A benefits plan isn’t for every independent retailer. They’re an expense, they take time to design and administer, and they may not suit the needs of every independent. But for those looking for another way to compete in the war for talent, benefits lend advantages that appeal to—and help—employees and employers.

This Retailer’s Guide dispels some of the myths surrounding benefits and offers tips for installing a strategic, cost-effective benefits program.

**MYTH: “BENEFITS ARE AN EXPENSE I DON’T NEED.”**

For some independent retailers, the expense of a benefits plan is an expense that they don’t need. For example, some owner-operators may have coverage through their spouses. But retailers in this position are rare.

Most independents find themselves needing some kind of benefits program. The idea that they don’t need a benefits plan, particularly in such a competitive era, is a myth.

Benefits are part of an employee’s compensation package, and retailers who don’t leverage the potential of a benefits program are ignoring an important form of compensation.

For Joe Lopes, a principal at Granville West Group, benefits are a strategic element in recruiting and retaining employees. “You want an employee benefit package for employee retention and attraction, especially in areas where you have tighter working pools. A lot of companies these days have employee benefit programs, so if you don’t, you’re not a competitive employer,” says Lopes.

Once employees join the team, keeping talented employees can quickly tax a retailer’s bottom line. As part of an overall compensation package, benefits give employers greater leeway in how they reward employees. For example, a raise of $0.86 an hour can add up to more than $5,000 per year for an employee averaging 30 hours a week. Alternatively, an employer might be able to reward the employee by offering them a new benefit, like a dental care package, or a boost to

**WHAT EMPLOYEES SAY THEY WANT**

John Carinci, Head of Group and Business Markets at RBC Insurance, says research shows that employees want benefits.

According to Carinci, 65 per cent of all employees consider the availability of group benefits very important when they’re selecting an employer. Even more telling: Almost 80 per cent of employees consider benefits equal in value to a 10 per cent salary increase. “That really is substantial,” Carinci says. “That tells you, this is really less about an expense and truly is an investment.”

And another interesting fact: unlike in other industries, real wages in the retail sector are fairly consistent across the board. “Knowing that, group benefits can act as a key differentiator for your company, especially when it comes to attracting top talent,” says Carinci.
an existing benefits package—which in some cases is far less expensive than the hourly raise.

Glenn Kehrer, President of Group Benefits Consulting Canada, says having a benefits program is a tax-effective way of creating value for long-term employees. Where salary increases are subject to tax, many benefits are not. So as the employee grows into the job, the benefits package can grow with them strategically without creating tax burden for the employee.

But as Kehrer says, “Benefits are a cost, so you bring it in when you need it.”

Extra idea:
• A benefits program lets independents use corporate dollars to pay for health, drug, and dental items, instead of paying it out of personal earnings.

MYTH: “I CAN DO THIS MYSELF.”

Many independent retailers can, and do, design and administer their own benefits programs. Many more need the help of a specialist. Benefits, while not complicated in process or design, can complicate the independent’s life. Administration takes time, as does searching the market for the best deals on insurance.

What independents don’t want to do is purchase benefits from the first sales person who comes through the door. Something that happens far too often, according to the experts consulted for this Retailer’s Guide.

One way independents can save time and energy is to deal with a broker. Brokers are the people who represent the retailer in the market to search for services and benefits that suit the retailer’s budget and needs. Likewise, independents can hire third-party administrators to administer the benefits package.

Now, how to find the right broker? Here’s an idea: call the large insurance providers and ask them to recommend several brokers. Brokers who come recommended by a large provider offer some assurances to the independent. And look for brokers specializing in group insurance.

Extra idea:
• Look for brokers with experience working with small businesses. And check what kinds of benefits exist through trade associations, like Retail Council of Canada.

MYTH: “BENEFIT PLANS ARE BASICALLY ALL THE SAME.”

Time and again, Ryan Johnson says he sees small businesses take the first option presented to them because they think there’s no difference.

“Benefits programs are not all the same,” says Johnson, Chair of Charlottetown Chamber of Commerce Human Resources Committee. “Small businesses need to make time to examine the options.”

Tip 1: Get it right at the beginning

With fewer insurance companies in the market, it’s important for independent retailers to get their benefits plan right the first time. Getting it right means knowing what employees want from a plan, knowing what’s affordable, and knowing what the competition offers. It means customizing a plan that makes sense financially but sets the retailer apart from competitors. At the beginning of the process, retailers will need to have an understanding of the company’s demographics, turnover, benefit budget, and a priority ranking of what benefits matter most.

Tip 2: Think about the employee’s role

Part of the initial planning involves thinking about how much employees will contribute to the plan. Johnson advocates for building a benefits plan that asks employees to contribute to the cost of the program. Having skin in the game, Johnson says, keeps employees involved in the program and lowers the cost to the employer.

Retailers might also want to think about the role the provinces play. As a general rule, retailers should build benefits programs that have the provinces pay first and add benefits that cover health expenses that the provinces don’t cover.

When calculating how much employ-
ees contribute, consider the taxability of benefits. Try to design employee contributions in a way that minimizes taxable benefits.

**Tip 3: Start small and scale up**

Retailers creating their first plan will want to start small. A middle of the road benefits plan that satisfies the strategic goals of the organization works best. What independents don’t want to do is to institute an ambitious plan and have to take away benefits—benefits employees may already favour.

Similarly, starting off the plan gives retailers ways to keep the plan exciting. A static plan is boring but a plan that grows richer each year reminds employees of the value. Besides, markets change and so should the benefits plan.

And don’t forget about the golden handcuff. A golden handcuff is a vesting period that encourages talented staff to stay with the store. For example, an employer may create a matching RRSP fund that pays out in two years. Incentives like these give the best employees a reason to stay and to continue trying their best.

**Extra ideas:**

- Know what younger employees want. Student staffers may not want life insurance because they’re young and think they’ll live forever. So what do they want? Ask them and find a way to fulfill their needs.
- Conduct “stay” interviews. We’ve all heard of the exit interview, but what about the stay interview? A sit-down discussion about why the employee is staying—and not leaving—gives employers an opportunity to talk about how to enhance the employee’s experience. So they stay even longer.

**MYTH: “MY EMPLOYEES ARE TOO YOUNG TO NEED BENEFITS.”**

It’s true that some employees might be too young to need benefits of their own, since many might still fit under their parents’ coverage. But that doesn’t mean they won’t respond favourably to other kinds of benefits.

When thinking about total compensation, retailers may want to broaden their definition of benefit to include perks.

Benefits we might consider as a cost of doing business. These include: health, dental and eye care; paramedical practitioners, like massage therapy; life insurance; long-term and short-term disability insurance; critical illness insurance; employee assistance programs, like grief counselling services; matching RRSP programs; and second opinion medical services.

Perks are the add-ons that really excite employees. These include: employee discounts; specialized training; flex-time and paid vacation; extended maternity leave; assistance to mortgages; birthdays off; staff dinners and outings; healthy snacks in the back room; and gym memberships.

**Extra idea:**

- Retailers can speak to their small business allies about creating group discounts for each other’s employees. After all, if employees gain access to certain discounts simply because of where they work, they might want to continue working there for a long time.
MYTH: “BENEFITS ARE TOO EXPENSIVE.”

Benefits can be a substantial investment. Average plans run between 8 and 15 per cent of payroll. But basic plans can cost as little as $150 per month per employee. The question is: do the benefits complement the employer’s strategy for having a benefits program?

Retailers will want to remember the balance they can strike between taxable benefits and non-taxable benefits. Salary is taxed. Many benefits aren’t. When thinking in terms of the overall compensation strategy, the costs associated with benefits may be offset by the tax advantages, the employee’s contributions, and the value the plan brings as a recruitment, retention, and reward program.

Extra idea:
• The cheapest price isn’t the best price. Retailers should look at maintenance costs before they sign the contract. Over the long-term, cheap could turn pricey.

MARK HOGAN’S 11 STEPS TO BUILDING AN EMPLOYEE BENEFITS PLAN

Developing an employee benefit plan doesn’t have to be confusing. In fact, a methodical process—like the 11 step process developed by Mark Hogan, Senior Vice-President at Coughlin and Associates—can help retailers stay on track and on target.

Step 1: Determine if you need expertise. “Most likely you’re going to need expertise,” says Hogan. Independent retailers need to ask themselves, “Will I go to a consultant, a broker or a third-party administrator?”

Step 2: Define your objectives. “What are you trying to accomplish and who are you focusing on?” asks Hogan. A benefits program is most valuable when it fits the employer’s larger business strategy.

Step 3: Determine your budget. Independents have to ask how much they want employees to contribute to the benefits program and how much the company can afford to spend on benefits. “You’ve got to be prepared to spend the money if you’re going to develop a half-decent plan,” says Hogan. At this stage, retailers may want to consult with accountants about what’s affordable.

Step 4: Structure the plan. Focus on benefits that are most valuable to employees. Take time to define eligibility requirements (at what point in an employee’s tenure can they access the plan?) and consider different classes of employees, i.e., a different plan for full-time and part-time employees.

Step 5: Think about administration. Will plan administration be outsourced to a third-party administrator or be done in-house? How much time is store management willing to spend on administering the plan?

Step 6: Draft specifications. “Basically it’s a request for proposal you’ll use to solicit proposals from insurance carriers,” says Hogan. Retailers want to make sure all the details of the plan appear in the specification document. This document gives retailers a way to verify the quotations they will receive. It’s a way of protecting the store and it’s what Hogan calls “a critical part of the process.”

Step 7: Solicit quotations. Once the retailer knows what it wants, it can ask providers to quote on the plan as outlined in the specification document.

Step 8: Analyze the quotations and summarize the results. Ask: Do the quotations satisfy my needs? Depending on the quotations the retailer receives, they may want to interview the finalists.

Step 9: Implement the plan. Sign the contract and set the plan in action.

Step 10: Communicate with employees. Make sure employees know about the plan, how it benefits them, and their responsibilities to the plan.

Step 11: Monitor the plan. Over the life of the plan, employers want to monitor the performance of service providers and monitor employee satisfaction. Ask: Is this benefits program doing what I need it to do?