

Simply Irreplaceable

How employee benefits add value to your business

According to recent market trends Qatari companies are becoming more competitive by improving their employee benefits packages. Companies around the world have realized that there are group of intangible assets that are vital to a highly profitable business. These include intellectual property, brand equity, customer relationships and human capital. Human capital may be the most vulnerable of these in the daily operation of a business. The term "Human Capital was thought up by Nobel Prize winner Gary S. Becker, a world renowned economist who believes that people really are in fact 'a company's most valuable asset'. Becker's work shows that minimizing the number of people who leave a company voluntarily is critical.

Business leaders around the world recognize this, and have allocated a great deal of resources to understanding how to retain employees. It is commonly acknowledged that this goes beyond merely offering a competitive salary and includes providing a competitive package of benefits for employees.

There is always room for improvement in any organization, however, a number of companies within Qatar are leading the way regionally by providing a firm base on which to build a financial security for their employees. The major issue that most companies face has been a lack of advisory companies who are able to demonstrate both experience and be specialized in this field. Relationship development between advisors and corporate clients are key in guiding companies over the medium to long-term.

Companies that understand and offer competitive Employee Benefits grow faster with lower operating costs.

There are countless advantages to providing competitive employee benefits, including improved recruitment and retention, employee loyalty, and increased productivity. Companies offering competitive Employee Benefits also enjoy significant improved employee retention rates, which considerably reduces spending on recruitment. In losing a valuable employee, the company incurs both direct and indirect costs. For instance, administration of the resignation, recruitment and selection costs,

the need to cover the workload while the position is vacant, induction training for the new employee and a slower performance from the new employee for the initial period. The effect on the remaining staff tends to be overlooked. For example, a loyal employee with years of service would be expected to take up the slack from the departing staff member at no extra pay which may in turn end up with a departure of a valued team member. In fact, it is estimated that the average cost of turnover is \$100,000 per senior employee according to the Cap Gemini Ernst & Young, Saratoga Institute.

Employees that feel well-cared for believe in the company they are working for and each end every employee can be regarded as a brand ambassador, promoting the best possible image for the company. Clearly, the opposite is also true. An unhappy employee is likely to be a negative force both within the company and outside.

Scandinavian Air Services (SAS) estimates that its low employee turnover rate saves \$70 million per year in employee replacement costs.

The loss of a good employee also means disruption to client relationships. In particular, service companies rely on their relationships with clients. This can be further aggravated if the departing employee takes the client relationship with them. Leading global consulting firm McKinsey & Company believes that HR leaders will have a much more strategic role in the future, possibly even equal to that of the CFO. What are Employee Benefits? What is considered a high level Employee Benefits encompasses a broad range of factors

The worldwide market for recruiting and staffing services in 2002 was \$58.9 billion and is forecasted to grow to \$85.5 billion in 2007 according to the Cap Gemini Ernst & Young, Saratoga Institute.

including for example working with talented people in the industry, working on a flexible schedule, training, gaining international exposure, and coaching. This said, a recent survey by one of Qatar's most respected companies showed that the traditional Employee Benefits of retirement packages, medical insurance, and life insurance remain highly prized and indeed many responded considered them to be an essential rather than a mere benefit.

If your budget is limited, yes, focus your efforts on the highest-value employees as these will cost the most if they leave the company. However, we should always remember that it is all the staff who contributes to the success of a company.

The advantages of implementing a structured employee benefit package represents an important part of the overall solution aimed at guaranteeing competitive advantage, and creating a benchmark company. For the company this ensures loyalty and commitment which thus ensures that the customer will receive the best possible service. All of this adds up to greater profitability and a "best in class" organization. ■

-Lee Shurey - VP of Wealth Management, Amwal, April, 2007