with lowest costs possible. That’s why employee volunteering programs have recently become more popular (Barton, 2010). That’s why also healthcare benefits lose their position on the benefits market. The survey done by Mercer in 2011 showed that the cost of providing healthcare and health related benefits in Europe rose by 3,3% in 2010 (Pan-European Survey of Employer Health Benefits, 2011). Companies in UK and Ireland experienced a 4,9 % increase in costs (Pan-European Survey of Employer Health Benefits, 2011). Being ones of the most expensive perks, healthcare benefits have loosen on their popularity among employers since 2009, for example in UK by 4,7% drop in the number of corporate medical policies (Barrett, 2010). However, according to above-mentioned Mercer survey, healthcare benefits keep the strong position in the employees demand, being rated as «very important» by 37% of the respondents and «important» by additional 36% (Pan-European Survey of Employer Health Benefits, 2011).
David Wreford, the principal at Mercer, has noticed the following trend in the European companies when trying to satisfy the mid-term financial needs of the employees: «There are things like share-save arrangements in businesses that do provide employees with some medium-term wealth creation, » he says. «We are seeing interest from employers in introducing things like company-sponsored ISAS (Individual Savings Accounts) as a component of the package to address that particular issue. » (Barton, 2010)

As another continuing trend we can notice the growing popularity of pre-paid cards used mainly as a tool for flexible part of the benefits (Furness, 2009). These pre-paid cards obviously follow the trend of credit cards such as Visa, MasterCard or Maestro that are steadily replacing cash money. In the workplace plastic pre-paid cards have become in replacement for the paper vouchers that turned out to be less efficient in some features. For example, paper vouchers are usually issued on a certain amount, which you cannot adjust according to the price of the desired product or service. The paper voucher can also be easily damaged or lost without a possibility to restore, whereas with a pre-paid card you can control the balance on it. Those, who still prefer paper vouchers, object on sizes of the discounts because the plastic cards mostly offer less advantageous deals. However, John Sylvester, the executive director of P&MM (employee benefits provider), believes that company-branded cards bring priceless sense of ownership and engagement among staff, therefore increasing their performance. “From a motivation perspective, the key aspect of changing behavior is getting positive reinforcement when the pleasure is being delivered,” he says. “That happens every time a pre-paid card is used” (Furness, 2009). In the support of this statement P&MM run a study, called Plastic Yields Fantastic Results, which was published in 2007. According to the results, the cardholders improved their performance by 73% more than non-cardholders (Furness, 2009).

One more very important trend in the benefits market has recently appeared on the background of globalization. Not so long ago Asian benefits market has almost nothing in common with American market. However, in continuously globalizing markets today multinational companies are seeking for the global benefits strategies. “In January, Tesco exported its share options and bonus scheme to eligible workers in China. Data services company Vanco is serving up its flexible benefits scheme to employees worldwide. And investment bank Societe Generale sends total reward statements to staff in 35 countries. Welcome to the age of global benefits” (Keefe, 2009). According to Towers Perrin’s Global total remuneration management survey in 2008, 78% of multinational companies
are now taking global approach when designing their benefits system, while according to
the same survey of the year 2004, this number was 44% (Keefe, 2009). There are many
advantages that attract international companies in forming the global benefits network,
from simply saving the costs by centralizing the administration through common ideas
shared within employees in different locations and fairness for the staff to simplifying the
orientation for the delegates. "Years of international expansion and cost control have
fuelled the trend towards centralization. Companies are developing global benefits to
increase efficiency and save money", says Chetan Patel from Mercer (Keefe, 2009). The
managers, however, have to bear in mind the overall complexity of the given task, as the
main barrier is the differences between national legislations and employees’ cultures and
needs. The company should design therefore the common international framework of the
benefits package that would fit to all of the countries with some necessary local specifics
that can be operated also locally. "The result is an umbrella global plan," says Martha
How, head of reward consulting at Hewitt Associates “This identifies design principles, but
with a different scheme in each country taking advantage of local opportunities and
complying with local laws and practice.” (Keefe, 2009)

Talking about the overall administration of the benefits, there has been a sharp increase in
the number of outsourcing companies. "There has been a big move in the last decade to
outsource benefits," says Rob J. Thurston, president of HR Consulting Group, a Provo,
Utah, based organization that provides benefits software and training. "Employers are
saying, 'We are not experts in benefits administration. Let's pay someone who has that
expertise" (Perry, 2008). Many of the companies therefore decide to outsource so that they
can focus on the company’s strategy, which is much more important in the post-recession
period. Using internal benefits procession may be also much more costlier for the
company, taking in account all the required paperwork, choosing and communicating with
suppliers, processing different claims and failures, monitoring national legislation and
being in touch with the employees answering their questions. There is much more of that
that somebody else can do for you cheaper and more effectively (Perry, 2008).

Last year the famous analytical company PriceWaterhouseCoopers came with its vision of
the companies’ organizations by the year 2020. They assume, that there are three main
tendencies in the companies’ development today. These three proposed scenarios represent
three different colors: blue, green and orange and explain what shapes will most likely
have the businesses in the next decade and how it will affect people’s work (Huncik, HR Vize 2020: Tri Zakladni Organizacni Modely Budoucnosti, 2010).

Blue color represents the world with globalization streams where mainly multinational giants rule the economies. Even today we can observe such tendencies, but PWC assumes that already in the middle of the next decade there will be a boom of such corporations. They will substitute the role of the state. They will start to supply their employees with accommodation, healthcare services and education or children care. The social difference of those working for a multinational corporation and small local firm will broaden because of their disability to offer the same benefits range. Overall contribution of an employee will depend more on his or her individual performance and there will be a wider range of the techniques measuring these individual performances. Intercultural differences will be an issue in the working environment and many companies will start to provide intercultural trainings for their employees (Huncik, HR Vize 2020: Tri Zakladni Organizacni Modely Budoucnosti, 2010).

The green color represents mainly ecological tendency in the companies’ organization. PWC assumes that both customers and employees will drive the companies and will ask for more ethical and ecological solutions in their products and organization. Those companies that will not be “green” will not survive. In this world the employees will choose the employers on the basis of the ethical values similarity. New trends in the benefits will be for example a wider range of paid charity works. International conferences will be fully substituted by long-distance videoconferences, mainly because of the higher costs for the flies (because of the stricter norms of the emissions). Personal meetings abroad will be rarely allowed. Many companies will also provide the transportation of the workers to their homes in order to minimize cars usage (Huncik, HR Vize 2020: Tri Zakladni Organizacni Modely Budoucnosti, 2010).

In the orange world, the popularity of big enterprises will decrease sharply. People will appreciate individual attitude both in the work and all the services they use (for example hypermarkets will lose their popularity). The view of fully globalized world will change into the network of small, but connected communities. Economies of scale will be substituted by extremely popular online selling, saving much more expenses. Narrower specialization of the companies will follow the trend of bigger differentiation and more exacting demand. The employment will tend to be shorter and more flexible, as people will
change the employer more frequently (Huncik, HR Vize 2020: Tri Zakladni Organizacni Modely Budoucnosti, 2010).

Within the same study PWC made a survey among almost 3000 fresh graduates (those, who will be active workers during the next 10 years) of the universities about their expectation of their future working life. Please find some of the results in the following Table 4.

Table 4: The expectations of university graduates

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you believe that you will work more abroad than your parents were able to?</td>
<td>93.9%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Do you expect that you will use other than your native language at work?</td>
<td>52.7%</td>
<td>47.2%</td>
</tr>
<tr>
<td>Will you be looking for the employer whose corporate citizenship policy will reflect your own values?</td>
<td>86.9%</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Source:** (Huncik, HR Vize 2020: Tri Zakladni Organizacni Modely Budoucnosti, 2010)

It is obvious from this study that future world will combine many different trends following different values important for the people whether it is globalization, environment or personal attitude.
5. Employee Benefits System in the big-size company

In the following section we will analyze the Czech subsidiary of the well-known big-size company with a reach history on the Czech market. As this research includes detailed internal information that might be used by the competitors, the company didn’t want to disclose its name. All the sources for this section are therefore internal guidelines, presentations and information from the benefits specialist who consulted for this analysis.

To understand the background of the analyzed company, we will mention some facts that can be useful for the research.

Founded in the mid of 18th by two engineers, the company has grown up from the house in the backyard in the metropolis to the multinational corporation operating in 190 countries all around the world. By today the company employs roughly 336 000 people at 1640 locations. It has many different subsidiaries in variety of countries operating in automation industry, building technologies, energy sector (oil, gas, renewable technology etc.), healthcare industry, various business services (information technology, financial services) and others.

Despite the fact that there is a big tendency to unify different human resource services within the global corporate network, there are still big differences in the benefit packages offered by different countries (because of different legal systems) and even between related companies within one country (as each of the companies represents individual legal entity). In this chapter we are going to analyze the benefits system of this company operating in Czech Republic and try to find out new benefit opportunities for the company.

5.1. Company profile

The representative office of the analyzed company in Czech Republic was found in Prague and Brno in the end of 19th century. Within next few decades it build several municipal power plants, equipped some cities with public lighting, launched tram traffic in Prague and Ostrava and electrified steam engine railway in Ostrava. After formation of Czechoslovakia, the company has build several plants focusing on manufacture of industrial equipment (heavy-current technology for power plants, electromotors, generators etc.), telephones, medical equipment, electric tooling, household appliances and many
more. In 1945 all its offices and plants were nationalized. The revival started only in the end of 60s but it took 30 years to the company to turn back all the power it had before. Since then the company build the group unifying manufacturing, servicing and trade companies.

Today with its 10 500 employees this company belongs to the biggest employers in Czech Republic. Beside the main headquarters office in Prague, it runs many manufacture plants across the whole country.

For many years the company is trying not only profit from its businesses but also keep a respectable level of corporate citizenship. Over the years it has followed three main values: be responsible, excellent and innovative. “Our values are the point of reference for our thoughts and actions. They are the basis for both our aspiration and tradition as a pioneering company that strives to shape our world in a sustainable way. Only when we stay true to our values and vision we can be successful in the long run,” says CEO of the company.

Six years ago the company has created a charity fund through which it donates 100 000 CZK monthly to different nonprofit organizations. It also donates on a basis of special projects with help of its own employees. Within latest contributions belongs help to the victims of the Haiti earthquake in 2010 amounting 360 000 CZK and 490 192 CZK to the victims of Japan tsunami earlier this year.

The system of collecting the money is very easy and transparent: the employee has just fill out the agreement for the salary deduction and the desired amount will be cut from the next salary payment. The management of the company usually doubles the collected money in the end of collection. Following this way its employees have a possibility to join its company charity programs.

### 5.2. Benefit System

Our company is divided into several divisions including seven plants counting up to 2000 employees in Czech Republic. Through its internal departments it provides various services including HR to other group companies on the contractual basis.

The provision of the benefits slightly differs according to the location (for example, Prague has its own food court and uses electronic cards instead of payment in cash whereas some other offices tend to use food tickets). However, significant differences can be found in
local subsidiary plants taking into account strongly diverse structure of the workplaces. Hereinafter will be described benefits package of the central company within the group which among others, provides different services to other sister companies within the group in Czech Republic with exception of its local plants.

**Pension Plan Contributions**
This benefit is applied to all the active full-time employees including those on maternity leave, with long-term working disability and delegated on a business trip abroad. The employee has a chance to choose between fixed amount of the contribution or the percentage from the income. The employer commits to contribute the same amount.

As we remember, both the employer and the employee benefit from the tax levies up to the amount of 24 000 CZK. The company, however, doesn’t limit its contributions by this amount and is ready to pay all the necessary charges from the part of the contributions that exceeds 24 000 CZK. But the employee is also obliged to pay the fees if he or she exceeds the limit stated by the law.

**Life and work anniversaries**
In case of work anniversaries, they are given to the employees who had been continuously working for the company within the Group for 10, 15, 20 and every other 5 years according to the Table 5. There is also a note about the jubilee published in corporate magazine.

As to the life anniversaries, the reward is given through increasing the points in Cafeteria Program (see “Cafeteria Program” lately in this chapter) according to Table 5.

The company also includes the gift to the wedding and gift to the birth of the child in this section. They are provided in the form of the day off and monetary contribution as described in Table 5.

The employee has also a possibility to get a reward when he or she retires. The condition for this reward is minimum 10 years long employment period within the Group without any breaks. This leave to the retirement must be first as well. See Table 5 to know about the amount of this gift.
Table 5: Corporate Gifts for Life and Work Anniversaries

<table>
<thead>
<tr>
<th>Event</th>
<th>Reward</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 years work anniversary</td>
<td>One monthly salary</td>
</tr>
<tr>
<td>15 years work anniversary</td>
<td>One and half monthly salary</td>
</tr>
<tr>
<td>20 years work anniversary</td>
<td>Two monthly salaries</td>
</tr>
<tr>
<td>Every following 5 years</td>
<td>Two monthly salaries</td>
</tr>
<tr>
<td>Life anniversary 50 years</td>
<td>2000 additional points to Cafeteria system</td>
</tr>
<tr>
<td>Life anniversary 55 years</td>
<td>5000 additional points to Cafeteria system</td>
</tr>
<tr>
<td>Life anniversary 60 and every other 5 years</td>
<td>5000 additional points to Cafeteria system</td>
</tr>
<tr>
<td>Wedding gift</td>
<td>One day off and 2000 CZK</td>
</tr>
<tr>
<td>Gift for the birth of the child</td>
<td>One day off and 2000 CZK</td>
</tr>
<tr>
<td>First retirement leave</td>
<td>One monthly salary</td>
</tr>
</tbody>
</table>

**Source:** Corporate guideline

**Meal Allowances**

There is a corporate food court which is run by Sodexho available for the Prague employees. There is a 55% contribution from the employer for the main dishes of the average price of the meals (the total daily contribution therefore amounts 40 CZK). The restaurant works only for company’s employees (except few more companies operating in the same building) therefore leaving employer the right to control the quality and the prices. The meals are divided into several categories starting from cheapest and finishing with more expensive “show-cooking” meals (prepared right in front of the customer). The restaurant offers breakfasts, lunches as well as cold snacks and beverages during the opening hours.

The employees can pay for the food by the company card. After deducting the employer’s contribution, the rest of the amount is automatically deducted from the employee’s salary. Those, who have not the possibility to use company restaurant (for example due to
frequent business trips) can obtain food tickets. Employer’s contribution to meal vouchers is the same as in the non-cash system in the company canteen.

**Prolonged holidays, bridge days, first three days of sick leave paid**

Company’s employees have a possibility to get 5 weeks of holidays per year, from which one week (5 days) are above legal requirements in Czech Republic.

There are also bridge days in the company usually between the weekend and the official holidays enabling the employees to have prolonged weekends. These days are not fixed and are announced by the company management in the beginning of each year.

From 1.1.2009 the employees have also a possibility to get paid first three days of sick leave. According to the Czech law, the company is obliged to pay 60% of the average income starting from 4th day of the sickness until 14th day. Starting from 15th day of disability, the compensation in amount of 60% of the average income is paid by state. As a benefit the employees can have a possibility to get paid these three first days of the first working disability every year after they deliver the confirmation from the doctor.

**Company Volunteering**

Every employee of the company has a possibility to work for non-profit organization up to 2 days per year. Every term has to be discussed with the supervisor and it doesn’t have to cause any problems in the workflow. The company creates several groups of the employees, which will then help the non-profit organizations in different kind of works.

**Cafeteria System – Flexible Benefit System**

After the trial period in the beginning of the employment is finished, every employee is given a virtual account in the Internet application called Benefit Plus, through which an employee can choose different services from four main areas – culture, sports, education and travelling.

For this service the company uses outsourcing company even though it has its own Compensation and Benefits department. Such a measure arose in effort to decrease administrative costs on employees’ records, communication with suppliers, maintenance of the virtual network etc.

Beside the possibility of so-called “direct order”, where you can choose the service from the list of the suppliers, there is also a possibility of “indirect order”, where the employee
can choose whatever supplier from above-mentioned areas except travelling. Employees are offered a plastic card with which they can easily pay for a desired service with agreed suppliers.

The amount of the virtual points is set by the management every fiscal year and was 6000 points in the year 2009/2010. All the employees are entitled to the same amount of the points except those with certain level of health disability (10 000 or 12 000, depending on the level). The goal for such a difference is to offer more opportunities to improve the health condition for handicapped employees.

The benefit of using such a system is obvious, however many employees still prefer cash money to the virtual points. In the Tables 6 and 7 you can find two examples of using 1000 CZK as a cash payment delivered to the employee and 1000 virtual points, which the employees can spend through the plastic card or an indirect order from the point of view of an employee and the employer.

Table 6: Employee - Comparison of the cash contribution and Cafeteria points

<table>
<thead>
<tr>
<th>Gross salary</th>
<th>1000</th>
<th>Benefit Plus points</th>
<th>1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social and health insurance (11% in total)</td>
<td>110</td>
<td>Social and health insurance</td>
<td>0</td>
</tr>
<tr>
<td>Income tax (15% from the total costs of the employer)</td>
<td>201</td>
<td>Income tax</td>
<td>0</td>
</tr>
<tr>
<td>Net income</td>
<td>689</td>
<td>Net income</td>
<td>1000</td>
</tr>
</tbody>
</table>

Source: own calculations

Table 7: Employer - Comparison of the cash contribution and Cafeteria points

<table>
<thead>
<tr>
<th>Gross salary</th>
<th>1000</th>
<th>Benefit Plus points</th>
<th>1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social and health insurance (34% in total)</td>
<td>340</td>
<td>Corporate tax (19%)</td>
<td>190</td>
</tr>
<tr>
<td>Total costs</td>
<td>1340</td>
<td>Total costs</td>
<td>1190</td>
</tr>
</tbody>
</table>

Source: own calculations
As we can see from this example, the difference between paying the employee 1000 CZK in cash and through Benefit Plus program is 311 CZK for the employee (almost 30% in this case) and 150 CZK for the employer (15%).

**Share Incentive Plan**

In 2008 the company has introduced its new Share Incentive Plan in seven countries. One year later it has launched it in other 50 countries and has extended the plan by more improvements. This plan is part of the managers’ effort to encourage its employees to become the shareholders of the company.

The Plan offers the employees not only benefit from the positive movements of the share prices but also gives one free share for every three bought (see Appendix 2). Following this way, the managers also try to increase the loyalty and build the common sense of sharing the performance in the company.

There is a trial period before the participation in Share Incentive Plan. During first year of participation in the Plan, the employee commits to fixed salary deduction, which will be used to acquire corporate shares (or fractions of the shares, when the fixed amount doesn't cover price of full shares). The price of the shares is the closing XETRA price (the electronic stocks trading system) on the fixed day of the month. After one-year investing period the shares will be transferred to the Plan (if offered by the company and accepted by the employee). The vesting period of three years starts from this moment. It is necessary to keep the shares within this period of time to be able to obtain extra shares in three years. There is always one free share for every three owned by this moment.

As an example, let’s take a positive movement of the share prices during the period. As described on the Picture 1, with a starting point of 50 EUR per share and ending price 60 EUR per share in three years, the employee can have a 60% increase in his or her investment.
Allowing the employees to obtain extra shares, after three years vesting period, the company encourages them not only participate in the company’s performance and own a part of the company but it also motivates them for a long-term employment, managing the fluctuation rate.

**Company Kindergarten**

Just few months ago, the company has opened its first company kindergarten in Czech Republic. The employees have now the possibility to place their children in Czech-English kindergarten right next to their workplace, having the contribution from the employer.

“The investment put into the kindergarten and therefore into the better balance between working and personal life of parents of preschool children will be returned thanks to their better flexibility and higher working performance,” says the Head of Human Resources in Czech Republic. “We already know from the survey that there will be interest in the kindergarten. Despite there are many difficulties when establishing such an institution, we are ready to open more in other locations if needed. Education of the English language, hobby groups and activities are our extra gift to the parents,” he adds.

The kindergarten, which has now 20 children capacity, is a result of the cooperation with specialized company KinderGarten – materska skolka, s.r.o. Its location is close to the company office building in the quiet garden suburb. For those parents who don’t have a car, the company provides a frequent shuttle-bus between the workplace and the kindergarten. This minibus departs both in the scheduled times and on the call.
kindergarten also provides such extra services as online video cameras through which the parents can watch their children live whenever they are connected to the Internet.

Another argument is that it is very costly for the company to hire new people whenever the employee goes on the maternity leave. Such an employee needs to be found, to be trained, to be paid. After the maternity leave ends, the company is forced by the law to hire the employee back with minimum salary that he or she used to be paid before. However, after the three years long break it is usually hard to get into the same pace and it, again, takes time for an employee to get used to it. Therefore, it would be a good investment for the company to organize such a company baby-sitting, where parents can leave their babies just for couple of hours until they solve their working issues.

5.3. Satisfaction with Employee Benefits in the Company

Launching two big employee benefits in the past two years (Share Incentive Plan and company kindergarten) shows that the company cares about its employees and still creates different sources for their motivation and satisfaction. Company’s Compensation and Benefits department continually solves the problems, records references, designs new benefits and create surveys to be able to interact with employees.

Such surveys are usually taken once in a year and show how the demand for different kinds of benefits shifts, what is the overall rate of satisfaction with company benefits and what are the new opportunities that can be taken into consideration.

The survey for overall employees’ satisfaction that was taken in 2009 led to interesting results (see Chart 3).
The average satisfaction with employee benefits was more than 70%, which indicates a right direction that the company has chosen in taking care of the employees. There is no big difference in benefits satisfaction between the employees of different sex, age and employee length, but what we can observe from these three categories is that employees of higher age appreciate the benefits package a little bit more than those younger. This can be a result of pension plan contributions, which is desired more by older. As to the employment length, it is notable, that work for the company up to 5 years, appreciate offered benefits also a little bit more than those from 6 years and more of employment period. This can indicate a lack of benefits motivating people to stay with the employer for a longer time, therefore improving the fluctuation rate. However, taking into consideration recent launching of the Share Matching Plan offering free shares after 3 years holding them and still be employed in our company, shows that management has recognized this problem and makes some steps to improve it.

Much more interesting difference between benefits satisfaction is within Human Resource Analysis (HRA) differentiation. This company satisfaction analysis tool was introduced by Factum Invenio, which deals both with internal and external analyses and researches from different fields including Human Resources. According to their experience, employees’ performance depends not only on their satisfaction but also on their commitment to their
work and their employer. Taking this factor into consideration, it is also easier to predict future behavior of the employees while implementing any changes in the company. Factum Invenio differentiates four strategic groups in relation to the employees’ commitment: careerists, loyalists, passengers and leaders. While careerists are notably value driven, dedicated to their job, very efficient, but uncommitted to the company, loyalists are on the contrary loyal to company, supportive and promoting the company, but less excited and dedicated to their work. Passengers are also notable for their lack of dedication, but they are also not devoted to their company. These people are often dissatisfied and usually are first who complain. Leaders are on the contrary involved and committed to both their work and company. They represent the most valuable asset for the company. Please, see the Appendix 3 for better understanding of this differentiation.

As to results of the above-mentioned survey represented in Chart 3, there is a relatively big difference between leaders & loyalists and careerists & passengers. Rather higher satisfaction of leaders and loyalists indicates a relatively worked out positioning of the company. Confirming the definition of careerists and passengers, their satisfaction with offered benefits is much lower than the average. This can seem like a risk group for the company, which can be rarely satisfied with any extra services the company offers. It is also important what is the share of such employees in the company. If the proportion is bigger, especially of passengers, adjusting the benefits system to the employees needs will be very hard, maybe even impossible. According to the survey, 20% of respondents have ranked themselves to passengers and 13% to careerists (see Chart 4).

Despite there is a big proportion of leaders, who represent the most loyal employees both to the company and to the job, share of the employees who are indifferent to the company is still big (both groups together make one third of the employees). It means that every third employee is not committed to the company and may easily change the employer.

In the same survey the company has compared its results according to HRA differentiation with its previous results in the year 2005, with other companies in Czech Republic counting more than 1000 employees, and to the whole Group worldwide. You can see the results in the Chart 4 below.
Comparing the results in two years framework, we can see that the proportion of passengers and careerists has risen. There were much more employees dedicated to the company in 2005 than in 2007. However, observing the results for the whole Group worldwide and especially comparing them to other companies’ results, our company is still better ranked. We will hope, that after few radical changes recently happened in the company (moving to the new, better equipped and modern building, launching new benefits etc.), employees’ loyalty to the company will rise again.

5.4. SWOT Analysis

When thinking about the benefits department, we can imagine it as an outsourcing company, providing the services for one single company. Especially at our company every department has its own cost center, it follows its own balance sheet, it charges other departments for its services, so it actually works on the principles of individual company. The goal of such a department however is not to earn as much profit as possible but to provide as better services as possible to enable other departments work properly for the prosperity of the whole company.
Even though, every department is a “monopolist” in the area of the services it provides within one company, the departments like internal communication, IT support, human resources and alike can attract new customers from the range of other companies from the group which do not have enough resources to establish its own department or it is simply cheaper to outsource it from the other company. Human Resources department in the company therefore serves few more companies from the Group in Czech Republic providing them with certain services.

Based on this we can assume that Benefits department can be treated in some way as a single company. Therefore, to analyze its contribution, its strong and weak parts, we will try to make up a popular SWOT analysis of it.

**Interpretation**

For many companies SWOT analysis is a common way to define different challenges and opportunities on the market. SWOT is abbreviation of four words: strengths, weaknesses, opportunities and threats, defining the areas where the company will divide its different characteristics.

Strengths usually represent the key aspects where the company (or in our case department) is good. It may be special skills, good technology, financial support etc.

Weaknesses are the opposite factors of strengths and represent negative factors such as unskilled personal, bad financial or technological background.

Opportunities are the areas, which are yet unexploited but can represent a good inflow if they are used.

Threats are the factors, which negatively affect the business both from internal perspective (internal changes in the department, layoffs in the company which will lead to lower number of the customers) and external (economic crisis, legislative changes etc.)

**Application**

Hereinafter we will analyze possibilities that the company possesses and may achieve in the task of efficient Benefits package if using the opportunities.

Strengths:

1. Big experience with providing benefits to the employees
2. Recent moving of several different offices to one location in Prague
3. New building with a lot of free space
4. Own benefits department
5. Strong brand name that can be helpful in the communication with suppliers
6. Broad range of suppliers
7. Good Information System and technological support

Weaknesses:

1. Low employees engagement in the design of the benefits package
2. Poor offer of fixed benefits supporting health (fitness next to workplace, bikes to work, etc.)
3. Poor engagement of the company in building the team spirit in the departments
4. Low engagement of the company in celebrating achievement of the company’s or department’s goals (new contract, big profits, gaining the award etc.)
5. Big share of the workload of the benefits department filled with administrative routine
6. Weak customized approach to the benefits beside Cafeteria program
7. Weak promotion of ongoing benefits

Opportunities:

1. Strong multinational framework with different levels of experience and different benefit packages
2. Possibility to automate the way employees give feedback on different benefits
3. Continuously engage employees to share their feedback on the benefits provided
4. Develop environmental – helpful benefits, which are both low-cost and supporting company’s image (volunteering, seasonal cleaning of the parks in the form of teambuilding etc.)
5. Broad international network – possibility to use economies of scale

Threats:

1. The impacts of the economic crisis that led to headcuts in the company
2. Limited financing from the company’s side as a reaction on decreased incomes
3. Relatively narrow range of benefits offered on the market (the benefits offer within the same level companies is usually very similar)

4. High proportion of traditional benefits on the market (weak benefits competition on the labor market)

5. Low level of healthy life appreciation (weak popularity of bicycle transportation, weak volunteering programs)

5.5. TOWS analysis

SWOT analysis is one of the most demanded by the companies’ managers in understanding the company’s position on the market. It helps to determine the main points the company can use when fighting against the competition. However, this evaluation of the company’s performance is static and hardly involves any clear strategic steps.

The analysis, which goes beyond the SWOT analysis, is so-called TOWS Matrix. It has broader scope and encourages the analysts to make direct suggestions of the actions by matching external threats and opportunities with internal weaknesses and strengths. “It has been common to suggest that companies identify their strengths and weaknesses, as well as the opportunities and threats in the external environment. But what is often overlooked is that combining these factors may require distinct strategic choices. To systematize these choices, the TOWS Matrix has been proposed: T stands for threats, O for opportunities, W for weaknesses, and S for strengths.” (Koontz & Weihrich, 2006)

SO strategy

S1O1

All sister companies around the world within one group should regularly share their experience in the benefits offers. This can take the form of yearly conferences and get together as many benefits or HR specialists as possible from different countries and continents. The benefits professionals will then have a possibility to analyze the main challenges on the benefits market, share the experience of those more successful benefits departments with higher satisfaction level in the company.

S7O2

The company should listen more to its employees and continuously collect their feedback. To encourage the employees to share their opinion and give ideas the company should create some electronic application, which can be easy and quickly filled in and processed
by the benefits department. If the feedback is collected only once in a year during the overall satisfaction survey, the employees do not give such an emphasis on the benefits section and they have limited possibilities to give their own ideas regarding possible new benefits. They can also simply forget some resentment that they might have a year ago. It is also important to encourage the people to share their positive experience so the company can choose the right direction to follow.

**ST strategy**

S4T3

Use own benefits department to invent new benefits that can be a competitive advantage on the labor market. As the own benefits department is much closer to the employees than the external provider, it should be easier to collect the feedback and adjust the benefits strategy to the company’s needs.

S3T2

Use the company’s facility to make irregular benefits in the form of different events. For example, the company can organize a flea market – during the first few days the employees can voluntarily bring some stuff from their homes that they don’t need anymore and give it for free. During the next few days these things will be for sale. Collected money and stuff that is left the company can send to the charity. Another example can be oculist in the workplace. The employees can make an appointment and measure their eyesight right in the office building.

**WO strategy**

S4W5

Having the own benefits specialists is a big advantage for the company. It’s a pity when the benefits department is filled with administrative tasks rather than improving the benefits strategy of the company. The company should either involve the external provider in running the traditional benefits or extend the benefits department so that some people will be more strategically oriented and other will take care of the administrative routine.

S7W6

The employee should have the possibility to create its own benefits package. There is still long way to go to achieve a customized approach in creating the benefit packages. There is unlimited tax efficiency in many benefits. The employee should therefore have the
possibility to sacrifice part of his or her salary to increase the amount of virtual points. He or she will therefore save the money on taxes and insurance fees.

**WT strategy**

W1T3

The employees’ participation in creating the benefits package will make the company moving the same pace as the demand does. When other companies rather follow the market trends, the competitive advantage can be found in following the demand of own employees. To achieve this, the company should not only ease the way to give the feedback, but also encourage the employees to share their opinions. Only rarely the employee will directly contact the benefits department to express his or her dissatisfaction with the benefits (or his or her excitement from some benefit). The employees generally share their opinion within themselves spreading thus either positive or negative atmosphere against the employer. The main goal is therefore to direct all the feedbacks to the right place.

W2T5

There is a big gap in the “green” benefits offer. Despite there is not a big demand for such benefits, many countries have already experienced this trend. It is a question of time when the trend will move to Czech Republic. It is better therefore to be ready. The company can besides promote the healthy lifestyle to its employees, encouraging them to participate in different sport events, volunteering programs and use healthcare benefits. In case of the sport events, it is necessary for the big companies to organize different events for different departments. The example can be the teambuilding involving some sports (bicycles, rafting etc.). Some companies make voluntary seasonal cleaning in their plants or in the environment with the celebration after. Such an event supports both the physical health and environment around helping to build the team spirit within the different departments.

As we can see, the TOWS analysis have revealed many possibilities for the company to improve its weak sides using the internal and external opportunities. It is the question of how much investment the employer is ready to input and what goals he follows to define the applicable strategy.
6. Conclusion

It is crucial for the success of every company to be able to manage its human resources effectively. Being one of the biggest expenditure items in the company’s financial statements, human resources should not be undervalued. The employer should therefore balance the expenditures and employees satisfaction the way that the employees would appreciate working for the company and value the company’s contribution to his or her professional life.

Managing the employee benefits is one of the main ways, how to directly influence the employees’ satisfaction level beside their financial compensation improvements. The main advantage of the benefits is that the employee can use it continuously during his or her employment when the financial compensation results to the short-time satisfaction. Except the tax efficiency – the main driver for the employers to provide benefits – it is also possible to direct specific benefits to solve certain problems in the company, whether it is high fluctuation rate, low competition for opened positions or weak motivation of the employees.

Having the short but bright history behind, the compensation in the form of benefits is now searching for the right position in the corporate values system. As the broad range of extra offers can afford only big, dynamic and financially stable companies, the benefits package is becoming the question of style and good image, emphasizing the contributions of the employer to the corporate culture.

Latest trends in the global economy have had a dramatic impact on the companies’ compensation structure. The financial crisis forced managers to review their expenditures on their human resources. Apart from such radical steps as headcuts, most of the companies have revaluated their benefits system, cutting off the most expensive and useless benefits. In the same time, the tax efficiency of the benefits was used to save the costs on the compensation. Another trend was seen in the increasing economic globalization, which the companies should not underestimate. In the international companies the question of intercultural differences has arose. It is much more difficult to design the convenient benefits package in the intercultural environment within the framework of one company. Nevertheless the companies are trying to create multinational benefits strategy, which will keep the mandatory framework in all the countries and bring savings mainly from the administrative side (concentrating the administration in few
places) and economies of scale (using certain suppliers worldwide). This, however, can come for the prize of bad adjustment and customization of the benefit offers in each country, as something that is worthy in one culture may not be valued in other.

In this paper we analyzed all the aspects of the benefits offered on the market, their purpose, their characteristics, trends and many more. We applied the analyzed information on the real company from the multinational network based in Czech Republic. After consultation with benefits specialist and analyzing the current benefits system we came with some proposals of the benefits improvements in the company, which might be helpful for the company in the future. The future development, however, depends mainly on the external economic environment and internal problems the company will face on its way. We hope that this analysis will bring new ideas to the corporate human resources management and refresh the employees’ compensation system.
Bibliography


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### Appendix 1: Tax efficiency of different benefits

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Tax deductible expense (profitable for employer)</th>
<th>Free of tax and insurance fees (profitable for employee)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension plan and life insurance contributions</td>
<td>yes</td>
<td>yes&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Employer’s contributions on food and beverages</td>
<td>yes&lt;sup&gt;2&lt;/sup&gt;</td>
<td>yes</td>
</tr>
<tr>
<td>Professional skills development</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Contributions for transportation to the work</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>Prolonged holidays, sick days, bridge days</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Anniversaries</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Buying the products or services of the employer with a special discount</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Recreation</td>
<td>yes&lt;sup&gt;4&lt;/sup&gt;</td>
<td>yes&lt;sup&gt;4&lt;/sup&gt;</td>
</tr>
<tr>
<td>Healthcare centres</td>
<td>yes</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Childcare centers and company libraries</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Culture, sports</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Gifts</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
<td>yes&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Loans</td>
<td>yes&lt;sup&gt;5&lt;/sup&gt;</td>
<td>yes&lt;sup&gt;5&lt;/sup&gt;</td>
</tr>
<tr>
<td>Social help</td>
<td>yes</td>
<td>yes/no&lt;sup&gt;5&lt;/sup&gt;</td>
</tr>
<tr>
<td>Employee volunteering</td>
<td>no</td>
<td>no</td>
</tr>
</tbody>
</table>

Source: (Pelc, 2009)

<sup>1</sup> Up to the amount 24 000 CZK per year  
<sup>2</sup> Up to the amount of 55% of the price of the meal if the service is provided by a third party  
<sup>3</sup> Non-cash payments  
<sup>4</sup> Up to the amount 20 000 CZK in non-cash payments when using other than own recreation institutions  
<sup>5</sup> Depends on the form of the loan or the social help
Appendix 2: Monthly Investment Plan and Share Matching Plan Scheme

Source: Corporate brochure
Appendix 3: Differentiation of the Employees Based on Their Commitment to the Company

- Careerists
- Leaders
- Passengers
- Loyalists

Dedication to the job vs. Commitment to the company

Source: own scheme