Developing Employee Compensation and Benefits

Written by Sam Yoder

What keeps people motivated to continue coming to work for you? Or what makes them seek out other employers? How much of their decision is based on pay? How much is based on the environment, or the hours? Or the relationships? Or the monotony? How about vacations or benefits? What is fair? What is generous? What is unreasonable? As employers we wrestle with these questions. While I don't have all of the answers, I'll share some of the things we've tried and learned at Berlin Gardens over the past forty years.

First, we take the Bible seriously. The Bible has a lot to say about paying wages. For example, in the Old Testament law, God told the children of Israel, "Thou shalt not oppress an hired servant that is poor and needy, whether he be of thy brethren, or of thy strangers that are in thy land within thy gates: At his day thou shalt give him his hire, neither shall the sun go down upon it; for he is poor, and setteth his heart upon it: lest he cry against thee unto the Lord, and it be sin unto thee."[1] The point is, pay your hired help a fair and generous wage.

In an example from the New Testament, Paul said, "Masters, give unto your servants that which is just and equal; knowing that ye also have a Master in heaven."[2] In a modern day application, the servants are the employees, and the masters the employers. James also warned, "Behold, the hire of the labourers who have reaped down your fields, which is of you kept back by fraud, crieth: and the cries of them which have reaped are entered into the ears of the Lord of sabaoth."[3] These passages underscore that God pays attention to how we pay our employees.

Employee compensation

There are three basic types of compensation you may pay to those who work for you. *Direct compensation* is based on an hourly rate or a fixed price for the amount of work completed. *Indirect compensation* is usually paid as a bonus at the end of a month or year, and might include profit sharing as well. *Non-monetary compensation* includes benefits such as paid vacation, health insurance, flexible hours, opportunities for growth and advancement, and virtually any sort of reward not given in the form of money.

Employees expect at least average wages.

Market wages are the average wages paid for the level of work performed. Market wages vary among industries and across geographic regions. As an employer, you should know what is normal for the community where you operate your business, because employees expect at least average wages. Keep in mind that market wages may not be a good benchmark of what is fair

1 Deuteronomy 24:14, 15
2 Colossians 4:1
3 James 5:4

and generous. Employers driven by greed contribute to lowering market wages.

Proverbs 24:3-4 emphasizes that any enterprise is built by wise planning. "Through wisdom is an house builded; and by understanding it is established: And by knowledge shall the chambers be filled with all precious and pleasant riches." Wise planning is not only using common sense, but also knowing and keeping abreast of facts related to your industry. It is easy to find market wages if you have internet access at home or in a library. If you don't have access, ask someone who does. In the United States, the average median income is $53,891. In Holmes County, where Berlin Gardens is located, the average is $45,000. We don't try to compete with Cleveland or New York City, but we know we cannot expect employees to continue working for us if we do not pay them at least average market wage.

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Your employees are constantly aware of other opportunities, and it is not unreasonable for them to go elsewhere for higher wages. Another thing to consider is whether published median income is based on both husband and wife working or on a single wage earner. This makes a difference in how much your employees can expect as a market wage.

The bottom line is that if you want to be fair and generous, you need to avoid paying below market wages. If your *direct compensation* is competitive and generous, then you can use *indirect* and *non-monetary* compensation to give your company an edge—an extra reason for your employees to stay with you. Following are some of the *indirect* and *non-monetary* compensation we have implemented to give our employees an advantage, and reasons to remain with us.

Monthly bonus plan

Our monthly bonus includes putting a certain percentage of total sales into a kitty. We tell our employees at the beginning of the month how much the kitty contains. The cost to correct any mistakes during the month, such as orders written wrong, shipping errors, holes drilled wrong, or using incorrect colors comes out of the kitty. Once the costs of all the mistakes are covered, the remaining funds are split equally among the employees at the end of the month.

For example, if there is $5,000 in the kitty at the beginning of the month and there are five employees, each employee would get $1,000 at the end of the month. But if mistakes costs $2,000 then that money comes out of the kitty, leaving only $3,000 left to split with five employees. It is surprising how much motivation that monthly bonus spurs. At month end, we compile a list of the mistakes, their cost and the department where the mistakes were made. The employees appreciate the extra cash and help us resolve the issues that were causing mistakes.

Birthday news

Another benefit we offer is a monthly newsletter listing everyone's birth date. For their birthday, employees get a paid vacation day. The only catch is that they have to write an article for the newsletter chronicling how they used their day off. It is quite interesting to read about their various activities. You would be surprised how much earlier people are willing to get out of bed to watch birds rather than making furniture!

Company picnics, banquets and outings

Each summer we invite all the employees' families to a company picnic where there are gifts for the children, door prizes, softball games, a cookout and other activities. In the fall we take a bus trip, generally within our home state of Ohio. We begin with breakfast at a restaurant, then tour a business or factory, go for a hike, attend an event and eat another meal, all paid for by the company. And of course, we provide a Christmas banquet

in December. In the spring, I call the local restaurant Boyd and Wurthmann and order mashed potatoes and their seasonal specialty, dandelion gravy for everyone.

I also like to do smaller surprises such as walking through the shop with a bag of beef sticks or ice cream sandwiches, and thank our employees for their work. You should see the smiles! These gestures, large or small, are a form of compensation, and the employees appreciate the benefit of participating in them.

Employees leave people

As you consider ways to provide compensation and benefits, it is important to understand why employees leave the companies they work for. Are you aware that employees don't actually leave *companies*? They leave *people*. According to research that included a million interviews, they choose to leave for reasons that have everything to do with human beings, not with a company or organization. They gave five reasons:

1 | The boss is a micro-manager and does not trust them.

2 | They are bored and unchallenged, doing the same thing over and over.

3 | Tense relationships with coworkers, a major reason.

4 | Getting blamed for mistakes.

- Did you know that most of the time mistakes are the fault of the *process* and not the fault of the *individual*?[4] Study the history of your accidents and you will find it is true.

5 | Work isn't flexible. Three strikes and you're out.

- Try to be accommodating, particularly for key people such as your managers. This is not always easy, but I have given my managers the liberty to leave once their work is done. They are on salary, so I tell them that as long as I am not getting complaints from their department, and they are not asking me questions, I will give them the flexibility to adjust their hours within reason. But I ask for clear communication: if you're going to be at work only part of the day or not at all, make sure we are aware of your absence.

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In addition, we sometimes allow all employees to go home if we've met our quota for the day. For example, when we do inventory we sometimes get done early, but we'll pay everyone for a full day and send them home.

Why managers quit their bosses

Among the foremost reasons that managers quit are that they are overloaded, the boss doesn't give managers leeway to make their own judgment calls, or the boss runs terrible meetings.

Have you ever been in a meeting where people are yawning and falling asleep? This means the meetings are too long and not adding value. One solution is to forgo chairs and have "stand up" meetings. The tendency to be lengthy or irrelevant decreases because everyone is standing.

Share the five-year strategy

In addition to defining our core values, one of the best things we've done as a company is include our key people in the development of our five-year plan. We asked our key people, "What is our company going to look like in five years?" The only stipulation was that no one would be allowed to criticize anyone else's ideas. No idea was rejected, and soon one wall of our meeting room was covered with suggestions, 117 of them, to be exact.

4 Dustin Hostetler, Flowtivity.

These ideas were grouped into themes, and individuals were chosen to "champion" each particular category. Now every two years we meet to see how nearly we are meeting the five-year strategy.

Including your managers and staff in these plans is important. Choose key people to help plan, but keep everyone informed. When employees feel like a company has a plan and is going places, they are more likely to stick around. Working for a company that is making progress and will still be around in five years is a benefit.

Be a gardener

Jack Welch ran General Electric for twenty years, and when he retired he was the highest paid CEO in the United States. Under his leadership, GE's net value increased four thousand percent! He once remarked that he considered himself a gardener. "I water and provide nutrients for 750 top executives. That's my most important job." He did not become a success by walking through the plant barking out orders and demanding higher production. He became successful by taking good care of the people who managed the production.

Those who don't know, don't know they don't know

A man once related how a five-year old told him his nose is ugly. Surprised, he defended his nose, but she insisted. Curious, he went home and examined his nose in a mirror. Sure enough, he had an ugly nose. He didn't even know that he didn't know, but now that he did know, he was self-conscious about it.

What the girl did was not especially nice, and sometimes ignorance is bliss. But where things really count, a girl who speaks as bluntly as she did is doing us a favor. Your employees will be that person for you, if you'll invite feedback. You would be surprised at the things you are overlooking. Consider King David in the Bible. If he could write beautiful poetry and rule a kingdom, yet be deceived in a matter as significant as murder and adultery, imagine what we may be overlooking in our businesses! Like David, we must search our hearts and allow others to help reveal our blind spots.

Your employees must feel it is safe to give this kind of feedback. A businessman from Texas made a rule that for one year, when an employee came to talk with him in his office, he would not make any excuses or say anything in his own defense. This gave them freedom to speak out without fearing they might lose their job. The businessman said on some days he went home feeling like a whipped puppy, but it was the best thing that ever happened for his company.

Another option is to ask each department to fill out evaluations of the company. Take your lack of self-awareness seriously.

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Meet the basic needs

Did you know that McDonald's has an employee turnover rate of 135% annually? And that's low! It's been as high as 300%. Chick-fil-A, on the other hand, is a fast food restaurant with a turnover rate of only 35%.

We once took our whole management team to a Chick-fil-A for a meeting just to experience the customer service. Chick-fil-A is currently the fastest growing restaurant chain in America. One of the benefits of working for them is their reputation for service and their constant growth. Employees feel good being a part of that. But Chick-fil-A also offers other benefits, such as helping to pay college tuition if you work for them for more than a year.

Chick-fil-A's corporate purpose statement is "To glorify God by being faithful stewards of all that is entrusted to us. And to have a positive influence on all who come into contact with Chick-fil-A". I believe their commitment to bringing glory to God and caring for people is why they thrive. Your employees want respect. They want to be part of a plan. They want fair compensation, and they want stability.

Take care of your property

Another benefit to your employees is an attractive, clean environment to work in. One of our employees is a young Amish girl who loves to clean. That's all she does, five days a week. She gets many compliments from the employees about the sparkling clean restrooms and lunch room, and tidy flower beds. Even these details make an impact on your employees.

Plan for retirement

A final suggestion is to develop a savings plan for your employees. Many people are not saving for retirement. One way to do this is through a Simple IRA, which provides a tax-deferred retirement account to which your company may also contribute. More and more employees are beginning to expect a retirement plan as part of the compensation.

In the end, whether it is *direct, indirect,* or *non-monetary,* fair compensation and benefits are a key attraction that will keep your employees with your company for a long time. Fairness is also a principle taught and commanded in Scripture. As individuals, we are to be salt and light to the world, and our companies should be the same. We should be known as business owners and managers who treat our employees fairly, even generously, remembering that as "masters," we also have a Master in heaven.

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