

CBDC Business Start-Up Course

Lesson Twelve – Compensation & Benefits

**Presented by Community Business Development Corporations and
Nova Scotia Works**



Community Business Development Corporation
Corporation au bénéfice du développement communautaire



NOVA SCOTIA WORKS

A key to attracting and keeping satisfied workers is to ensure they feel they are receiving fair and unbiased compensation for the work that they do. This does not mean that the highest paid employees are necessarily the most satisfied employees; in fact, their wages are just one part of the equation. There are a host of other direct and non-monetary benefits that can complete the total compensation package you are able to offer your employees.

Employers are using a variety of formal benefits, such as health insurance and retirement saving plans. Examples of innovative and non-monetary benefits, such as flex-time and work-sharing, are also growing. In all cases, the compensation and benefits you offer must be meaningful to each individual employee if it is to be effective in keeping your workers motivated and working for you.

This section will provide tools, tips, and resources to help you understand, design and implement effective compensation and benefit plans for employees.

Compensation Strategies

Motivation

While fair pay for work is important to employee satisfaction, it is not everything. Pay will become more important when employees are short of money or when they feel they are being unfairly treated.

Money alone is not sufficient to motivate employees to do their best. Such things as pride in work, ability to help customers, and good social relationships in the workplace are important as well. Everyone is different when it comes to motivation, and employers can determine how best to motivate each employee by listening to them.

Information about motivating employees can be found in the [Managing Diverse Workplace](#) section (en anglais seulement) of the Nova Scotia Works HR Toolkit.

Helpful Tips

Here are some helpful tips on how to reward employees appropriately:

- Ask yourself how you would like to be thanked or rewarded for your work.
- Ask your employees how they would like to be recognized or rewarded.
- What is important to one person may not have any meaning for another. If possible, allow for a choice of rewards so that the rewards can be more personal.
- Consider the culture of the person: what is valued in one culture may not be in another.
- Reward performance in a timely manner. Remember that what is rewarded will be repeated. Reward desired performance as soon as possible so that cause and effect is easily seen. Do the same with reprimands.

- Make some of your rewards fun. Some companies use mascots that move from one person to another to honour outstanding positive actions.
- You might consider some rewards that are comparable to cash. For example, gift certificates, contributions to favorite charities in the employee's name – the investment can earn you a significant return.
- Support their volunteer efforts. Most employees have favorite charities or volunteer organizations that do fundraising for the good of the community. Why not direct some of your charitable donations to those organizations? Some employers provide time off for their employees to participate in community organizations. The pay back for the employer is extra training for the employee and good will in both the community and the employee's family.
- Many rewards have no cost. Saying thank you is important. Recognizing an employee's work in front of their peers can go a long way. Giving responsible employees more freedom to work, and more responsibility also respects their knowledge and abilities as well as their work ethic.

Determining Rate of Pay

Determining how much you should pay for a particular job is not easy. A number of factors need to be taken into consideration. Some of those are:

- The level of responsibility in the company – is the position a key one?
- Education levels and years of experience of the person being hired.
- Your provincial minimum wage.
- The going rate for this job in this area. Are you losing employees to other companies who pay more?
- The going rate in other provinces. Are people leaving to go there? What would you need to pay to keep them here?
- What rate of pay should be assigned to this position when comparing to other positions in your company? Are you trying to stay in line with other companies, pay a little more to attract more qualified employees, pay a little less because you are not as equipped to compete?

The next sections provide you with tools to assist in calculating the going rate and in comparing the rate of pay with other positions in the company.

Remember, a new employee doesn't need to start out at the base level if their skills and education reflect a higher or lower level. Some companies start new employees at 90% of the fair rate for the position, and then increase their rate of pay at the end of the probationary period or after some other specified period. That gives you some room to move. You could also

start the person at the mid-point or some other place on the scale if the person will not require much inhouse training.

Determine the Rate of Pay

Compensation

Depending on what you are trying to achieve with your wage and salary scales, you can choose from several compensation strategies. These include:

- **Competitive compensation** – people get paid the "going rate" or a rate that is like that paid to other workers that are doing a similar job in the industry or in the area.
- **Retention-based compensation** – the longer the employee stays, the more they earn; this may include longevity bonuses at certain intervals in time; for example, 6 months, 1 year, 5 years, etc.
- **Performance based compensation** – people get paid based on how well the individual or the team performs.

You could choose one of those strategies or combine them to make your strategy more attractive to the applicants you are aiming to attract. For example, if you operate a hotel you would certainly need to pay your employees at least as much as other tourism establishments in the area. If there is a high demand for workers in the position you are trying to fill, or if you are losing workers to other businesses, you will probably need to pay those workers at the higher end of the scale to attract and keep them. If that is the case, you could also consider combining some performance-based incentives to give your employees the opportunity to earn more money by improving your bottom line.

Going Rate Review

If you want to remain competitive, it is a good idea to review your wage and salary scales at least once a year. While increasing pay rates annually is not a requirement, it is a common practice. If others in your industry are following this practice, you might need to do so as well. When you are setting base salaries and salary ranges, it is important to leave some room to move. Don't assume you have to pay more than your competitors. Most employees want to be treated fairly. If you were to offer higher rates of pay when recruiting new employees, only to have other companies increase their rates to equal yours in the next year, your employees would likely perceive your company as falling behind the competition. You might consider some special arrangements that would give your employees extra benefits and increase your market position!

Here are some pointers to help you determine how you should pay your employees:

Figure out what wages are being paid for similar jobs in your area. The following are some suggestions for doing this:

- Check the online job sites for postings of similar positions.
- Check [JobBank](#).
- Ask some of the other business owners – you may be surprised with their willingness to share information. Check the local newspapers for job postings in your industry and your area.

Compare the job with other positions in your area. You will need to consider the level of responsibility, education, and experience required to do different jobs. Make sure that the pay for similar jobs is about the same throughout the company.

Check the following websites for average rates of pay by occupation in Canada: [Living In Canada](#). Please refer to our [Going Rate Review Template](#) (en anglais seulement).

Health Plan Guides

Introduction

Health care benefits are one of the most important and popular benefits offered by employers today. While your provincial healthcare accounts for most major medical costs, most companies offer supplemental health insurance to their employees. This insurance can cover a variety of items not covered by your provincial healthcare including prescriptions, dental care, vision care and even preventive measures. Many small businesses assume they cannot afford health insurance plans. However, the cost may be much less than you think. Health plans can be provided in several ways, depending on your company's needs and abilities.

Prescription, Dental and Vision Plans

Talk to other small businesses, to your business organization, or to a group insurance provider to see what kind of plans are available to your business. Plans may vary depending on the size of your business and the number of co-payments you include for your employees. Some things to consider when choosing a plan:

- Does the plan cover all drugs/procedures or just some?

- Does the plan cover the whole cost or is there a co-payment?
- How much will the plan cover annually or bi-annually?
- Does the plan pay directly to the provider or is the employee reimbursed?
- Can the employees opt out of the plan?
- What family members can the employees cover with the plan?
- How expensive is the plan for the employees?
- How expensive is the plan for the company?

Involve your employees in choosing the level of coverage that works best for them.

Preventative Plans

Preventative health plans are becoming more popular with employers because they help cut down on sick time and lead to a healthier and happier workforce. Preventative plans can include:

- Gym or health club membership
- Massage therapy
- Chiropractor appointments
- Mental health provider appointments
- Any other health or wellness related costs

Cost of Health Care Plans

The cost of health care plans may be paid 100% by the employee, 100% by the employer, or cost-shared between the two.

Some of the more popular approaches are:

- **Adopt high deductible plans**
 - a higher deductible means a lower premium
 - the payments (premiums) won't be as high as lower deductible plans
- **Join a group that offers group health benefits**
 - membership to groups sometimes have added benefits of group plans
 - the local area chamber of commerce may have group benefit plans

Salary Schedules Form

A Schedule of Pay

A schedule of pay is a simple table that lists the starting, mid-point and upper range of the rates of pay for persons or positions in the company. In medium sized companies, the jobs are divided into groups; in small companies the jobs may be listed by person.

Benefits of Keeping a Schedule of Pay

Having a schedule of rates of pay in a company is valuable for a few reasons:

- It provides you with guidance on how rates of pay compare for different jobs, dependent on the levels of education and experience and the responsibilities of the positions.
- It serves as a record of the rates of pay in the company.
- It provides you with an estimate of when rates of pay should increase dependent on the length of service or performance of the individual in the position.

Template for a [Schedule of Pay](#) (en anglais seulement).

Work and Life Balance

Work-life balance is the ability of employees to balance the needs of their workplace with other needs in their lives. It does not mean dividing an employee's time in half between their home and professional lives. What may work for one employee may not work for another, because of differences in work, home lives, interests, stress, etc.

"Health Canada estimates the annual financial loss from the challenge of employees balancing work and family obligations at \$2.7 billion due to lost time relating to stress, medical leaves, dealing with dependants, and other family responsibilities." (The Business Case for Work-Life Balance, HRSDC, Government of Canada).

Indicators of a Work and Life Balance Problem

There are many indicators of a work and life balance problem. Some of these include:

- High staff turnover or inability to keep staff
- Increased sick or unpaid leave
- Increased stress symptoms among staff
 - Moodiness
 - Memory problems

- Nervous habits
- Low productivity
- Sense of depression
- Need to re-evaluate existing staff benefits
- Increased personal calls at work

Solutions to Help Increase Work Life Balance

There are many solutions to help increase work-life balance. Remember that there is no one solution that achieves work-life balance for all employees. Here are a few:

- Flex Schedules: allowing employees to start and finish work at different hours.
- Job Sharing: allowing two or more employees to share a job.
- Employee Assistance Programs: supporting employees to get third-party help.
- Allowing an employee to bank hours for later.
- Allowing employees to complete personal tasks during work time, with expectation of finishing work tasks as well.
- Respect family life: include family in some company events.
- Assist in provision of childcare – subsidize or provide low-cost care.
- Offer Family leave: this can be paid or unpaid.
- Compressed work weeks: work more hours per day for less days per week.
- Work from home (Telecommuting).
- Fitness options: providing time off or fee subsidies for fitness programs.

Work and Life Balance Program

To set up a work and life balance program, you need training and education. Employees can attend training sessions which can be outsourced to another company, or they can avail of online courses.

When employee stress is reduced it results in higher productivity. Lower stress means happier workers and less leave time, which turns into reduced costs.

Incentive Programs

Incentive programs are another way of rewarding employees who perform well. The added benefit for you as an employer is that this expense is only incurred if the company has seen additional benefits, either in the quality of service or in direct extra profits from production. Many employees appreciate incentives more than the base pay!

Common Types of Incentive Programs

Most incentive programs have a cash-cost to them, but that is not always the case. The following are descriptions of some of the common types of incentive programs employers offer:

Profit Sharing

Employees share in the profits of the company, thus directly benefiting from their company's success. The better a company does, the more benefits individual employees will gain so there is a real incentive for employees to perform well and to encourage co-workers to perform well too. Profit sharing, sometimes referred to as gain sharing, results in win-win situations for a business and its employees.

Spot Bonus

One form of spot bonus is referred to as "intrapreneuring." In these cases, employees are provided with a special incentive for coming up with new ideas that save the company money or increase its revenues. Other forms of spot bonuses may be provided for taking special safety precautions, providing outstanding customer service, or performing other acts that are important to the company. This type of bonus could be cash, gift certificates, passes or access to special training programs of the employee's choice, etc.

Recognition Programs

These types of programs are usually geared to boosting the morale of employees. Some examples are "Employee of the Month" or "Hardest Worker." Sometimes employers also provide a day off, a special parking space for a period of time, or the right to have the performance mascot in their work area.

Sign-on Bonus

This bonus is for new employees who sign a contract with the company. This is meant to establish goodwill and buy out any remaining compensation the employee might have had with another company.

Milestone Bonus

Milestone bonuses are used to recognize an achievement such as completing a huge project or length of service. Some examples are:

- taking a project team to a movie or dinner.
- Gift certificates for an employee and his/her family after a special assignment.
- 5-year service plaques.

Referral Bonus

When employers are having trouble finding workers, one of the best sources of referral is from present employees. Providing a bonus to employees who refer successful candidates for hiring is a very inexpensive approach to recruiting. Current employees are unlikely to refer people who are not willing or able to do the work, as it will mean more work for them.

Holiday Bonus

Holiday bonuses usually come around the Christmas holiday season or the end of the year. They can range from small gifts to one month's salary.

Sales Commission

Commission occurs when an employee sells something. The reward is a certain percentage of the total volume. It can range from 0-50% of the sale

Lesson Twelve of the CBDC Business Start-Up Course has covered the topic *Compensation & Benefits* and touched on the subjects of: determining rates of pay, supplemental healthcare plans, work-life balance, and incentive programs. The next lesson is *Lesson Thirteen – Top Line Growth*, in the next part of this course.