

EMPLOYEE BENEFITS IN INDIA – TRENDS 2016

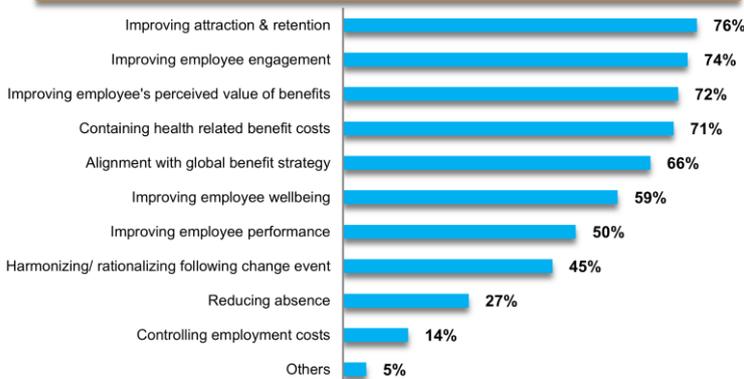
Competitive compensation and employee benefits are the key factors that attract and retain talent. According to the recent surveys compensation & employee benefits is the top priority for the employees followed by job security and job content.



Employee benefits have seen immense changes in the past few years.

Traditionally, employee benefits have been regarded mainly as a retention tool or, originally, as a moral obligation for employers. However in today's competitive scenario, the employers believe in offering varied employee benefits, which would project them as an "employer of choice" — and in turn would improve employee engagement and help to reduce employee turnover.

ORGANIZATIONAL OBJECTIVE TOWARDS EMPLOYEE BENEFITS - 2020



While competitive compensation package helps an organization to attract talent, a good benefit package goes an extra mile in the retention of employees. With the advent of year 2016, most of the HR gurus predict that employment opportunities will galore resulting in war for talent. Thus, companies would give their best to find innovative ways to retain and motivate, as well as to attract talent. Most common employee benefits offered across the industry are -

1. HEALTH BENEFITS

Even though the healthcare benefit is an expensive employee benefit that an employer can provide to its employees, still it is the most common and growing benefit - as employers have realized that a healthy workforce is more productive. Tax laws in India provide for a tax free reimbursement, upto to Rs.15,000/- p.a. (subject to production of bills) towards domiciliary expenses.

Hospitalization : Usually funded by employers vide a mediclaim policy, this policy generally covers employee, his /her spouse and children. In some companies, employee's parents are covered as well. The sum assured varies amongst companies and usually a provision for corporate buffer is kept - which is used incase an employee exhausts the assured limit. Incase an individual has taken a personal policy; a tax rebate is available separately for policy covering self, spouse and children and for policy covering parents.

2. RETIREMENT BENEFITS

Employee's Provident Fund : A statutory retirement plan, regulated by the Employees Provident Fund Organization (EPFO), with guaranteed interest announced every year in which employee and employer contributes upto 12% of basic salary. Employee has an option of paying additional 12% contribution.

Gratuity : Again a statutory benefit plan, that provides a payment @ 15 days for each year of service. To be eligible for this benefit, an employee needs to have completed continuous five years of service, with the company. The lump sum amount received by the employees on separation is tax free upto Rs10 lakhs.

Superannuation Plan : An optional retirement plan, which is offered to selected section of employees (generally in management cadre). In most of the organizations with this plan, the organization contributes @ 15% of individual employee's basic salary. Under this plan, employee has tax benefit for contribution upto Rs 1 Lakh.

It is a company initiated program/ plan, designed to provide monthly pension/ annuities, to employees post retirement/ separation from the company. Most of the companies get associated with an insurance company for this program.

3. COMPANY PROVIDED MEALS/ FOOD COUPON BENEFIT

Traditionally, large Indian companies provided lunch for their employees through canteen services. Nowadays, providing food coupons is an alternative available. Under tax law, coupon of Rs 50/- per meal is tax free and employer can claim the same as business expense.

4. TRANSPORTATION BENEFITS

Company Car/ Car Lease Policy : Providing a company car or a car under lease, is a popular tax efficient benefit, usually for senior/ top management employees.

Cab/ Transportation Benefit : Post liberalization and with the influx of IT/ ITES businesses required offices to work across time zones & provide 24x7 services to its clients. Thus, to ensure their employees reach office on time and at odd hours, organizations are providing shared cabs/ bus facilities to its employees on point to point basis.

5. LEAVE TRAVEL BENEFIT

It is a common component in compensation package in India – as it has tax benefits attached to it. LTA amount payable is tax free twice in a block of four calendar years.

6. LEAVES/ ENCASHMENT BENEFITS

This is the most common benefit provided in India. All employers in India have leave policies like privilege leave/ earned leave, casual leave, medical leave, maternity leave, paternity leave etc.

Leave rules allow employees to carry forward un-availed leave to the next year or encash at the year end.

Maternity leave is the current point of discussion in many organizations - as the current eligibility of 12 weeks off is being amended for longer duration of 24 plus weeks.

7. HRA BENEFIT

HRA is an allowance and is subject to income tax. An employee can claim exemption on his HRA under the current income tax act if s/he stays in a rented house and is in receipt of HRA from her/ his employer. In order to claim the deduction, an employee must actually pay rent for the house which s/he occupies.

8. PROFESSIONAL EDUCATION ASSISTANCE

Company grants paid education leave to employees for higher studies. In some cases company sponsors the employee for higher studies and bears all the expenses of her/ his education.

9. FLEXI-TIMING BENEFIT

This benefit is at a nascent stage but much appreciated by employees. This facility is provided by large organizations mainly in IT/ ITES space, in order to ensure improvement in quality, productivity and quality of life. However, this benefit is gaining popularity and formal policies are being drafted by organizations.

10. GROUP PERSONAL ACCIDENT INSURANCE BENEFIT

This benefit ensures insurance coverage for employees against risk arising out of accidents and resulting in permanent or long term disability or death

11. GROUP TERM LIFE INSURANCE BENEFIT

This benefit facilitates the payment of a predefined sum assured to the nominee of an employee in case of an unfortunate demise of the employee. Employers customize these plans by adding accidental and critical illness riders.

12. PREVENTIVE HEALTH & WELLNESS

Employee wellness is a fast-emerging benefit. India Inc. has started recognizing that company's health and employee's health are interdependent. Of late, employee's wellness is caught up with large corporates. Employee engagement and commitment rise when they are healthy and happy. These programs focus on wellness as a way to curb rising health care cost and ensure a healthy/ productive employee. Wellness program covers -

- Improving overall well-being of employees including physical, emotional and social health
- Improving work life balance
- Improving mental health (including stress related issues)



CONCLUSION: A growing economy, educated population and foreign investors keen to make investment together forms the basis to create vibrant business environment. These factors are also changing employee expectations – creating both challenges and opportunities for employers which have kept employee benefits at the forefront of politics and business strategies.

Significant shifts have taken place in work place benefits, which were not even thought of earlier. Benefits like gym, crèche, game rooms, leave banks, health screenings, loans, vacations, training programs etc., are gaining momentum.

As we move into 2016, we can anticipate these movements to continue as companies will keep looking to find better ways to enhance the employee engagement.