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Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.



Is Your Competitor Offering a Better Salary and Total Benefits Package?

The name of the employee game is retention. Every employer in any business wants to find the best employees, hire them, and retain these Top Guns indefinitely. Same goes for the supremely talented professional who knows his or her skills and experience are top level and in high demand, and who is looking to join a company and stay there long term: both parties seek security – the employer in choosing a loyal and dedicated team player; the job seeker in accepting the best deal presented in the most ideal environment available.

In late 2004, a compelling and revealing study of the current workforce was conducted by the American Business Collaboration (ABC) and the Families and Work Institute (FWI). This study compared the professional and personal attitudes of today's younger Gen-Y and Gen-X workers to the previous generation of Baby Boomers. The central point of the study stated, "There has been a great deal of speculation about generational and gender differences in the workforce," bringing to light that workers in the current job market are willing to make more compromises and trade-offs professionally so they have more time to devote to family life and personal goals. In short, it isn't that 20-somethings and 30-somethings in the current workforce want to work less and are less motivated career-wise; they have simply decided that the sacrifice of a personal life in order to climb the corporate ladder of success is not in their game plan. On the other hand, Boomers in years past have sacrificed a personal life, working extensive hours and missing out on family activities to get ahead. This way of thinking about a career in today's workforce has shifted considerably, as this informative study details (<http://www.familiesandwork.org/index.html>). It acknowledges that Boomer and Gen-X workers are the mainstay of today's workforce, and each group's benefits and perks needs is a major consideration to be addressed by employers everywhere now and into the foreseeable future.

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Ellen Galinsky, president of FWI, had this comment after seeing the results of the study: "What we found was striking – specifically because it uncovers a marked shift in the attitudes of both women and men who are redefining their priorities in life and in work." This study lends credence to the issue all employers face in today's job markets: aligning salary, benefits and a culture geared for top employee retention.

The easiest way to satisfy both employer and employee? As an employer, make it your priority to offer an outstanding, highly competitive salary that is clearly in line with the current market salary for similar positions, while also complementing this at- or above-market salary offering with a generous benefits package that offers multiple options and add-on perks. And don't forget about creating a corporate structure and culture that aligns with your ideal employee. For Gen-X and Gen-Y, offering a flexible schedule and a path to thrive professionally as well as personally could tip the scale in your favor.

Employee retention avoids high recruiting and retraining costs, which cut into profit margins and sap cash flow over time. The latest statistics show that the cost to replace an employee is five times the professional's salary.

So, that \$40,000 employee could cost a whopping \$200,000 in lost productivity, company intellectual capital, staffing fees, and training costs. Use this example and imagine several turnovers at this or a similar salary for a company, and the turnover cost is staggering and very bad for your business.

The key is retention. What kind of "better-than-the-other-guys" salary and benefits package could you offer that is guaranteed to ensure strong retention?

Competitive salaries. Start with a compensation package that not only includes an at- or above-market dollar amount; include a bonus program, stock options, profit sharing, and a better-than-average retirement package. Not sure your offer is current with other firms' offers? The Web has great sites to peruse for current market salary and benefits options information: www.payscale.com, www.vault.com, or www.yellowclouds.com/benefits.

Full coverage benefits package. Many employers offer a standard benefits package including medical and dental insurance coverage, life insurance, vacation and paid holidays, and some include various optional benefits such as Short Term and/or Long Term Disability. Consider offering more:

- Medical insurance coverage with choices: either a PPO or an HMO. Offer varied tiers of co-pay amounts for either option based on an employee's needs (single or with a family). Work your budget to provide a reasonable employee insurance coverage payment portion, and offer employees the option to have this auto-deducted from their paychecks pre-tax.
- Initiate a new employee's medical coverage just 30 days after hire, or, if possible, the day of hire. Insurance is one of the primary reasons most people go to work for an employer, other than a great salary. Employers who have long waiting periods of 60 to more than 90 days after hire risk losing a top candidate – your company can stand out among the other employers in providing medical insurance coverage immediately or a mere 30 days after that superstar comes on board.

Disability insurance. It's something none of us wants to think about, much less wants to think we may need. It's that innocuous 'perk' that is kind of like a secret; however, if an employer offers this as an option to the medical benefits package, most well-informed job seekers appreciate this benefit.

Retirement packages. Very few companies offer a company-paid traditional pension plan, but instead have been offering a 401(k) plan that usually includes an employer matching contribution. The key is to offer choices: Provide wider investment options, include multiple 401(k) plan providers if possible, contribute higher employer matching fund amounts, initiate a shorter vesting period, and have available investment counselors who can assist your team in making excellent investment choices for their retirement. Beginning in 2006, employers have the opportunity to offer employees both a 401(k) and a Roth 401(k) retirement plan. The Roth 401(k) is almost identical to the 401(k) plan, and an employee will be eligible to join both programs. The key to a better benefits package than everyone else is offering is choice – have as many choices as possible within your company's budget, and feasibility – this will get that prized top performer in the door.

For publicly held companies, throw in ESOPS (Employee Stock Ownership Plans). Although there already may be a 401(k) plan in place, a publicly held company that also offers an ESOP to its employees is that much more competitive. Same theory goes for a privately held corporation offering its employees profit sharing: the employer is willing to share the pot with everyone, exhibiting the attitude that everyone is in this venture together.

Perks. These are nebulous little critters, yet for those employers that go to this level of full benefits package offerings, they could be the icing on the already tasty cake.

- Tuition reimbursement
- Dependent care for working parents
- Flex work schedules and telecommuting options
- Health club access or exercise time
- Employee assistance programs (counseling, legal advice, financial planning)
- Parking reimbursement, commuting reimbursement, or covered paid parking

The employer that sees the forest through the trees will know that retention is the most important factor in building a great employee base and growing its business with these loyal, dedicated team players. These suggestions about a superior compensation and benefits package give you leverage to make an informed decision and stay ahead of the pack in gaining top professionals for your team.

Need some help with designing a strategic employee compensation package or creating a pay-for-performance plan? Give us a call today. We can help! ■