



# The WorldatWork Handbook of Compensation, Benefits & Total Rewards

***WorldatWork.***



# **The WorldatWork Handbook of Compensation, Benefits & Total Rewards**

---

*A Comprehensive Guide  
for HR Professionals*

*WorldatWork®*



John Wiley & Sons, Inc.

This book is printed on acid-free paper. ©

Copyright © 2007 by WorldatWork. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

Wiley Bicentennial Logo: Richard J. Pacifico

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the web at [www.copyright.com](http://www.copyright.com). Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

The WorldatWork group of registered marks includes: WorldatWork®, workspan®, Certified Compensation Professional or CCP®, Certified Benefits Professional® or CBP, Global Remuneration Professional or GRP®, Work-Life Certified Professional or WLCP®, WorldatWork Society of Certified Professionals®, and Alliance for Work-Life Progress or AWLP®.

For general information on our other products and services please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at [www.wiley.com](http://www.wiley.com).

***Library of Congress Cataloging-in-Publication Data:***

The WorldatWork handbook of compensation, benefits & total rewards: a comprehensive guide for HR professionals/WorldatWork.

p. cm.

ISBN 978-0-470-08580-6 (cloth : alk. paper)

1. Compensation management—Handbook, manuals, etc. I. WorldatWork (Organization)

HF5549.5.C67W65 2007

658.3'2—dc22

2007002715

Printed in the United States of America.

10 9 8 7 6 5 4 3 2 1



# Contents

---

## Introduction: Redefining Employee Rewards

Anne C. Ruddy, CCP, CPCU, President, WorldatWork

xx

## About the Author

xxii

<b>1. Total Rewards: <i>Everything</i> That Employees Value in the Employment Relationship</b>	<b>1</b>
• Broadening the Definition of Total Rewards	2
• Evolution of the WorldatWork Total Rewards Model	5
• Exploring the Key Areas	6
– <i>Compensation</i>	12
– <i>Benefits</i>	12
– <i>Work-life</i>	13
– <i>Performance and Recognition</i>	13
– <i>Development and Career Opportunities</i>	13
<b>2. Why the Total Rewards Approach Works</b>	<b>14</b>
• The Top Five Advantages of a Total Rewards Approach	15
– <i>1. Increased Flexibility</i>	15
– <i>2. Improved Recruitment and Retention</i>	16
– <i>3. Reduced Labor Costs/Cost of Turnover</i>	16
– <i>4. Heightened Visibility in a Tight Labor Market</i>	16
– <i>5. Enhanced Profitability</i>	17
<b>3. Developing a Total Rewards Strategy</b>	<b>18</b>
• The Total Rewards Blueprint	18
• Five Common Ways a Total Rewards Strategy Can Go Astray	19
• Crystallizing the Spirit of Your Total Rewards Plan	20
• Issues That a Total Rewards Strategy Should Address	24
– <i>1. Clear, Compelling Strategies Help People Make Good Decisions Faster</i>	25
– <i>2. Clear, Compelling Strategies Help Identify Potential Friction Points</i>	26
– <i>3. Clear, Compelling Strategies Help Provide Supporting Architecture</i>	26
• The Bottom Line	27
<b>4. Designing a Total Rewards Program</b>	<b>28</b>
• Step 1: Analyze and Assess	28
– <i>Why Conduct an Assessment?</i>	28
– <i>How to Conduct an Assessment</i>	29
– <i>What to Consider in an Assessment</i>	30
• Step 2: Design	31
– <i>Define the Corporate Mission and Vision</i>	32
– <i>Define the Business Strategy</i>	32
– <i>Define the HR Philosophy and Strategy</i>	32
– <i>Define the Total Rewards Philosophy Statement</i>	33
– <i>Define Your Total Rewards Strategy</i>	33

• Step 3: Develop	34
– <i>Program Purpose/Objectives</i>	35
– <i>Eligibility</i>	35
– <i>Baseline for Measurement</i>	36
– <i>Funding</i>	36
– <i>The Concept of Present Value</i>	37
– <i>Selection of Rewards Elements and Structure</i>	37
– <i>Creating the Rewards Mix</i>	37
– <i>Global Considerations</i>	37
– <i>Course of Action/Timeline</i>	38
• Step 4: Implement	38
– <i>Obtain Senior Management Approval</i>	38
– <i>Form an Implementation Team</i>	39
• Step 5: Communicate	40
– <i>Building a Trusting Relationship</i>	41
– <i>Know the Facts</i>	41
– <i>Crystal Clear Communication</i>	42
– <i>Honesty: The Best Policy</i>	42
– <i>Audience</i>	42
– <i>Management</i>	43
– <i>Front-Line Supervisors</i>	43
– <i>Employees</i>	43
– <i>External Audiences</i>	43
– <i>Key Messages</i>	43
– <i>Media</i>	44
– <i>Budget</i>	45
– <i>Timeline</i>	45
– <i>Feedback</i>	45
– <i>How to Communicate Bad News</i>	45
• Step 6: Evaluate and Revise	46
– <i>The Review Process</i>	46
– <i>Measurements</i>	47
– <i>Quantitative Measurements</i>	47
– <i>Qualitative Measurements</i>	50
– <i>Evaluative Outcomes</i>	50
<b>5. Communicating Total Rewards</b>	<b>53</b>
• A Communications Approach with Oomph	54
• The Power of Communication	54
• Top Management Buy-In	55
• The Bottom Line	56
• Communication Fundamentals	56
• Models of Communication	57
• The Communication Process	58
– <i>Step 1: Analyze the Situation</i>	58
– <i>Step 2: Define the Objectives</i>	58
– <i>Step 3: Conduct Audience Research</i>	59

---

– <i>Step 4: Determine Key Messages</i>	60
– <i>Step 5: Select Communication Channels</i>	61
– <i>Step 6: Develop the Communication Campaign</i>	62
– <i>Step 7: Implement the Campaign</i>	63
– <i>Step 8: Evaluate the Campaign</i>	63
• <b>Communicating the Program’s Richness</b>	64
– <i>Compensation</i>	65
– <i>Benefits</i>	66
– <i>Work-Life</i>	66
– <i>Performance and Recognition</i>	69
– <i>Development and Career Opportunities</i>	69
• <b>Special Situations</b>	69
– <i>Communicating with Various Levels of Employees</i>	69
– <i>Mergers and Acquisitions</i>	69
– <i>Communicating in a Union Environment</i>	70
– <i>Off-Shift, Off-Site, and Remote Location Employees</i>	70
– <i>Global Communications</i>	71
• <b>Media Considerations</b>	71
– <i>Branding</i>	71
– <i>Employer Branding</i>	71
• <b>A Case Study: Southern Company</b>	71
• <b>Total Rewards Branding</b>	72
• <b>Media Choices</b>	73
– <i>Written Communication</i>	74
– <i>Technology-Based Communication</i>	75
– <i>Content</i>	78
– <i>Resources and Priorities</i>	78
– <i>User Feedback</i>	79
– <i>Adding Information</i>	79
– <i>“Three Clicks” Rule</i>	79
– <i>Graphics</i>	79
– <i>Verbal Communication</i>	79
– <i>Audiovisual Communication</i>	80
• <b>Implementation</b>	81
• <b>Planning a Campaign</b>	81
– <i>Project Management</i>	81
– <i>Project Planning</i>	82
• <b>Managing a Campaign</b>	82
– <i>Preintroduce the Communication Campaign</i>	82
– <i>Communication during Program Rollout</i>	83
– <i>Gathering and Responding to Employee Feedback</i>	83
– <i>Evaluation</i>	84
– <i>Working with an Internal Communication Department</i>	84
– <i>Working with External Specialists</i>	85
• <b>Measuring Return on Investment</b>	85
– <i>Define Measurements</i>	85
– <i>Track Statistics</i>	85
– <i>Investigate Cost Savings</i>	85
• <b>Critical Outcomes</b>	86

<b>6. Compensation Fundamentals</b>	87
• The Foundation: A Compensation Philosophy	87
• Characteristics of Compensation Programs	90
• Elements of Compensation	91
• The Basics: Base Pay	92
• Job Analysis	92
• Job Evaluation	94
– <i>Market-Driven Systems</i>	94
– <i>Job-Worth Systems</i>	94
– <i>Differences between Market-Driven and Job-Worth Systems</i>	95
– <i>The Future Is Now</i>	96
• Market Analysis	97
• Salary Ranges	98
• Competencies	101
• Incentive Pay	102
• Design Elements	102
• Reasons for Failure	104
• Management of Pay for Performance	105
– <i>Designing a Merit Increase Matrix</i>	105
– <i>Overseeing Salary Management</i>	107
• Effective Compensation Management	107
 <b>7. Regulatory Environment: The FLSA and Other Laws That Affect Compensation Practices</b>	 109
• Fair Labor Standards Act of 1938	109
– <i>What Is the FLSA?</i>	112
– <i>Who Does the FLSA Affect?</i>	113
– <i>What Is Covered?</i>	113
– <i>What Is Not Covered?</i>	117
– <i>Classifications</i>	118
– <i>Determination Tests for Classifying Exempt Employees</i>	119
– <i>Rates of Pay</i>	120
– <i>Overtime</i>	123
– <i>Commissions in Overtime Calculations</i>	125
– <i>Overtime Pay and Special Cases</i>	126
– <i>Common Problems in Computing Overtime</i>	126
– <i>Exclusions from Overtime Payment</i>	127
– <i>The FLSA/FMLA Interplay</i>	128
– <i>The FLSA and FMLA Regulatory Background</i>	128
– <i>Special Calculations</i>	129
– <i>Court Rulings</i>	130
– <i>Safe Harbor</i>	130
– <i>FLSA Violations and Penalties</i>	131
– <i>Violation-Related Definitions</i>	131
– <i>Effect of Improper Deductions from Salary</i>	132
– <i>What Prompts an Audit?</i>	132
– <i>Common FLSA Violations</i>	133
• Sherman Antitrust Act of 1890	135
– <i>Enforcing Antitrust</i>	137
• Davis-Bacon Act of 1931	137

• National Labor Relations Act	137
• Walsh-Healey Act	137
• Service Contract Act	138
• Anti-Discrimination Laws	138
– <i>Equal Pay Act of 1963</i>	138
– <i>Title VII of the Civil Rights Act of 1964</i>	139
– <i>Age Discrimination in Employment Act of 1967</i>	140
– <i>Executive Order 11246</i>	140
– <i>Vocational Rehabilitation Act of 1973</i>	141
– <i>Vietnam Era Veterans Readjustment Act of 1974</i>	141
– <i>American with Disabilities Act of 1990</i>	141
<b>8. Market Pricing</b>	<b>143</b>
• Where Do You Begin?	144
• Job Analysis	144
• Job Documentation and Job Descriptions	145
• Job Evaluation	145
• Benchmark Jobs	145
• Collecting the Right Data	146
• Decision Factors in Collecting Market Data	146
• Know the Market: Half the Battle	147
• Gathering Valid Data	148
• Data Sources	149
– <i>Purchase Published Surveys</i>	149
– <i>Conduct Your Own Survey through a Third Party</i>	150
– <i>Use Free Sources</i>	151
• Capturing Competitive Market Data for High-Demand Jobs	151
• Crunching Numbers	151
• Options for Measuring Central Tendency	152
• Percentiles	153
• Aging Data to a Common Point in Time	153
• Weighting Market Data across Survey Sources	154
• Developing Market Index of Competitiveness	154
• Market Blips—A Word of Caution	156
• Approaches to Program Costs	157
– <i>All-at-Once Approach</i>	158
– <i>Phase-In Approach</i>	158
– <i>Wait-and-See Approach</i>	158
• How to Keep Employees in the Loop	158
– <i>Who Should Communicate the Message?</i>	159
– <i>What Information Should Be Communicated?</i>	159
• Opening the Pay Dialogue	160
<b>9. Salary Surveys: A Snapshot</b>	<b>161</b>
• The Big Picture	161
• Definition and Purposes	163
• Benchmark Surveys	164
– <i>Which Jobs to Survey</i>	164
– <i>Survey Job Descriptions</i>	165
– <i>Which Companies to Survey</i>	165

– <i>Data to Be Gathered</i>	166
– <i>More Than Just Salaries</i>	166
– <i>Review the Survey Database</i>	167
– <i>When to Conduct an Ad Hoc or Special Survey</i>	168
• Job Matching	168
• Job Title and Characteristics	170
• Survey Frequency	172
• Stretching the Salary Survey Budget	173
• Behind the Scenes	173
– <i>Preparation</i>	174
– <i>Gather Data</i>	174
– <i>Creating the Master File</i>	174
– <i>Initial Reports</i>	175
– <i>Final Results</i>	175
• The Compensation Practitioner’s Role	175
– <i>Extracting Data</i>	176
– <i>Synchronizing Surveys with Economic Data</i>	176
– <i>Communications</i>	177
• Salary Survey Guidelines	177
– <i>Best Practices in Survey Selection</i>	178
– <i>Characteristics of Good Salary Surveys</i>	178
<b>10. Job Analysis, Documentation, and Evaluation</b>	<b>180</b>
• Job Documentation	182
• What Is a Job?	184
• Job Analysis: A Step-by-Step Process	185
– <i>Step 1: Obtain Management Approval</i>	185
– <i>Step 2: Gain Employee Acceptance</i>	186
– <i>Step 3: Decide Who Will Conduct the Analysis</i>	187
– <i>Step 4: Think in Terms of Work Flow</i>	187
– <i>Step 5: Consult Secondary Sources First</i>	189
– <i>Step 6: Decide Method and Collect Data</i>	190
– <i>Step 7: Document the Analysis</i>	199
– <i>Step 8: Obtain Necessary Approvals</i>	202
– <i>Step 9: Test for Legal Compliance</i>	202
– <i>Step 10: Conduct a Reality Test</i>	203
– <i>Step 11: Formulate Specific Recommendations</i>	203
– <i>Step 12: Keep Up-to-Date</i>	203
• Job and Work Analysis: Weighing Costs and Benefits	204
• Job Evaluation	205
• Internal Job Evaluation—Nonquantitative Methods	205
• Internal Job Evaluation—Quantitative Methods	208
• Internal Job Evaluation—Point Factor	213
<b>11. Base Pay Structures</b>	<b>223</b>
• Pay Structures	223
• General and Specific Factors Affecting Pay Structures	224
• Anatomy of a Pay Structure	226

• Pay Ranges and Range Spreads	226
– <i>Some Practical Considerations</i>	227
• Midpoints	229
• Range Penetration	230
• Midpoint Progression	231
– <i>Three Approaches to Developing Midpoints</i>	231
• Pay Grades	232
– <i>Segmentation of Pay Grades</i>	232
– <i>Pay-Grade Overlap</i>	233
– <i>Multiple Pay Structures</i>	233
• Developing a Pay Structure	233
– <i>Internal Equity</i>	233
– <i>External Competitiveness</i>	236
– <i>Defining Competition</i>	237
• Key Steps in Designing an Effective Pay Structure	237
– <i>Step 1: Review Overall Point Differentials</i>	238
– <i>Step 2: Rank Order Jobs by Total Evaluation Points</i>	239
– <i>Step 3: Develop Job Groupings</i>	240
– <i>Step 4: Develop Preliminary Point Bands</i>	240
– <i>Step 5: Check Intrafamily and Supervisory Relationships</i>	242
– <i>Step 6: Incorporate Market Data</i>	242
– <i>Step 7: Review Market Inconsistencies</i>	244
– <i>Step 8: Smooth Out Grade Averages</i>	245
– <i>Step 9: Review Differences between Midpoints and Market Averages</i>	246
– <i>Step 10: Resolve Inconsistencies between Internal and External Equity</i>	246
• Pitfalls and Precautions	247
• Broadbanding	248
• Starting Rates of Pay	249
• Increases to Base Rates of Pay	249
• Merit Pay Considerations	252
• Performance Appraisal Considerations	252
• Maintaining and Auditing the Pay Program	253
• Keys to Successful Pay Program Maintenance	253
• Ongoing Administrative Activities	254
• Pay Program Audits	254
– <i>Five Steps to Prepare for and Conduct Pay Program Audits</i>	254
<b>12. Sales Compensation Fundamentals</b>	<b>257</b>
• Working with the Sales Organization	257
• Six Areas of Sales Compensation Plan Involvement	260
– <i>1. Problem Resolution</i>	261
– <i>2. Design and Implementation Process</i>	262
– <i>3. Sales Compensation Guiding Principles</i>	263
– <i>4. Competitive Pay Assessments</i>	264
– <i>5. Industry Trends and Practices</i>	264
– <i>6. Plan Effectiveness Assessment</i>	265
• Learning a New Language	265
• Compensation Tied to Total Rewards	266
– <i>Direct and Indirect Financials (Total Pay)</i>	266

– <i>Affiliation</i>	267
– <i>Career</i>	268
– <i>Work Content</i>	268
• Variable Pay Plan Categories	268
• Sales Compensation Philosophy	269
• Guiding Principles	270
• Eligibility for Sales Compensation	270
– <i>Target Earnings</i>	271
– <i>Salary/Incentive Ratio and Target Upside</i>	272
– <i>Salary/Incentive Ratio (Mix)</i>	273
– <i>Target Upside (Leverage)</i>	276
– <i>Plan Measures and Performance Standards</i>	277
• Timing Considerations	281
• Alternative Mechanics	282
– <i>Plan Types</i>	282
– <i>Modifiers</i>	284
• Understanding How Sales Compensation Fits	286
<b>13. Executive Compensation: An Introduction</b>	<b>287</b>
• Owner-Manager Conflict: Agency Theory	288
• Other Theories That Explain and Influence Executive Compensation	289
• External Influences on the Executive Compensation Package	291
• Sources of Data on Executive Compensation	292
• Components of Executive Compensation	293
– <i>Salary</i>	293
– <i>Bonus</i>	293
– <i>Stock Options</i>	294
– <i>Stock Grants</i>	294
– <i>Other Stock-Based Forms of Compensation</i>	295
– <i>Pensions</i>	295
– <i>Benefits and Perquisites</i>	296
– <i>Severance Payments</i>	296
– <i>Change-in-Control Clauses</i>	297
• Making the Offer Attractive	297
• Providing the Proper Incentives	297
• Designing the Contract to Retain the Executive	299
• Restrictions	299
• Minimizing Costs to the Corporation	300
<b>14. Linking Pay to Performance</b>	<b>311</b>
• Determining What to Reward	312
• Documenting Performance Standards	313
• Establishing a Merit Budget	315
• Determining Budget Size	316
• Determining Budget Allocation	316
• Setting Merit Pay Policy	317
• Policy Decisions	317
– <i>Size: Absolute vs. Relative</i>	318



– <i>Timing: Anniversary vs. Common Review</i>	318
– <i>Delivery: Base vs. Lump Sum</i>	319
• Policy Implementation	320
– <i>Performance</i>	320
– <i>Performance and Position in Range</i>	322
– <i>Performance and Position in Range Using Variable Timing</i>	323
• Managing a Merit Pay Plan	324
• Training	325
• Perception of Fairness	325
• How Computer Technology Can Assist Administration	326
• Evaluating a Merit Pay Plan	326
• Merit Pay Advantages and Disadvantages	327
• Linking Results and Competencies to Business Strategy	328
• Determining the Performance Management Cycle	330
– <i>Phase I: Planning Performance for the Upcoming Period</i>	330
– <i>Phase II: Coaching Performance and Giving Feedback throughout the Period</i>	331
– <i>Phase III: Rating Performance for the Just-Completed Period</i>	331
• Performance Rating Approaches	332
– <i>Using Summary Ratings</i>	333
– <i>Employee Responsibility</i>	333
• Multirater Assessment	334
• Linking Performance Management and Pay Delivery	335
<b>15. Cash Bonus Plans and Recognition Programs</b>	<b>338</b>
• What Is a Sign-on Bonus?	338
• Size of Sign-on Bonus	339
• Claw Back Clause	340
• Aligning the Sign-on Bonus with Total Rewards	341
• Executive Sign-on Bonus	341
– <i>Golden Hellos</i>	341
• Potential Pitfalls	342
– <i>Causes Resentment among Existing Employees</i>	342
– <i>Relocation Expenses</i>	342
– <i>Lack of ROI Data</i>	342
– <i>Taking a Risk</i>	342
• Communicating the Sign-on Bonus	343
• What Is a Referral Bonus?	343
• Eligibility	344
• Timing of Cash Award Distribution	344
• Promoting an Employee Referral Program	345
• What Is a Spot Bonus?	348
• Size of Spot Bonus	349
• Spot Recognition Program Guidelines	349
• How to Effectively Use Spot Recognition	351
• Potential Pitfalls	352
• Conducting the Recognition Event	352
• Documenting Recognition	354
• Communicating the Spot Program	354
– <i>Who Does the Recognizing?</i>	354

• Legal and Tax Requirements	355
– <i>Determining Tax Liability</i>	355
– <i>Legal Compliance</i>	355
• What Is a Retention Bonus?	356
• Building a Business Case	357
– <i>Instrumental in Meeting Organizational Goals</i>	360
– <i>Combating Turnover</i>	360
• Retention Bonus Q&A	361
– <i>ERISA Implications</i>	363
• Potential Pitfalls	363
• Communicating the Retention Plan	364
• Cash Bonuses in the Total Rewards Mix	364
<b>16. Equity-Based Rewards</b>	<b>366</b>
• Business Structures	366
• Compensation Plans Using Equity	367
• Benefits Plans Using Equity	368
• Equity Terminology	368
• Evolution of Equity-Based Rewards	369
• Evolution of Stock Options	369
• Evolution of Benefits Plans Using Equity	370
– <i>ESPPs</i>	370
– <i>ESOPs</i>	370
• Why Equity Is Used to Reward Employees	370
• Legal, Tax, and Accounting Issues	371
• Impact of Legislation on Equity-Based Rewards Programs	371
– <i>Internal Revenue Code</i>	371
• Forms of Taxation—Employee	372
• Forms of Taxation—Employer	374
• Accounting Basics—Financial Statements	374
– <i>Income Statement</i>	375
• Accounting for Equity-Based Rewards	375
– <i>APB 25</i>	376
– <i>FAS 123(R)</i>	376
– <i>Equity Accounting Continuum</i>	376
– <i>Impact of Mandatory Expensing</i>	377
– <i>Shareholder Issues</i>	377
• Overview of Stock Options	378
– <i>Key Dates</i>	378
– <i>Stock Option Characteristics</i>	379
– <i>Advantages of Stock Options</i>	379
– <i>Disadvantages of Stock Options</i>	380
• Types of Stock Options	380
– <i>Incentive Stock Option (ISO)</i>	380
– <i>Nonqualified Stock Option (NQSO)</i>	382
• Types of Stock Awards and Alternatives	382
– <i>Performance Share Plan (PSP)</i>	383
– <i>Restricted Stock Award (RSA)</i>	384
– <i>Restricted Stock Unit (RSU)</i>	386
– <i>Performance Accelerated Restricted Stock Award Plan (PARSAP)</i>	386

– <i>Stock Appreciation Right (SAR)</i>	387
– <i>Phantom Stock</i>	388
– <i>Performance Unit Plan (PUP)</i>	389
• <b>The Use of Equity in Benefits Plans</b>	391
• <b>Employee Stock Purchase Plan (ESPP)</b>	391
– <i>Statutory Requirements</i>	391
– <i>ESPP Pro and Con</i>	392
– <i>ESPP Tax Implications for the Employee</i>	392
– <i>ESPP Tax Implication for the Employer</i>	393
• <b>Defined Contributions Plans</b>	393
– <i>Employee Stock Ownership Plan (ESOP)</i>	393
– <i>ESOP vs. Stock Options</i>	394
– <i>Money Purchase Pension Plans</i>	394
– <i>401(k) Plans</i>	395
– <i>403(b) Plans</i>	396
 <b>17. Employee Benefits Basics</b>	 397
• <b>Historical Perspective of Benefits</b>	397
• <b>Elements of Benefits</b>	399
– <i>Income Protection Programs</i>	401
– <i>Pay for Time Not Worked Programs</i>	401
• <b>Benefits Plan Objectives</b>	401
– <i>Employer Objectives</i>	402
– <i>Employee Objectives</i>	402
• <b>Government Regulation of Benefits Plans</b>	403
– <i>Equal Employment Opportunity Commission (EEOC)</i>	406
– <i>Department of Labor (DOL)</i>	406
– <i>Securities and Exchange Commission (SEC)</i>	406
– <i>Pension Benefit Guaranty Corporation (PBGC)</i>	406
• <b>Statutory Benefits</b>	407
– <i>Social Security</i>	407
– <i>Workers' Compensation</i>	410
– <i>Unemployment</i>	410
– <i>Nonoccupational Disability</i>	411
• <b>Health and Welfare Plans</b>	411
– <i>Health and Welfare: A Brief History</i>	411
– <i>Health and Welfare Plan Elements</i>	412
• <b>Health Care</b>	412
– <i>Health Maintenance Organization (HMO)</i>	412
– <i>Preferred Provider Organization (PPO)</i>	412
– <i>Point of Service (POS)</i>	413
– <i>Point of Service (POS) Key Characteristics</i>	413
– <i>Indemnity Plans</i>	414
– <i>Prescription Drugs</i>	415
– <i>Behavioral Health</i>	415
– <i>Dental Plans</i>	415
– <i>Vision</i>	416
– <i>Long-Term Care</i>	416