

DIVERSITY IN WORKPLACE CAUSES RISE IN UNIQUE EMPLOYEE BENEFITS AND CHANGES IN CAFETERIA PLANS

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ABSTRACT

Factors such as the rising numbers of immigrants, mergers or joint ventures with companies in other countries, the rising use of temps and contract workers, and the increasing globalization of business are a few of the forces making our workforce more diverse daily. With this growing diversity, companies must be constantly adjusting their cafeteria-style benefits programs if they are to motivate this variable group. Some of the groups to be targeted are employees from other cultures, same-sex couples, singles and unmarried, the older worker, and female executives. Other groups to be targeted are the health-conscious worker, the generation X'er, and the worker with family responsibilities. The array of benefits would range from ESL classes to employee sponsored schools. Job sharing, telecommuting, flexible scheduling, child-care flex spending accounts, EAP's, paid family leave, on-site childcare, and numerous others would be included. This paper covers these diverse groups and the newer benefits being designed to recruit, retain, and motivate such employees. Cafeteria plans must be constantly modified if they are to be effective.

Keywords: workforce diversity, flexible benefits, flexible scheduling, globalization, contract workers.

INTRODUCTION

Many factors are contributing to the increasing diversity in the workplace—rising numbers of immigrants, mergers or joint ventures with companies in other countries, international competition that necessitates hiring a more diverse workforce, the rising use of temps and consultants, and the increasing globalization of all business. Because of this rise in diversity, human resource personnel are scrambling to match benefits with newly diverse employees in order to compete for the best-qualified workers. Therefore, human resource personnel must continually evaluate their cafeteria plan to maintain its relevance to their specific workforce.

“Diversity is critical to our existence” in American business (Hansen, 2002); therefore, a benefits program which supports this diversity is critical. Greater pressure is being placed on human resources to motivate diverse groups of workers—often with wildly divergent values and attitudes (Greengard, 2004). The problem, then, becomes one of building teamwork, synergy, and a cohesive culture from the various groups; a most important component of this attempt to build teamwork becomes how fairly individuals believe they are being treated. Therefore, this fairness must begin with a study of benefits and a listing of suggestions as to how cafeteria plans must be adjusted to appeal to a diverse workforce desiring specific benefits best suited to needs. In addition, “a recent study conducted by Teradata Corp., a division of NCR, shows that average employee tenure is now at an all-time low of 3.6 years” (Greengard, 2004). This indicates that this acceleration of employee turnover will exacerbate the situation in at least two ways—(1) more diversity will come with newly hired employees and (2) this decrease in average employee tenure could indicate greater dissatisfaction with benefits. This paper is the result of interviews with selected personnel managers as well as research of the literature dealing with diversity and benefits. The research will concentrate on some of the more unusual, newer benefits that companies have adopted as they have brought their cafeteria benefits plans up to date to motivate their more diverse workforce. Additionally, retirement programs, insurance programs, and the usual traditional benefits will be discussed in a limited fashion as these benefits will need to be adjusted also.

SELECTING AWARDS FOR DIVERSE GROUPS MEANS A CAFETERIA PLAN

In order to accommodate the needs of employees, corporations may offer flexible benefits plans, also known as cafeteria plans. With this plan individuals may choose the benefits that are best suited to their particular needs. In addition, a cafeteria plan would prevent benefits from being wasted on employees who have no need for them and thus of no motivational value.

Typically, “employees are offered a basic or core benefits package of life and health insurance, sick leave, and vacation” (Bohlander/Snell, 2007). Requiring this core set of benefits would ensure that employees would have a minimum level of coverage to protect against unforeseen financial hardships.

Employees would then be allotted a given number of credits that they could use to “buy” whatever other benefits they need. Disadvantages to the corporation would be that poor employee selection could result in unwanted financial costs or the employees may choose benefits of high use to them that increase employer premium costs. These must be weighed by each corporation against the many benefits which include employers gaining a competitive advantage in recruiting and retention of employees and the ability to adapt to a constantly changing, diversified, workforce.

There are numerous true examples of benefits and awards programs that are not thought through carefully. For example, a Fortune 500 insurance firm in California awarded some of its top salespeople with tickets to a Christmas pageant at a local cathedral when about a third of the firm’s sales force was Jewish. This mistake cost \$1.5 million because many of the top producers left the firm and the remaining workers boycotted the firm for six months by bringing in only the minimum amount of sales (Tahmincioglu, 2004). In fact, even awarding a parking space every month when certain productivity or sales goals are met must be handled carefully. One technician who won such a space and refused to park in it said to her human resource manager. “You picked the space where you wanted to park. I work on the other side of the complex and would have to walk a quarter mile to get to my office” (Tahmincioglu, 2004). The two examples illustrate that care was not taken to match the reward to the employee. In other situations, goals are set so high that no one attains the goal. Thought and care must be given to the administration of the benefits and awards discussed below.

CAFETERIA PLAN FOR SUGGESTED GROUPS AND APPROPRIATE BENEFITS

The remaining sections of the paper will discuss specific groups and the unique benefits that need to be considered in the future in order to develop a well-designed cafeteria benefits program. These groups include the following:

A. Specific Groups Targeted for Benefits that Increase the Pool of Applicants

Newly-arrived immigrants to the United States are often an underutilized market but a viable workforce. Deb Franklin, Designed Blinds human resource manager, saw this potential in Sudanese and Hispanic employees and began to “develop the employees through ESL classes, adjusted new-hire training to better reflect the way other cultures learn, and developed presentations for the current workforce and supervisors to promote understanding and empathy among the staff” (Hammers, 2003). Franklin realized that training that might be appropriate for the traditional employee at her company would not benefit employees from these Sudanese and Hispanic cultures and training is probably one of the most important benefits offered by corporations today.

In a report by the Boston Federal Reserve Bank, it was noted that although immigration is expected to make a huge contribution to the growth of the U.S. working-age population, the gain comes at a price since the gap between the average educational attainment of the foreign- and native-born populations is large. "Smart manufacturers . . . have already begun investing in on-site training programs to help workers develop the math, language, and technical skills they need to perform on the shop floor" (Crain's Chicago Business, 2001).

B. Benefits to Same-Sex Couples

One of the growing benefits to meet the needs of a particular group involves the extending of benefits to same-sex couples. By 2000, according to a study by the Society for Human Resource Management, approximately 21 percent of companies with more than 5,000 employees were offering partner benefits (Kiger, 2004). At least 196 members of the Fortune 500 companies, including giants such as Ford, Time Warner, and Microsoft, offer same-sex domestic partner benefits. "Research shows that they're motivated not by liberal ideology but by the belief that the benefits help their recruiting, retention and corporate image-building" (Kiger, 2004). Forty-Seven of *Fortune's* 100 best companies to work for offer domestic-partner benefits to same-sex couples (Levering and others, 2001).

C. Benefits to Singles

The American Association for Single People was organized as a backlash to the family-friendly benefits that many companies emphasize. With 40 percent of the workforce in the United States unmarried, it is wise to consider their unique needs. Benefits this singles group is concerned with include the way pension benefits are distributed before retirement. For example, if the beneficiary is not a spouse, the employer's contribution to the pension is forfeited back to the employer. Twenty major corporations have been cited by the American Association for Single People for having policies and practices that respect the needs of single and unmarried adults; these include Xerox, Delta Air Lines, Viacom, and others (Zimmerman, 2002). These companies were lauded for adding "marital status" to their equal employment opportunity statements.

D. Benefits to Provide for Work/Life Balance

Work/Life Balance Programs of all types are critical to building benefits that appeal to a diverse workforce since having a diverse workforce "rests on an employer's ability to attract and retain female and minority employees who may not be able to work without flexible scheduling or benefit programs designed to help them meet personal needs and family responsibilities" (Hansen, 2002). Many work/life issues are tied to culture. For example, "for many Hispanics, parents are dependents" (Hansen, 2002). Some effective work/life balance programs will be discussed below.

Employee sponsored schools are a benefit the Des Moines employers are providing through The Downtown School, a primary school founded by local business leaders who donated \$1.6 million to convert an unused theater into a school. The philosophy behind the idea is that kids do better when parents are involved in their education. The theory is working with the third, fourth, and fifth graders scoring in the top 10 percent of the nation on composite test scores (Feeney, 2003). With the school located downtown, parents can slip away from work to attend luncheons, awards programs, etc. with their children.

Employee assistance programs have become a way to reach diverse groups in a corporation. For example, companies can provide, through various channels, unlimited consultation and referral for childcare, drug problems, adoption, education, eldercare, as well as other. Services can be provided in person, over the phone, and through a customized website (2003 Vendor Directory for Workforce Management). Thus, a company could aid the employee with children, elderly parents, or those wishing to adopt as well as many others.

On-site childcare is a well-known and popular benefit, but it's not widely available (Cossack, 2005). The advantages of sponsoring an on-site or near-site day care center include "reduced absenteeism and turnover, improved morale, higher productivity and quality of work, and federal and state tax breaks" (Cossack, 2005). The disadvantages of sponsoring include costs of starting and funding a center; however, the major deterrent is the liability. This, no doubt, accounts for the limited number of on-site or near-site childcare facilities.

Child-care flex spending accounts are a way that Merck retains valuable employees. Sheri Humphrey who is black, a Merck senior director, with eight years at Merck, says that less than 10 percent of African-American women take advantage of many of the work/life balance programs (Humphrey, 2005). This idea was repeated throughout the literature. It seems that employees have to be the initiator of programs.

After-school programs for children of employees are serving a dual purpose. Corporations who release employees to teach in these programs or fund such programs are helping to "bridge the gap between an antiquated curriculum and the modern-day demands of the marketplace" (Waxer, 2004). A second purpose is peace of mind for employees who are concerned about whether or not children reached home safely which is a tremendous draw.

Paid family leave, a new benefit legislated in California, will have 13 million workers eligible to "receive half pay for six weeks for a variety of personal reasons, from tending to a newborn infant to moving a parent into a nursing home" (Shuitt, 2003). This half pay will be tax free. These California legislators have given the nation its first paid family leave law to deal with the mushrooming problem that workers face in juggling family and workplace responsibilities. The California law builds on FMLA, which provided for 12 weeks of unpaid leave in companies of 50 or more employees; the California law includes businesses of all sizes.

With all of the above-mentioned women or family-friendly programs, Haas and Wisensale's research reveals that Sweden has the best family leave and the United States has the worst (Gottfried and others, (2003). The United States

continues to have a long way to go to make the workplace more friendly to families.

E. Benefits to Develop Executive Women

Development of executive women can be benefit dollars well spent. Cigna's \$2 million annual commitment to recruiting and developing executive women is based on business strategy, not on political correctness. In fact, a recent study by Catalyst shows that companies with the "highest representation of women on their top-tier management teams had better financial performance as a group than those with the lowest number of women: 35.1 percent higher return on equity and 34 percent higher total return to shareholders" (Tahmincioglu, 2004). Other benefits such as *telecommuting and flexibility* are very important to women with children or other family responsibilities.

There will also need to be more re-entry opportunities for women who leave the workplace for a few years and then return. In the past, taking time off from work was the death knoll for rising to an executive position for a woman.

Principal Financial Group, found many of their innovative benefits driven by its 72 percent female workforce. Their female workers are rewarded with stock options that are actually worth something, plus 401 (k)'s and pensions. They provide everything "from on-premise 'stork fairs' to free on-site childbirth classes and prenatal programs that offer \$50 stipends" (Feeney, 2003). Female executives also get reimbursed for child- or elder-care expenses incurred because of business travel. Principal also provides for an additional 12-weeks of part-time work with full benefits after the FMLA mandated leave expires. Principal sees all of these as a part of their package to develop executive women (Feeney, 2003). Other companies are also realizing the importance of benefits for executive women. For example, Susan Wojcicki, director of product management at Google, received three months of maternity leave paid at 75 percent of salary and free meals during the first week after the baby was born (Raphael, 2003). The Google founders believe "that happy, high-performing employees will result in a good product. They have sold this idea; it is their passion" (Raphael, 2003).

F. Benefits for Generation X'ers

The generation X'er would value flexibility in almost every aspect of work—the time they work, where they do their work, and how they are supervised. Benefits that would appeal to this group would be flextime, telecommuting, and work assigned in projects with autonomy. Pension plans are not important to this group; however, training is extremely important. Benefits such as paid MBAs would appeal to this group more than a retirement plan. Since they are more balanced than the baby boomers, family and private time would be important to this group; therefore, more time off and less overtime work would be motivational to this group.

G. Benefits for Older Workers

With the workforce graying, American business must pay attention to what older workers want. In a recent AARP-sponsored study, using a nationally representative sample of 1,500 workers ages 45 to 74, it was revealed that 69 percent plan to work in some capacity in their retirement years. "Poll participants focused on 'soft-benefits' such as adequate time off and flexible schedules as well as 'hard benefits' including health-care benefits and insurance and good pension benefits as essential to their jobs" (Cole and others, 2003). For example, older workers are concerned about health coverage, therefore older workers looking for part-time work will look for those companies that provide "bridge" medical coverage until Medicare is available (Mullich, 2003).

Job sharing is another benefit that is appealing to the older worker. A university professor could opt for a half-time job and teach only in the fall semester, leaving the spring for travel or writing. This is a way the work-oriented baby boomers could adjust gradually to retirement.

H. Benefits for Health-Conscious Workers

Corporations appealing to the health-conscious worker begin their programs by having employees and their covered spouses take a voluntary health-risk appraisal each year. The questionnaires identify factors that lead to such chronic diseases as asthma, diabetes, and heart disease, which can account for 20 to 35 percent of a company's medical expenses. Should the appraisal identify two or more risk factors that point to a potential health problem, the employee or spouse is a candidate for health coaching with such professionals as a nurse, health educator, dietitian, or exercise physiologist. The incentive to the employee is a reduction in insurance premium payments (Cole and others, 2003).

The health-conscious worker would also be motivated by membership in health clubs, healthy foods in the vending machines, a track on the corporate campus, washers and dryers to keep gym clothes readily available, etc.

CONCLUSIONS AND RECOMMENDATIONS

With the growing diversity in the American workforce due to globalization, mergers, acquisitions, immigration, and other factors, the diversity in benefits must keep pace. Employees will shop for benefits as never before; and companies, needing to hire the best, must keep abreast of what bench-marked companies are doing in the way of benefits to match the workforce diversity. Because of this changing diversity, much research will have to be continually undertaken to keep the benefits and the employees matched in their cafeteria plans. In addition, knowledge of the benefits provided in other countries for other cultures would be helpful in designing the cafeteria programs for U. S. companies; this is another area of suggested research.

An additional area of suggested research might be to take a look at the *Fortune's* rating of the 100 best companies to work for over the past five years and see what new benefits these companies are offering. In addition, a look at the 100 best companies for women that is compiled by *Working Woman Magazine* would be another suggested area of research.

Further, company HRM personnel must learn from the past. Experts agree that attracting the best employees in the future will become virtually impossible without a defined benefit plan. After the Enron and other bankruptcy and unethical corporate news, companies without retirement plans that provide guaranteed benefits will be passed over for employers that do.

In the very near future, a number of companies will be giving their employees a set amount for benefits and like a cafeteria line, the employees will go down the line and select their own benefits. Each employee could be allotted 40 percent of his/her salary to "spend" on benefits. Then, the employee could spend his/her benefit dollars on the items that appealed and was actually needed. This cafeteria approach makes complete sense with a diverse workforce, and the computer programs are available to administer such programs.

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