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EMPLOYEE BENEFITS: FROM LONG-TERM TO SHORT-TERM REWARDS

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INTRODUCTION

As markets and employment practices over the globe evolve, companies are also re-calibrating their approach to employee benefits. This article explores the changing landscape of employee benefits and highlights the benefits and considerations associated with this shift towards more immediate rewards.

THE TRADITIONAL MODEL

Long-term benefits, such as pensions and gratuity, have been pillars of employee compensation packages. These benefits were designed with the aim of providing financial security to employees after retirement or leaving the company. An important contributor to this was the fact that employers looked to reward loyalty by providing long-serving employees an accumulated corpus or income stream at the time of retirement. More importantly, however, the workforce was not as mobile and job security was of paramount importance to an employee. As a result, these traditional benefits were the ones which were of utmost value to employees.

Examples: Gratuity, Defined Benefit Pension Plans, Post-retirement Medical Benefits etc.

AN EVOLVING WORKFORCE

The needs and expectations of employees have seen a marked shift over the years. The modern workforce, particularly younger professionals, often prioritize different benefits. They seek more immediate rewards that align with their short-term goals, such as career development, work-life balance, and financial stability during their active employment. Employees are willing to switch roles and organizations more frequently to help achieve these goals. A gradual but stark change in mind-set has led to tangible short-term benefits being more valuable to employees as against a benefit which will be received many years in the future.



MODERN BENEFITS FOR A NEW-AGE WORKFORCE

Recognizing this paradigm shift, companies in India are adapting their approach to employee benefit programs. Organizations are now offering more short-term benefits such as Employee Stock Ownership Plans (ESOPs) and Long-Term Incentive Plans (LTIPs) which offer more immediate gratification for employees. These benefits have the following advantages:

- ➔ Alignment of the employees' interests with that of the organization
- ➔ Short-term benefits can be flexible and bespoke based on the exact needs of the employer or employee
- ➔ Short-tailed liability to be held on the books
- ➔ Helps attract and retain talent

Examples: Long-Term Incentive Plans (LTIPs), ESOPs and other share-based benefits, Retention Bonus, Flexible working hours, Work-from-home etc.



CONCLUSION

The valuation methodology and accounting treatment of traditional post-employment benefits are different as compared to benefits which the employee can avail during their period of employment. To know more about the same or to for any valuation requirements pertaining to employee benefits, feel free to reach out to us!



CONTACT US

For any questions or requirements pertaining to accounting / funding valuations, please feel free to get in touch

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