

## EB IN AN ECONOMIC DOWNTURN

# The risk of not having employee benefits

There are some considerations to take into account when deciding if providing employee benefits will also benefit your business and the bottom line. **BY TARYN MARCUS, LIBERTY CORPORATE**

**Recent financial turmoil** has put many companies under pressure where provision of good employee benefits is concerned. A good employee benefits strategy can go a long way towards keeping a workforce focused and engaged.

Most employees today, even employees that work for minimum wage, expect some form of employee benefits. It is important that employers carefully consider the impact of putting an embargo on salary increases, cancelling bonuses, reducing

in lieu of a higher salary, which can be a savings vehicle for the company.

Thirdly, offering benefits to employees also can be advantageous to the business owner, who may be able to get personal benefits for less money than if he or she had purchased them privately.

Finally, offering health insurance has been shown to decrease absenteeism and improve employee health and morale.

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employee benefits or laying off employees before doing so. These approaches should be considered as a last resort.

This is because such actions, which may be completely valid for the survival of the business, could have long-term adverse effects on a company's most valuable assets - its employees.

### EMOTIONAL REACTIONS TO CUT-BACKS

Bear in mind that employees can view their benefits very personally - many have an emotional connection to them. Cancelling or cutting back on employee benefits can cause havoc internally. It is not uncommon for employees to seek greener pastures when benefits are cut or scaled back. The costs associated with the loss of accumulated institutional knowledge, reputational damage and productivity deficits resulting from outgoing and later, incoming employees, may dwarf those savings from cutting employee benefits.

### EB BENEFITS

Some of the other benefits of offering or maintaining employee benefits include certain tax advantages that companies get through deducting plan contributions.

Secondly, employees often accept better benefits

### RANGE OF OPTIONS

It is clear that there are many advantages to having a good employee benefits offering in place. Even though this may seem like a daunting task to some, employers need to keep in mind that there are many flexible options to choose from. Many employers today are offering employee benefits in more creative ways to satisfy the emerging, unique interests of their employees. For example, many businesses are now offering onsite childcare, reduced fees on cell phone contracts and other luxury items, reduced banking administration fees and concierge desks.

Overall, in a time of economic downturn and uncertainty, it is imperative that companies retain their most productive and valuable employees. Even when the economy is sluggish, companies still need to continue operations, maintain business relationships, provide good products and services, and find new avenues of growing the business. These goals cannot be accomplished unless companies have their best people in place.

### CHOOSING THE BEST STRATEGY

So what is the best strategy during down times? Communicate to your employees the value (in rands) of their total benefits package. Such communication will assist in generating awareness of just how much the company values them. This should in turn result in engaged and committed employees, and lead to better performance and business results, as well as an increase in the company's ability to "win the war for talent". **35**



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