

**Title:** Many bennies. (employee benefits from small businesses)

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Small businesses -- the heart of Colorado's economy -- use benefits to keep those hard-to-find workers happy.

Two years ago, Shila Medina was working at a bank. The single mother of two young children paid \$175 each month for family medical benefits, not including deductible. Then Bud Morairty offered her a job at APH Service Co., his air conditioning, plumbing and heating firm.

With around 50 employees, he couldn't offer her a higher salary. But the medical benefits -- Kaiser's top-of-the-line -- were better than the bank's. Medina leapt at the opportunity. "When it's two kids and it's just you, benefits are important," she says.

Today, Medina pays \$80 a month for medical benefits, plus a \$5 co-pay per visit, and there's no pre-existing condition clause. Even her daughter's CAT scan cost only \$5.

With unemployment in Colorado still below the national average, competition for high-quality employees is keen. Businesses with fewer than 100 people make up 98 percent of all companies and comprise 62 percent of the state's privately employed work force, according to Colorado's Department of Labor and Employment.

While those companies recognize benefits are an important tool to increase productivity and retain high-quality workers, they usually lag behind big companies because they have neither the time, money nor manpower to compete, particularly those with fewer than 10 employees.

Here's a look at how some of Colorado's small employers are using employee benefits, both formal and informal, to attract employees. And how one firm is maintaining the casual, caring atmosphere of a small company while growing fast.

High-quality workers tend to choose firms that offer a better benefits package, while others look for cash up front, according to CSU finance professor Vickie Bajtelsmit, who specializes in employee benefits and pension plans. Health care is the major issue for employers, she says. Still, and this is particularly true for small companies, "Employers can't afford to give the employee everything they want to give them, and there's a lot of

evidence the employees don't value their benefits at their true cost," she says.

Small company owners often offer benefits so they can have benefits, too; states brokerage consultant Nancy Murray. And, "It's tax-deductible for them."

Benefits also mean more in an era when employees frequently work longer hours. U.S. Department of Labor data say employees at all occupational levels are working about 20 percent more than they did in 1969.

The increasingly popular defined-contribution benefit plans, in use by virtually all small firms that offer benefits, allow employees to take pension contributions to the next employer. Employees are responsible for investing their funds, so only their contributions are certain. That's unlike the traditional defined-benefit plan, in which the employer invests retirement funds and guarantees a payout at retirement.

"Progressive organizations today are recognizing that employees are, first, people -- who have personal situations, perspectives, problems and opportunities outside the workplace that affect their work attitudes and behaviors," writes Suzanne McKenney in Hewitt Associates' new study, *What Employers Want, What Employees Need*.

It's just good business, says Susan Weindling, director of communications at Evolving Systems Inc. in Englewood, a UNIX software developer that designs infrastructure for Fortune 500 and telecommunications companies. "If you take care of your people, you're going to take care of your customer. And if your customer's happy, you're going to meet your goals."

The 10-year-old, 480-employee firm has doubled both revenues and employees in each of the last three years, but its founders maintain what Weindling calls a "small-business, entrepreneurial mentality. ... Quality of life is really important for them."

ESI is chasing a small labor pool -- software architects -- and so benefits play a large role.

Everyone has an office with a door and a window, not a cubicle. Everyone gets company-paid medical insurance, a 401(k), an RTD EcoPass -- and a free cab ride home when they work late.

But many benefits don't cost the company a dime. Dry cleaning and shoe repair people pick up and deliver. A hairstylist comes once a week; a masseuse, twice. Employees pay for the services.

There's also telecommuting and flextime, with a twist. "We base everyone's wages on a 2,000-hour work year and if you get your 2,000 hours in before Thanksgiving, you can have the rest of the year off," Weindling says.

"What we've found with our flextime is that people really don't have a great need for child care or elder care because they can pretty much work whatever hours they want."

There are no salaries; employees are paid hourly, which can be lucrative in this industry. For those with an illness or family problems, a hardship fund to which other employees can donate time helps them stay on track.

But ESI's office parents probably are the most comforting benefit. "They are here strictly to take care of the employees," Weindling says. "They have everything from Band-Aids to antacids to cough syrup to safety pins and sewing kits. They water your office plants and they've been known to go out and get you chicken soup." They also stock kitchens, coordinate meetings and handle lunch orders.

Employee benefits vary with industry as well as with company size, says benefits consultant Peggy Sandbak, of Sandbak & Co. in Genesee. "I think it's a more dominant issue in your professional, technical-type organization vs. manufacturing, blue collar-type organizations."

U.S. Bureau of Labor statistics back her up. In 1992, 83 percent of professional and technical employees had medical insurance; only 61 percent of their blue-collar and service counterparts were covered.

This puts APH right at the top. Few of its competitors provide field-service people with medical insurance, paid vacations or holiday pay. APH provides short-term disability, and cancer and intensive care coverage; long-term disability is on the way.

In a cafeteria (flexible benefit) plan, employees can select benefits to prevent duplication of a spouse's benefits.

Because APH offers its Kaiser coverage as part of a cafeteria plan, employee contributions are deducted pre-tax. They estimate that 34 percent to 50 percent of an employee's hourly minimum goes to health care.

APH matches the first 3 percent of employee contributions to the 401(k) plan. Co-owner Christi Herbert, who estimates that 3 percent to 5 percent of her time goes to benefits administration, explains to each new hire why 401(k) investment is important. All but two eligible employees are participating.

Technicians rotate being on 24-hour emergency call, for which they get overtime pay. "We can't compete (on price) with the guy who's working out of his pickup," says General Manager Tom McAlbin, but APH won't quit offering benefits. "Our people have a right to earn a living, they have a right to benefits, a right to a family life." APH gives Christmas bonuses based on performance as well as six vacation awards.

But APH also asks more from its people in professionalism and accountability than most service companies. Each tech must complete at least 100 hours of continuing education annually, and that is either fully or partially paid for by APH or equipment manufacturers.

"We want people to come to this organization and stay here," McAlbin says. "There are fewer and fewer people moving into the technical trades and training is expensive."

Business is booming. After 30 years servicing only the commercial side, APH entered the residential market in 1992. Since then, in residential add-on alone, APH has grown from gross sales of \$185,000 to a projected \$3.5 million this year.

While most APH office employees work 8-5, single mother Medina is allowed to work 6:30-3:30, and she says it helps her productivity.

Alternative work schedules are great options for small companies because they cost nothing, says Robin Kane, founder of Career Choices, a nonprofit organization that promotes alternative work schedules.

Mike Garver faces the difficult problem of keeping seasonal employees in ski towns. "It's pretty tough to offer good benefits for somebody who's only here for a six-month period of time," says the assistant general manager of The Managers Inc., a 65-employee, Summit County property management company whose work force balloons to 90 during ski season.

During ski season, the company helps finance ski passes for employees -- over four pay periods. "We have a benefit package that phases in to encourage them to stay," Garver says. The package includes company-paid (based on seniority) medical care; dental and vision; profit-sharing and a 401(k) plan.

Many companies offer tuition aid, whether for one job-enhancing course or a full MBA program. For example, Jane Wells, director of the executive MBA program at CSU-Denver, says about 100 companies have fully or partially paid the costs of MBA educations for their employees in seven years. Companies currently subsidizing MBA educations for their workers include U S West, AT&T, Lockheed Martin, Amoco, Texaco, Xerox, Coors and Jacobs Engineering.

Companies kick in anywhere from \$2,000 up to the full two-year program cost of \$24,000, Wells says.

Denver-based Pumpkin Masters, a 15-employee firm that makes pumpkin-carving kits sold nationwide at discount department stores and supermarkets, offers child care, medical, vision, dental, alternative medical coverage (such as massage, chiropractic and homeopathy) and a SARSEP on a cafeteria plan. (A SARSEP is a retirement plan for companies with fewer than 25 employees.) Once a year, employees receive a lump sum that they allot, pre-tax, to various categories. The plan reflects President Kea Bardeen's beliefs in choice and alternative health care.

"It's very important to me that all my employees have health coverage," Bardeen says. "I wasn't able to afford to provide that when we were really small and we weren't making

any money.

"But once the company was viable and we could move out of my house, we looked for a benefit package that we felt best fit our current employees and the ones we were likely to have."

CSU's Bajtelsmit says cost prevents most small businesses from offering such a creative plan. Pumpkin Masters' accountant estimates she averages about one day each month on benefits administration.

Pumpkin Masters tries to meet employees' child-care needs. Sick leave policy includes children's illnesses. And the company created its first job share to accommodate a key employee who gave birth to her fourth child 18 months ago.

Production and Shipping Manager Linda Spadaro came to Pumpkin Masters after mentioning during a carpooling session with Bardeen that she needed more than part-time work, yet wanted to be home when her kids arrived from school. At Pumpkin Masters, her full-time hours coincide with her children's.

"The benefit of working in a small company with some flexibility around my hours was much more of an incentive than formal benefits," Spadaro says. Because she has health coverage through her husband, Spadaro uses her spending account for in-home child care and day camp during the summer, as well as for a SARSEP contribution and massage.

"I think the real strength in working for a small company is the effort the company makes to allow you to integrate your work and your personal life," Bardeen says. "I think these kinds of benefits are much more important than the cafeteria plan."

That's how they feel at the New family's organic White Mountain Farm in tiny Mosca (population 200), north of Alamosa. Full-time employees are eligible for the medical plan, but most don't participate.

The real benefit of working for a place like White Mountain Farm, says Lou Hiner, who laughs at the idea of anybody there having a job title, is that "Nobody's breathing down your neck and writing you up if you sneeze. Here, it's worse. They laugh at you."

White Mountain Farm's 14 employees can take home all the free potatoes and vegetables they like. It's the same organic quinoa and produce sold across the country and locally to Alfalfa's and Wild Oats Markets, the Fort restaurant and Shamrock Foods. Family matriarch Viola New cooks everybody lunch.

Hiner works while her daughters are in school, from 8:30-3. In the winter, her hours are longer. On late nights, Ernie New orders in pizza.

"If my kids are home sick, I can bring them here," says Hiner, whose family farm is nearby. "Day care's not a problem to me. I wouldn't work if it was, because the family's

first.

"Here, their family's first, too, and they understand how everyone feels about that and respects it."

And that just may be the greatest benefit a small company can offer.

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Business large and small offer a variety of benefits to lure employees. Many items listed here reflect the changing economy and workforce; others are the old standbys. Here's what's out there:

- \* Accident insurance
- \* Adoption expenses
- \* Alternative medical coverage (chiropractic, massage, holistic, etc.)
- \* Cafeteria plans
- \* Day care (on-site and off-site; care-finding assistance, pretax vouchers, financial assistance)
- \* Dental coverage
- \* Dependent-care days
- \* Discount prices on company's product or services
- \* Elder care
- \* Employee assistance programs
- \* Financial planning from an outside consultant
- \* Flexible spending accounts
- \* Flextime
- \* 401(k) plans
- \* Free cab ride home when working late
- \* Group auto insurance

- \* Holidays (paid)
- \* Housing resource and referral
- \* Job-sharing
- \* Leave (parental/family; paid/unpaid personal)
- \* Life insurance
- \* Long- and short-term disability
- \* Long-term care coverage (for employee and/or relatives)
- \* Meals
- \* Medical coverage
- \* Mortgage assistance
- \* Office parents
- \* On- or near-site banking
- \* On-site services made available, employee-paid (dry cleaning, massage, shoe repair, etc.)
- \* Pension plans
- \* Pre-paid legal services
- \* Pre-retirement counseling
- \* Prescription coverage
- \* Profit-sharing
- \* Public service leaves (military, jury duty)
- \* Relocation time off (paid)
- \* RTD EcoPass
- \* Savings plans
- \* Sick leave

- \* Ski passes
- \* Stock bonuses and employee stock ownership plans
- \* Telecommuting/Work-at-home policies
- \* Time-off banks
- \* Tuition aid/reimbursement
- \* Vacation time
- \* Vision coverage
- \* Wellness programs

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