



**A MODEL APPROACH TO
EMPLOYEE BENEFITS DECISIONS**

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Corporate executives will inevitably be asked to evaluate employee requests for additional benefits. Responding favorably to individual requests by every employee for additional benefits is obviously not feasible. Therefore, it is helpful to have a pre-determined structure for making sound business decisions about requested employee benefits.

The Employee Benefits Model describes factors that an employer ought to consider in determining whether it makes good business sense to grant a requested employee benefit. Domestic Partner Benefits Model A and Domestic Partner Benefits Model B show potential applications of the Employee Benefits Model.

EMPLOYEE BENEFITS MODEL

XYZ Corporation provides a competitive total wage and benefits package designed to meet the needs of a broad spectrum of employees. In providing these benefits, we strive to make effective use of corporate resources. It is not economically feasible to design a benefits package that meets every need of every employee. Therefore, at times we must base benefits decisions on the relative merits of competing employee interests. We are committed to holding down increases in our employee's contribution toward benefits such as health care.

There are many programs competing for the limited resources available for employee benefits. Potential programs include employee fitness centers, child care, elder care, other dependent care, retiree benefits, benefits for part-time employees, additional vacation time, and others. The company seeks to prioritize consideration of employee benefits on the basis of the extent of the need and the magnitude of the potential benefit to employees.

The leadership of this corporation makes the decision to extend or discontinue benefits only after extensive analysis of the legal, financial and other business dimensions of the benefits. The following factors drive our decisions:

- The demonstrated need for the benefit.
- The extent of the impact on employees of providing the benefit.
- The cost and administrative burden of providing the benefit.
- The impact of the benefit on employee contributions to benefits.
- The relative merits of the benefit, when weighed against the merits of other existing or potential benefits.
- The market pressure to extend the benefit to compete for talent.
- The requirements of federal, state, and local laws and ordinances.

We value each of our employees and are committed to treating each individual with respect and dignity. We are also committed to fostering a climate that encourages each employee to feel that he or she is a valuable member of this organization. Our benefits package is a key element of that climate, and we continue to periodically review our program to ensure that we are meeting the broad-based needs of our workforce.

DOMESTIC PARTNER BENEFITS MODEL A

XYZ Corporation strives to provide a competitive total wage and benefits program that meets the needs of the broad spectrum of our employees for the purpose of attracting and retaining the best talent in our industry. In our effort to provide these benefits, we are called upon to be wise stewards of corporate resources. It is not possible to provide all requested benefits due to limited resources and, therefore, we often must make benefit decisions on the relative merits of competing employee interests. This is especially important when the cost of benefits that we currently enjoy is skyrocketing – putting significant upward pressure on the cost that the company and the employees both share to provide these benefits. We continue to be committed to holding down increases in our employee’s contribution toward these rapidly rising health care costs. Often, many requests for special benefits, and thus additional employee contributions toward those benefits, are out of proportion to the make-up of our workforce and those receiving these special benefits. Domestic partner benefits fall in this category.

The decision not to extend benefits to domestic partners was made only after extensive analysis of the legal, financial and business dimensions of the proposed benefits. The following factors compelled our decision:

- The costs of providing domestic partner benefits would be borne by all employees and may be reflected in increased employee contributions.
- The actual need for domestic partners to receive medical and other benefits is extremely low, especially when compared to the administrative costs of providing the benefits.
- There are additional benefits that are desired by the entire workforce that would have higher priority if company resources were available for expanding benefit programs.
- There is little market pressure to extend domestic partner benefits in competing for talent (In a 2000 survey by McKinsey & Company, diversity ranked 39/40 on items critical to managers’ decisions to join or stay with a company).
- Our decision not to extend domestic partner benefits complies with federal, state, and local laws and ordinances.

We value each of our employees and will continue to treat each individual with the utmost respect and dignity. We will also continue to foster a climate that encourages each employee to feel that he or she is a valuable member of this organization. Our benefits program is a key element of that climate and we continue to periodically review this program to ensure that we are meeting the broad needs of our workforce.

DOMESTIC PARTNER BENEFITS MODEL B

XYZ Corporation strives for unparalleled care and service, not only to our customers, but also to our employees. The senior leadership of this organization is committed to providing the finest benefit package possible for our workers, consistent with our responsibility to be wise stewards of corporate resources. In our effort to provide these benefits, we are called upon to make decisions on the relative merits of competing employee interests. This is especially important when the cost of benefits that we currently enjoy is skyrocketing – putting pressure upon the portion that our employees share in the costs. We continue to be committed to holding down increases in our employee's contribution portion as these costs rise. Thus, many requests for expanded benefits are out of proportion to the make-up of our workforce and those receiving these expanded benefits. Domestic partner benefits fall in this category.

The decision not to extend benefits to same-sex domestic partners was made by the leadership of this company only after extensive analysis of the legal, financial and business dimensions of the proposed benefits. The following factors compelled our decision:

- Research has shown that less than 2 % of the population identifies themselves as gay, lesbian or bisexual, and only ?? % of our employees have expressed an interest in utilizing same-sex domestic partner benefits.
- The costs of such benefits would be borne by all employees and may be reflected in increased employee contributions.
- The actual need for domestic partners to receive medical and other benefits is extremely low, especially when compared to the administrative costs of providing the benefit.
- There are additional benefits that apply to the entire workforce that would have higher priority if the company's resources were available for such expansion. However, most are not added due to the pressures of just keeping what we have.
- There is little market pressure to extend the benefits in competing for talent (In a 2000 survey by McKinsey & Company, diversity ranked 39/40 on items critical to managers' decisions to join or stay with a company).
- Our decision not to extend domestic partner benefits complies with federal, state, and local laws and ordinances. Those corporations that have extended such benefits have done so primarily because of the effect of local ordinances that do not apply to us.

We value each of our employees and will continue to accord each the respect and dignity they are due. We will also continue to foster a climate that encourages each employee to feel that he or she is a valuable member of this organization. Our benefits program is a key element of that climate and we will periodically review this program to ensure that we are meeting the broad needs of our workforce, but not necessarily every need.

For additional information, or for review of your Human Resource Policies, please contact Paul Weber at the Corporate Resource Council, (480) 444-0030.