



INSTITUTO  
UNIVERSITÁRIO  
DE LISBOA

---

**The Impact of Flexible Compensation in the Employee's Satisfaction:  
an in-company project**

Marta Stichaner Maldonado Nogueira das Neves

Master's in management

Supervisor:  
Professor Nuno Alexandre Guerreiro Pedro, Invited Professor, ISCTE-  
IUL  
Business School, Department of Marketing, Operations and General  
Management

November, 2022

**The Impact of Flexible Compensation in the Employee's Satisfaction:  
an in-company project**

Marta Stichaner Maldonado Nogueira das Neves

Master's in Management

Supervisor:  
Professor Nuno Alexandre Guerreiro Pedro, Invited Professor, ISCTE-  
IUL  
Business School, Department of Marketing, Operations and General  
Management

November, 2022

# **The Impact of Flexible Compensation in the Employee's Satisfaction: an in-company project** Marta Stichaner Maldonado Nogueira

das Neves





## **Acknowledgments**

Firstly, I would like to thank my family and friends who accompanied throughout this journey, for their support and unconditional love this year.

I would like to thank Professor Nuno Pedro for his constant availability, effort, support, and feedback along the development of this in-company project. This support was fundamental in guiding me along this path.

Finally, I would like to thank the company where this project was carried out by providing essential information and data for the development of this study.

A simple thank you is not enough. I feel immensely grateful to everyone who contributed to helping me overcome this challenge.



## **Resumo**

A compensação é um fator decisivo no que diz respeito à escolha de um indivíduo em decidir a empresa onde pretende trabalhar, principalmente nos tempos de hoje. Pelo que, a compensação flexível tem vindo a ganhar maior interesse e atenção por parte das empresas, para conseguirem atrair e reter mais talento, como para aumentarem a sua proposta de valor e competitividade.

O in-company project desenvolvido tem lugar num contexto de uma empresa multinacional em Portugal do setor tecnológico, traduzindo-se numa análise do plano de benefícios flexível implementado e da satisfação gerada nos colaboradores, com o objetivo de responder à questão de pesquisa “Que compensação flexível foi implementada pela empresa, como isso afeta os colaboradores e o que pode ser feito para aumentar a satisfação dos colaboradores?”. Neste sentido, foram traçados como objetivos a definição de conceitos chave, analisar a realidade atual da empresa em termos de políticas de compensação flexível, avaliar o impacto da compensação flexível na satisfação dos colaboradores e sugerir recomendações que promovam a satisfação por via da compensação flexível.

Os dados coletados foram por meio de uma entrevista com a Diretora de Recursos Humanos da empresa, e através da elaboração de um questionário aos colaboradores. Como conclusão, foi possível verificar no universo de estudo, que os colaboradores não estão totalmente satisfeitos com o plano de benefícios implementado, nomeadamente a nível do leque de benefícios disponibilizados, bem como o valor de bolsa atribuído.

Adicionalmente, são analisadas soluções atrativas de compensação flexível visando proporcionar maior níveis de satisfação.

**Keywords:** Compensação, Benefícios Flexíveis, Satisfação dos Colaboradores, Gestão de Compensação, Atração e Retenção de Talentos

**Classificação JEL:** M52 - Compensation and Compensation Methods and Their Effects; J28 - Safety • Job Satisfaction • Related Public Policy



## **Abstract**

Compensation is a decisive factor regarding an individual's choice in deciding the company where it wants to work, especially in today's times. Therefore, flexible compensation has been gaining more interest and attention from companies to be able to attract and retain more talent, as well as to increase their value proposition and competitiveness.

The in-company project developed takes place in the context of a multinational company in Portugal in the technology sector, translating into an analysis of the flexible benefits plan implemented. The satisfaction generated in employees, to answer the research question "What flexible compensation has been implemented by the firm, how it impacts employees, and what can be done to increase employee satisfaction? In this sense, the objectives were to define key concepts, analyse the company's current reality in terms of flexible compensation policies, assess the impact of flexible compensation on employee satisfaction, and suggest recommendations that promote satisfaction through flexible compensation.

An interview with the Chief People Officer was conducted, and a survey to the employees was elaborated to gather data. In conclusion, it was possible to verify that in the universe of study, the employees are not completely satisfied with the implemented benefit plan, namely in terms of the range of benefits available and the flex balance assigned.

Additionally, attractive solutions are analysed in terms of flexible compensation to provide greater satisfaction levels among employees.

**Keywords:** Compensation, Flexible Benefits, Employee Satisfaction, Compensation Management, Talent Attraction and Retention

**JEL Classification:** M52- Compensation and Compensation Methods and Their Effects; J28 - Safety • Job Satisfaction • Related Public Policy



## Table of Contents

|   |      |
|---|------|
| Acknowledgments .....                                   | ii   |
| Resumo .....  | iv   |
| Abstract.....   | vi   |
| Table of Contents.....                                  | viii |
| Table of Figures .....                                  | x    |
| List of Tables .....                                    | xii  |
| 1 Introduction .....                                    | 1    |
| 2 Literature Review .....                               | 2    |
| 2.1 Compensation Overview .....                         | 2    |
| 2.1.1 Key Concepts .....                                | 3    |
| 2.1.2 The Importance of Motivation .....                | 5    |
| 2.1.3 Benefits and Rewards .....                        | 6    |
| 2.1.4 Pay and Job Satisfaction .....                    | 8    |
| 2.2 Compensations Schemes and Types .....               | 9    |
| 2.2.1 Agency Theory.....                                | 10   |
| 2.2.2 Output-based Schemes and Piece-Rates .....        | 11   |
| 2.2.3 Profit-Sharing Schemes .....                      | 11   |
| 2.2.4 Wages.....  | 12   |
| 2.2.5 Pay- for-Performance and Skill-based Schemes..... | 12   |
| 2.2.6 Promotions-bases incentives and Bonus.....        | 13   |
| 2.3 Reward strategies and country context.....          | 14   |
| 2.4 Flexible Benefits .....                             | 15   |
| 2.5 Summary of Empirical Studies .....                  | 18   |
| 3 Methodology.....                                      | 19   |
| 3.1 Research Context.....                               | 19   |
| 3.2 Research Design.....                                | 20   |

|       |  |    |
|-------|--|----|
| 3.3   | Data Collection.....                       | 20 |
| 3.4   | Data Analysis .....                        | 21 |
| 3.4.1 | Interview .....                            | 21 |
| 3.4.2 | Survey .....                               | 22 |
| 3.4.3 | Observation Data .....                     | 26 |
| 4     | Compensation Management Platforms.....     | 27 |
| 5     | What was Implemented? .....                | 30 |
| 5.1   | Flexible Benefits Scheme.....              | 31 |
| 6     | Proposed Implementation / Suggestions..... | 33 |
| 6.1   | Suggested Flexible Benefits .....          | 33 |
| 6.1.1 | Technology & Telecommunications.....       | 34 |
| 6.1.2 | Parking .....                              | 34 |
| 6.1.3 | Gym.....                                   | 35 |
| 6.1.4 | Fuel Tickets.....                          | 35 |
| 6.1.5 | Additional Vacation Days.....              | 36 |
| 7     | Conclusions & Recommendations.....         | 38 |
|       | Limitations & Next Steps .....             | 39 |
|       | References.....                            | 40 |
|       | Appendixes .....                           | 46 |
|       | Appendix A – Interview Transcript.....     | 46 |
|       | Appendix B – Applicable Legislation .....  | 53 |

## **Table of Figures**

|   |    |
|---|----|
| Figure 1 – Objective Measures of Benefit Program Characteristics (Dreher, Ash and Bretz; 1988)..... | 6  |
| Figure 2 – Taxonomy of Incentive Compensation (Lazear, 2000c) .....                                 | 10 |
| Figure 3 – Summary of Empirical Studies (Author’sf elaboration) .....                               | 18 |
| Figure 4 – Main Benefits Management Platforms (Author’s Elaboration) .....                          | 29 |
| Figure 5 – Benefit Management Platforms: Flexible Benefits Comparison (Author’s Elaboration).....   | 29 |



## **List of Tables**

|   |    |
|---|----|
| Table 1 - Key Concepts Definitions .....  | 3  |
| Table 2 – Survey Demographic Questions (Author’s Elaboration).....              | 22 |
| Table 3 - Mean of Transportation Used to Go to Work (Author’s Elaboration ..... | 23 |
| Table 4 - Health Insurance Plan Decision-Making (Author’s Elaboration) .....    | 23 |
| Table 5 - Health Insurance Plan Choice Categories (Author’s Elaboration).....   | 24 |
| Table 6 - Flexible Benefits Choice .....  | 24 |
| Table 7 - Flexible Benefits Valorisation.....                                   | 25 |
| Table 8 - Additional Flexible Benefits Options.....                             | 25 |
| Table 9 - Spain Flexible Benefits Legislation .....                             | 26 |
| Table 10 - Health Insurance Plans Coverages .....                               | 30 |

## 1 Introduction

The flexible compensation model has been growing in the consideration and choices of employees. In Portugal, around 6 out of 10 employees have flexible benefits offered by their companies (CoverFlex, *O estado da compensação 2021-22 – Um estudo sobre o futuro do trabalho e o trabalho do futuro*). This topic has gained increasing importance, becoming a crucial factor in decision-making regarding talent retention.

According to data collected from the Cobee on *Relatório Portugal Tendências nos Benefícios para Colaboradores 2022: Prioridades para o bem-estar do colaborador*, the two most decisive factors are time flexibility and social benefits when considering a job offer. The first reason is the balance between work and personal life, which raises the level of commitment and employee satisfaction. Secondly, the social benefits, as this is compensation that employees can enjoy. The more innovative this range of benefits and personalized offers, the more interesting it will be for the employee. The offer of benefits conveys a sense of concern on the company's part to the employee, feeling valued.

Especially during this pandemic, it has become a vital issue about retaining talent in a company, as people are increasingly looking for a balance between personal and professional life and looking for companies that value their employees, focusing on well-being.

It is gratifying to have this opportunity of developing an in-company project in a multinational company. This in-company project seeks to address the question: What flexible compensation has been implemented by the firm, how it impacts employees and what can be done to increase employee satisfaction? Aiming to analyse the flexible compensation implemented and followed, evaluate employees' satisfaction, and suggest improvements. The main objectives of this research are:

- To define key concepts such as Compensation, Benefits, Pay structure
- Analyse the current reality of the firm in terms of flexible compensation practices
- To evaluate the impact of flexible compensation on employee satisfaction
- Suggest recommendation to promote satisfaction via flexible compensation

As required by the company, this is an anonymous thesis, to not compromise the business's competitive and value position.

## **2 Literature Review**

In this section, relevant literature will fundament the importance of the research topic. Distinct approaches within the field of study will be explored, along with the definition of essential concepts, referencing studies and scholars.

### **2.1 Compensation Overview**

The topic of compensation has been researched and studied across different subjects in sociology, psychology, economics, and finance. The importance of compensation has been acknowledged over history in the field of organisational management and employee control. (Dulebohn & Werling, 2007).

Compensation plays a vital role in individuals' lives, considering that nearly all of us must work to live. Task performance without compensation would undoubtedly lead a more significant part of workers not to perform any assignments and responsibilities. Several economists across the decades have recognised the value of incentives, which are a vital factor in inducing labour and getting the economy to proceed. (Lazear, 2018). The "Compensation" concept theoretically refers to any payment method made to employees, whether directly or indirectly, essentially in wages, benefits, bonuses, and stocks. (Gerhart, Milkovich & Murray; 1992).

The authors, James Heyman and Dan Ariely(2004), argued in their study about the linkage between compensation and effort, which is dependent on the distinguishment of market context, monetary markets and social markets. Both markets differ in various aspects, such as in compensation kind offered and the type of service or good exchanged. This research supports exchanging efforts by offering a gift or money. It was evident by the findings that when money is mentioned, the motivation of reciprocity prevails, with sensitivity to payment being sufficient to change from a social market relationship to an association with the money market. Otherwise, when there was no mention of any exchange except for gifts, individuals' actions were more altruistic.

Higher wages can supplement non-monetary rewards, although they are only employed when a significant incentive is provided to egoistic managers to resemble altruistic managers. (Dur, 2009).

In money markets, individuals are motivated by reciprocity, meaning an exchange of performance per compensation and total payment. Consequently, both factors will dictate the

level of effort exercised. (Clark & Mills, 1993; Fehr & Falk, 2002). On the other hand, in social markets, compensation is not a decisional factor; for individuals, it prevails hard work over reward. (Cialdini, 1997).

Researchers have argued about executive compensation according to good and bad luck. They finally remark that removing luck from the executive's remuneration package is much less significant than reliability in this decision over time. The use of external benchmarks in performance evaluation should be used both when they increase and when they decline. The authors' thesis about pay for luck merely provides executives an exchange between market return and assuming the systematic risk is only legitimate if compensation preserves sensibility performance when luck fails. (Garvey & Milbourn, 2006).

### 2.1.1 Key Concepts

*Table 1 - Key Concepts Definitions*

| Concept                   | Definition   |
|---------------------------|--|
| <b>Base Pay</b>           | “The base rate is the amount of pay (fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for manual workers, the level of skill required. Base pay may be express as an annual, weekly or hourly rate.”<br>(Armstrong, 2006) |
| <b>Salary</b>             | “(…) defined as a cash compensation that is determined at the beginning of an annual pay cycle” (Abowd & Kaplan, 1999)   |
| <b>Total Remuneration</b> | “(…) is the value of all cash payments (total earnings) and benefits received by employees. (…) is based on the principle of treating all aspects of pay and benefits provision as a whole”<br>(Armstrong, 2006)   |

---

|                       |   |
|-----------------------|---|
| <b>Raises</b>         | “(…) refer to the individual’s changes in pay level.” (Heneman III & Schwab, 1985)  |
| <b>Annual Bonus</b>   | “(…) defines as cash compensation that is determined at the end of an annual pay cycle and is based on only one year’s worth of performance information”<br>(Abowd & Kaplan, 1999)  |
| <b>Pay Level</b>      | “Refers to the individual ‘s current direct (wage or salary) compensation”<br>(Heneman III & Schwab, 1985)<br>Gerhart, Milkovich & Murray in 1992, described pay level in terms of average compensation, paid by a specific firm in comparison to its rivals.   |
| <b>Pay Structure</b>  | It refers to the organizational hierarchy regarding salary bands linked to different functions within the firm context. There’s scope to have a pay progression under better performance.<br>(Armstrong, 2006 ; Heneman III & Schwab, 1985)   |
| <b>Job Evaluation</b> | It consists of the establishment of jobs worth, considering the job value and content, within a certain organization. Since the results of the process involves instituting pay differentials and produce a job structure, whereby positions are ranked according to their value. Due that, job evaluation is considered to be an internal equity base. (Dulebohn & Werling, 2007). |

---

---

|                          |   |
|--------------------------|---|
| <b>Career Management</b> | Referred as a variety of individual activities that influence how individuals move through their careers and experiences. Englobes indicators such as organizational policies, educational level, work performance and regeneration (Wang & Wanberg, 2017). |
|--------------------------|---|

### 2.1.2 The Importance of Motivation

Reliable evidence suggests that motivation is linked with compensation. Motivation refers to the reason, incentive, and energy that an individual has towards an end, being considered goal-directed behaviour. It can be characterised according to its level (how much motivation) and by its orientation (what type of motivation). (Armstrong, 2006 ; Ryan & Deci, 2000).

In 1959, Herzberg et al. distinguished two types of motivation, intrinsic and extrinsic. In the study, the authors describe intrinsic motivation as self-generated factors that drive individuals to act in a certain manner. These aspects include responsibility, the opportunity to make use of skills and talents development, autonomy, fascinating and demanding work, and prospects for growth. On the other hand, extrinsic motivation encompasses rewards (higher salary, praise, or job promotion) also as punishments (corrective action, critiques, withholding pay).

The most evident extrinsic incentive is money, whether in the form of remuneration or in another type of payment. Certain individuals will be much more driven by money than others, such as those on fixed salaries or rates of pay which may not immediately benefit from an incentive program. Therefore, it is explanatory that money stimulates people in different ways and doesn't drive everyone equally well. It's also recognised as a powerful direct or indirect force to fulfil various needs and provide regular security and sustenance. While money has no intrinsic value, it generates considerable motivating ability as a symbol for a diversity of intangible ambitions. (Armstrong, 2006; Judge et al., 2010)

### 2.1.3 Benefits and Rewards

Benefits and rewards are of great importance for employees, as the company meets basic needs such as economic, social and security demands; having a greater range of benefits available will lead to an increase in satisfaction of its employees and their loyalty. Workers' behaviour is influenced by the benefits program offered; therefore, it affects current and future behaviours in terms of decision-making and expectations management. When it comes to strategic performance management, rewards and benefits play a crucial role. (Dreher, Ash & Bretz, 1988; Patiar & YingWang, 2020).

Benefits are the costs that the company has, as a form of indirect payment, to provide its employees with health insurance, retirement income, pensions, sick day, and annual holidays, among others. (Heneman III & Schwab, 1985; Abowd & Kaplan, 1999; Armstrong, 2006). In Figure 1, it is provided with the definitions of some benefits, explained by Dreher; Ash and Bretz in 1988.

| <i>Objective Measures of Benefit Program Characteristics</i> |   |
|--|---|
| Benefit characteristic                                       | Variable definition   |
| <b>Coverage provision:</b>                                   |   |
| Life Insurance   | The dollar amount of term life insurance provided at no cost to the employee. This amount often varied as a function of employee salary (i.e., the amount of term insurance increased as salary increased).   |
| Holidays   | The number of paid holidays provided per year.  |
| Vacations  | The average number of vacation days per year available to an employee over a 20-year career.  |
| Retirement benefits  | Retirement benefit, expressed as a percentage of salary, for an individual retiring with 20 years of service. For participating organizations, social security benefits were included in calculating this value.  |
| Disability protection  | Disability protection, expressed as a percentage of salary. This value was calculated for the "average" employee. This represents the continuing income for an individual disabled at age 38, with three dependents, and with 13 years of service. For participating organizations, social security benefits were included in calculating this value. |
| Sick leave   | The average number of days (per year) of sick leave available to an employee over a 20-year career.   |
| Health insurance   | To represent the overall quality of the health insurance plan, the question was asked: Given a \$10,000 medical expense, how much would be covered by the insurance plan? This takes into account deductibles and co-insurance provisions   |
| <b>Employee costs:</b>                                       |   |
| Health insurance premium                                     | The amount paid by the employee per pay period to become eligible for health insurance coverage. This was calculated at the level of the individual, taking marital status and number of dependent children into account.   |
| Retirement contribution                                      | The amount, expressed as a percentage of salary, that the employee contributes to the retirement pension fund. For participating organizations, employee contributions to social security were included in calculating this value.  |

*Figure 1 – Objective Measures of Benefit Program Characteristics (Dreher, Ash and Bretz; 1988)*

Armstrong outlined the four employee benefit objectives in 2006, such as ensuring that employees' personal needs are met and enhancing workers' sense of commitment to the firm. Offering benefits has also the objective of providing an all-inclusive compensation plan that is appealing and competitive, with the intention of attracting and retaining high-quality employees. The final goal to be attained is to offer a tax-efficient source of payment for some individuals.

According to Armstrong (2006), reward management can be defined as follows: "Reward management is concerned with the formulation and implementation of strategies and policies, the purposes of which are to reward people fairly, equitably and consistently under their value to the organisation and thus help the organisation to achieve its strategic goals." While the core principle of reward management is that rewards influence employees' actions and behaviours, being characterised as a non-direct association. (De Gieter & Hofmans, 2015).

Regarding rewards, there are several policies; in Armstrong's Handbook (2006), they are described such as attaining equal compensation; information dissemination transparency; total rewards method, considering "market stance" when it comes to the reward level, meaning a comparison between internal compensation rates with market rates. Total rewards can also be defined as financial rewards and non-financial rewards that employees can have access to. Some other policies essentially emphasise internal equity and external competitiveness; the extent to which contingent pay, which is the connection between regards and skills, capability, involvement, and performance; and finally, the line's manager's role.

As was previously mentioned, we can categorise rewards as having a financial nature or non-financial. The monetary or financial rewards are considered indirect incentives operating since they give a concrete method of honouring accomplishments. Individuals' belief in being rewarded according to future actions is implied by expectancy theory. This kind of reward stems from the possibility of being exchanged for wanted needs (goods and services). (Armstrong, 2006 ; Gieter & Hofmans, 2015). Examples of monetary rewards are basic pay, bonuses, short-term incentives, and long-term incentives (Chiang & Birtch, 2011; Aguinis, Joo, Hottfredson, 2013).

On the other hand, non-financial or non-monetary rewards refer to the type of rewards that result from work effort, on the individual's professional growth, such as autonomy, skills and abilities development, among other factors, which do not consist of direct pay. (Armstrong, 2006). Besides financial rewards, there has been a categorisation of non-financial rewards, namely material rewards or benefits and psychological rewards. The first one regards benefits with a financial value, being considered tangible rewards, however, without implying that employees benefited monetarily. An example of this concept is health insurance. Psychological rewards are positive appraisal outcomes from social relationships, such as between employees and their colleagues, superiors, or even clients. In translation, it does not necessarily suggest financial costs for the company. (Chiang and Birtch, 2011; De Gieter et al., 2012).

In the same line of thought, perceived organisational support is also related to rewards. Eisenberger et al. (1986) have argued about understanding if organisations are prepared to reward their employees in exchange for higher work effort to fulfil their needs. Considering employees' global beliefs about the organisation's vision of valuing their contribution and concern with their well-being is how it determines perceived organisational support. There are several influential aspects of this support, such as the sense of fairness by the employer when it comes to compensation, the employer's response to potential mistakes, as well as the creation of appealing and meaningful jobs. Overall, the firm's support would build reward expectation in return for more effort. Leading to the achievement of stated organizational goals, which is known as effort-outcome expectancy.

Kornelakis (2018) has identified some rewards strategies failures and explained the reason they were not working. One main reason is the misunderstanding of innovative workplace strategies that do not operate separately and regarding the top-down method that usually does not work as well as expected. Another critical point is that the majority of the reward design is mainly aimed at the CEOs' and top managers' interests aligning with the ones of stakeholders that do not consider nearly all of the employees. Lastly, the author also argues that rewards strategies are involved in a broader seek for best practices without taking into account the country's context itself.

#### **2.1.4 Pay and Job Satisfaction**

Permana et al. (2021) have done research on the effect of compensation and career development on lecture job satisfaction. The authors have defined job satisfaction as the level of satisfaction employees develop about their job, meaning how much they like the job performed. It has been demonstrated in this research that there's an impact of compensation in the variable job satisfaction. financial compensation. Job satisfaction variables are influenced by career progression, being career management the most impactful dimension. Considering the overall findings, the authors could conclude that to improve the lecturer's job satisfaction, it should be provided additional.

The three main dimensions of job satisfaction, the first one being named as individual factors, such as the person's health, age, expectations and personality. Another dimension that has been argued is social factors, which englobes community opinions, creative opportunities, unification activities for employees, and social relationships, among others. The final

dimension consists of the main factors in work. Therefore wages, job security, work conditions, and supervision are considered. (Bayarçelik & Findikli, 2016).

The term pay satisfaction is characterised as the employee's level of satisfaction, meaning the extent to which the individual is satisfied with the compensation received. (Williams *et al.* 2006). These authors have conducted research, a meta-analysis, of the antecedents and consequences of pay level satisfaction, to which important findings were discovered. Such results as the impact of ethnicity on pay level satisfaction are considered a moderate relationship. Job characteristics are moderately and positively related to pay satisfaction. An interesting finding is a fact that turnover intentions have a moderate relationship with the variable pay satisfaction.

Judge *et al.*'s (2010) study has been the first meta-analytic demonstration of the relationship between pay and job satisfaction by presenting a meta-analysis of the literature. Together these results suggest studies that there is a positive correlation between pay level and both pay satisfaction and job satisfaction. Moreover, these findings imply that individuals that receive higher monetary compensation are considered a little more satisfied compared with those that make less money.

There's evidence that benefit satisfaction tends to achieve greater levels when coverage is improved and diminishes higher employees' costs. (Dreher, Ash & Bretz, 1988). The authors highlighted the most important argument to consider from these findings is the fact that it is impossible to examine the association between benefit coverage and benefits satisfaction without considering direct employee expenditures and the control of these and considering the relationship within all components that englobes the compensation scheme. It has been argued that organisations that practice higher salaries, consequently the benefits scheme offered, have lower quality.

Overall, despite the emphasis on financial rewards or benefits, little evidence has been provided in terms of the satisfaction of other rewards forms' relationship with turnover intentions. (Williams *et al.*, 2006).

## **2.2      Compensations Schemes and Types**

Employees' motivation is strongly impacted by compensation, also related to management, due to the importance of persuading employees to perform tasks that are beneficial to the company, although it would not be offered voluntarily. When a firm reaches the point of which exhausted

profitable methods to achieve higher levels of productivity beyond making adjustments in the compensation structure, it may discover the possibility to increase productivity by the mean of influencing employee preferences. Nearly all the labour component of GDP is derived from paid work and not from voluntary labour. At the most fundamental level, it is substantial evidence that compensation impacts employee behaviour (Lazear, 2018).

Lazear (2000c) has explained the taxonomy of incentive compensation, to which different payment schemes are differentiated. (Figure 2)

| <b>Taxonomy of Incentive Compensation</b> |  |   |
|---|--|---|
|   | <i>Payment on Input</i>  | <i>Payment on Output</i>                                      |
| Discrete                                  | Pay per hour with a specified hours requirement                      | Fixed payment for completion of construction project          |
| Continuous                                | Time-based pay that allows worker choice of labor units supplied     | Piece rates   |
| Relative                                  | Promotion tournaments based on subjective relative effort evaluation | Promotion tournaments based on some metric of relative output |

*Figure 2 – Taxonomy of Incentive Compensation (Lazear, 2000c)*

Different compensation schemes and incentives can be applied within an organisation according to the firm core business and structure that makes sense. Organisations can also decide to offer only a salary, or salary plus commissions (which is a percentage of sales) or bonus, or it can be managed only by commissions. Other additional non-cash rewards/benefits can be provided, such as growth opportunities and a variety of incentives. (Armstrong, 2006).

### **2.2.1 Agency Theory**

There is a distinguishment between firm owners, denominated as “the principal”, and employees, so-called “the agents”, in the agency theory. This theory has been traditionally argued as the form of optimal contract in which the relationship between both parties is ubiquitous control since the principal is responsible for delegating the agent’s work. This incentive scheme has the intention of motivating and rewarding acceptable performance. When it comes to incentive alignment, the procedure entails compensating for measurable outcomes that are in the owner’s best interests. This theory is considered to have two control strategies that are behaviour-based and outcome-based. (Eisenhardt,1985; Armstrong, 2006).

However, the determination of the optimal contract in the case of the agent’s service has a critical challenge within this kind of method. Furthermore, there are two possible causes. The first one considers the observation of the agent’s behaviour, being characterized as a behaviour-based contract, which is optimal because the principal and the agent have complete

information, meaning both to know what has been done by the agent. In the other case, the only party aware of the agent's behaviour is the agent itself, which would lead to an emergence of a dilemma for the principal; since there is incomplete information, it cannot completely determine if the agent has had an acceptable behaviour. To solve this impasse, the principal can purchase the agent's information about its behaviour or reward the agent based on outcomes (Eisenhardt,1985).

### **2.2.2 Output-based Schemes and Piece-Rates**

There is a distinguishment between firm owners, denominated as "the principal", and employees, so-called "the agents", in the agency theory. This theory has been traditionally argued as the form of optimal contract in which the relationship between both parties is ubiquitous control since the principal is responsible for delegating the agent's work. This incentive scheme has the intention of motivating and rewarding acceptable performance. When it comes to incentive alignment, the procedure entails compensating for measurable outcomes that are in the owner's best interests. This theory is considered to have two control strategies that are behaviour-based and outcome-based. (Eisenhardt,1985; Armstrong, 2006).

The determination of the optimal contract in the case of the agent's service turns out to be a critical factor in this type of method. Furthermore, there are two possible causes. The first one considers the observation of the agent's behaviour, being characterized as a behaviour-based contract, which is optimal because the principal and the agent have complete information, meaning both of them know what has been done by the agent. In the other case, the only party aware of the agent's behaviour is the agent itself, which would lead to an emergence of a dilemma for the principal; since there is incomplete information, it cannot completely determine if the agent has had an acceptable behaviour. To solve this impasse, the principal can purchase the agent's information about its behaviour or reward the agent based on outcomes (Eisenhardt,1985).

### **2.2.3 Profit-Sharing Schemes**

In the literature, profit-sharing schemes tend to be described as the employee's payment linked to the firm's profits, and these means are based on global business performance. The possible forms of payment can be made either in cash or in shares, and the sharing amount needs to be established. (Armstrong, 2006; Baker, Jensen & Murphy, 1988). Occasionally advised as a motivator for employees to work more, positive effects have been found for general conditions of the profit-sharing scheme. (Putterman & Skillman, 1987)

#### **2.2.4 Wages**

Generally, the employee's payment is coupled with a few minimum standard productions in hourly wage schemes. The working conditions will determine which employees would want to accept the job requirements. Otherwise, if conditions were too rigorous, individuals with more capabilities would find the work fitting, even considering high-level wages. This scheme can be called a performance pay since output-based performance needs to be met in employee retention (Lazear, 2000).

Armstrong (2006) has defined measured day work as "Pay fixed at a high rate on the understanding that high level of performance against work-measured standards will be maintained". This method is appropriate in situations in which everyone involved is highly committed to accomplishing; essential, the measures of high working criteria must be considered. To employees under this scheme, higher earnings predictions are made. For employers' there is the advantage that workers are under an agreement to which they must work at a certain performance degree.

The term fixed wage is generally understood to mean a contract between both parties, employee and employer, which produces incentives through the termination of that contract. This approach can encourage optimal effort since, on the one hand, employees have no purpose of being fired, and on the other hand, the employer has no intention to defraud. Anyhow the regular payment, connotation wage, must be paid. (Gunderson, 2001; Shearer, 2004). According to individuals' performance and development, wages may undergo future adjustments. (Putterman & Skillman, 1987).

Some systems are the payment structure, the pay base is established in the job/position itself, a traditional payment system. In this approach, compensation is determined by the job/position value that employees fill. In a hierarchical structure, wage levels are frequently linked to job ranks within the organization rather than people themselves. (Cable & Judge, 1994; Baker, Jensen & Murphy, 1988)

#### **2.2.5 Pay- for-Performance and Skill-based Schemes**

Baker, Jensen and Murphy (1988) have distinguished two types of pay-for-performance measurements: objective and subjective. The first one is the estimation of divisional profits, percentage of sales and others. The critical understanding is the fact of abdicating quality over quantity. Contrastingly, subjective systems are measured according to employees' value for the

organization. The authors highlighted has one of the cons of objective merit systems over subjective evaluation is that performance measures can be miss specified, leading to employees tricking the system itself by optimizing for actual rather than expected measurements.

Pay for performance is an alternate approach to work measured schemes. Along with base rates, the payments are affected by individuals' performance assessments. (Armstrong, 2006). Team-based incentive pay is the payment for the accomplishment of group requirements, also related to the team's successful performance. This type of incentive can be effective in broader contexts and potentially through supporting the implementation of more effective manufacturing processes. (Lazear, 2018).

Considering an egalitarian pay system can diminish internal opposition to effective adjustments, resulting in employees moving down from higher to lower job positions. It is the team's performance that determines these types of structures. (Gunderson, 2011)

Researchers have argued that skill-based pay systems are a structure in which employees are compensated according to their skills acquisition and development and considering their capability to use them. Continuous personal development and expertise are emphasized in this type of compensation scheme. (Armstrong, 2006; Cable & Judge, 1994).

Skill-seeking behaviour is determined by the features of the skill-based compensation scheme and the individual itself. Diverse behavioural outcomes can result in differences among employees. The components that constitute a skill-based scheme and communication payment management play an essential role in influencing employees' skill-seeking level. Many different instruments are at the manager's disposal to discourage and promote pay level progressions through skill acquisition. (Murray & Gerhart, 2000)

#### **2.2.6 Promotions-bases incentives and Bonus**

Essentially, the promotion rate incentives are lower for an individual who already has been previously promoted, leading to uncertainty in future promotion opportunities. Organizational development is essential and must support promotion-based incentive schemes. (Baker, Jensen & Murphy, 1988). In promotion decision-making, it is required relative levels. The decision to promote someone will lead to an increment in motivation in younger employees. (Lazear, 2018).

Baker, Jensen & Murphy (1988) have argued two crucial principles for promoting an individual. The first one consists of matching an employee with the best-suited job. Secondly,

lower-level employees tend to value a salary increase more, also the prestige and respect that comes from an opportunity to perform in a higher rank job position. Pay raises or promotions are extrinsic motivators since they are something that is done to stimulate employees. (Armstrong, 2006).

Another form of incentive is the bonus that is referred to as payments, according to financial achievements, goals previously designed and organizational performance. (Gibbons, 1998; Armstrong, 2006)

This type of incentive has a transitory nature because the current year's bonus is based on the previous year's performance. Bonus-based incentives can be provided to all employees, despite job position, capabilities, or possible promotions. In a hierarchical structure, bonus-based schemes are more interesting for those in higher job positions since promotion opportunities, such as CEO, are less frequent. (Baker, Jensen & Murphy, 1988; Armstrong, 2006; Cable & Judge, 1994)

### 2.2.7 Deferred Compensation

Normally, some organizations have deferred compensation payments, that means when in the employee life cycle, at the beginning when they are younger it's consider to be a phase in which are "unpaid" in relation to their productivity, to which in return, at a older age are considered to be "overpaid" according to their productivity. Due to that, this type of compensation can be interesting in a sense of dissuade undesirable turnover, basically a percentage of employee's compensation in set apart with the intention of be paid in later period. Some examples of deferred payment are, stock options, to be assigned at a future day, also pensions or retirement plans. (Gunderson, 2001).

## **2.3 Reward strategies and country context**

Institutional variance has a significant impact when it comes to rewarding strategy development. Wages bargaining within an organisation can be characterised as being decentralised or centralised. A decentralised wage bargaining implies arrangements of reward practices at an individual level (employee) or a union representative level. To illustrate, some countries that stick to determining wages in a decentralised way, such as the UK, US, or Japan, which individual companies are capable of establishing wages. By contrast, having a centralised wage determination structure entails a minor extent and possibility for implementing such at the individual firm level. This implies limited flexibility that countries like Germany, Finland and Italy follow this structure. (Kornelakis, 2018).The author argues about reward practice implications, primarily considering multinationals, such implications as regarding institutional

context, employees should be included in the shared ownership design, having higher sensibility concerning cultural diversity. The last implication exploited is the way of using communication and employee voice.

## **2.4 Flexible Benefits**

The term flexible benefits scheme or cafeteria scheme refers to any benefit plan in which employees can choose between various benefit choices within established limits to create a customized benefits package according to what makes sense to them. An individual allowance is assigned so that employees can make their choices according to their needs. (Armstrong, 2006; Tremblay, Sire & Pelchat, 1998; Cable & Judge, 1994; de la Torre-Ruiz, Vidal-Salazar & Córdón-Pozo, 2017). Implementing a flexible benefits plan is a significant change from the conventional one-size-fits-all paradigm (Barringer and Milkovich, 1998).

Vidal-Salazar, Córdón-Pozo & de la Torre-Ruiz (2016) has proposed a classification of benefit plans according to their flexibility degree. The most specific category is the fixed benefit system, which offers employees basic pay, either variable or fixed, and a benefits package that managers determine. It could be homogeneous benefits to all employees, or it may vary according to job category. Another system is a flexible benefits scheme, and lastly, the called flex plans. Under flex plans, employees can obtain benefits at a lower and more competitive cost due to the employer's higher bargaining power and benefit from economies of scale by acquiring these benefits. Also, the firm can reduce costs without reducing the value of the benefits. This plan offers employees the highest flexibility to choose benefits and allows them to choose the salary percentage that will be allocated to benefits and composed of cash (Barringer and Milkovich, 1998).

Barber, Dunham & Formisano (1992) have presented an empirical study of the impact of the flexible benefits on employee satisfaction. The authors concluded with the results that the implementation of a flex benefit plan would generate higher employee satisfaction regarding benefits. In general, job satisfaction has grown substantially. The adoption of flex benefit plans has been empirically proven, leading to a higher capacity for retention and attraction. (Vidal-Salazar, Córdón-Pozo & de la Torre-Ruiz, 2017). Higher flexibility in terms of benefits creates more satisfaction for low-self-efficacy employees and external influence control. (Vidal-Salazar, Córdón-Pozo & de la Torre-Ruiz, 2017). In contrast to earlier findings, Tremblay et al. (1998) have argued that simply having a flexible benefits plan pace was insufficient to boost satisfaction, which seemed to be a negative association. It has been acknowledged that

theoretical models have highlighted the positive relationship between flexible benefits and satisfaction. Although, the authors claimed that undeniably the explanation for that negative relationship is that compensation information is not tailored to flexible plans complexities. An increase in choice complexity is seen, in which employees might feel apprehensive and risky in the benefits selection.

It has been caught into attention the importance of communication when implementing this type of scheme, in a sense that misinformation regarding employees' choices that the firm must avoid also creates a sense of security for employees (Barber, Dunham & Formisano 1992; Tremblay, Sire & Pelchat, 1998).

A national strategy regarding flexible benefit tax credit has been argued that with the use of funds, uninsured American families, individuals and children could have access to and be covered by health insurance, therefore granting future security and other essential benefits. (Etheredge, 2001).

In the case of Spain, flexible benefits have been highlighted. Employees can enhance their net salary by taxing some benefits, although bearing the expense of such benefits. Aside from the need to save expenses, in Spain, the executive must preserve or attain higher competitiveness through recruitment and retention. (Vidal-Salazar, Cerdón-Pozo & de la Torre-Ruiz 2016). Although it is not very clear, there are two primary reasons for this, specific to the country's context. Firstly, one of the Spanish manager's challenges is employees' misinformation and comprehension since these compensation schemes have recently been implemented in the country. The second reason is that there are differences in terms of labour and fiscal regulations regarding the benefits offered, which depend on the country. (Beaten and Verwaeren, 2012).

In China, it's not commonly used flexible plans due to influential Chinese national culture, such as the government's concentration on the implementation of traditional benefits. However, they are expanding according to findings. Just a few Chinese firms have the necessary capability to develop such complex benefit programs to transmit to their employees the value of choosing the most-suited benefits. Results show that higher salary levels significantly impact the reward package offered. Thereby, it is considered to be a powerful combination of both high pay levels and flexible benefit. (Lin, Kelly & Trenberth, 2011).

Since implementing the first flexible benefits plan in the Netherlands, pioneered by an American organisation, this kind of approach has been a component of Dutch employment

unions. (Hillebrink et. al., 2008). There is evidence from the current study that more than 60% of the companies inquired opted to allow employees to make their own benefit choices. With the implementation of this kind of method among different companies, it emerges the pressure to mimic such organisations.

Laundon, Cathcart and Mcdonalds (2019), in their research, the findings suggest that the main reason there is a concern in terms of benefit schemes fairness among employees is due to the fact that employees' incapacity for understanding and making use of the rewards, benefits inequitable and communication transparency. The most remarkable result is that employees care about how benefit schemes are administered to others, independently of gaining a direct advantage. Wages and benefit flexibility are the most used compensation. In Ritter-Hayashi et al.'s (2020) study, above half of the businesses offered performance bonuses to employees and managers.

Recently, emerging literature contained findings on employee compensation and the type of benefits (Boudreaux, 2020). Various hypothesis has been tested, to which the results explained that offered benefits that provide more stability, such as healthcare, and retirement, among others, are related to lower exit rates, leading to more retention. In the case of a start-up firm, offering stable rewards have a higher chance of earning profit and lower business failure rates. In the case of flexible benefits, it only has greater chances of making profit. In the current study, authors hypothesize about this phenomenon between stability benefits and flexible benefits, which occurs from the capability to retain and recruit employees with higher performance. Results have been reliable with the authors' perception that top firms provide an extremely competitive salary and highly competitive healthcare rewards.

## 2.5 Summary of Empirical Studies

| Year | Reference                       | Subject   | Research Context | Sample Period | Sample Profile  | Research Design         | Industry   |
|------|---------------------------------|---|------------------|---------------|---|-------------------------|--|
| 1985 | Eisenhardt (1985)               | Organizational and Economic Control                               | Bay Area         | -             | N = 95 Speciality Stores (< 8000 square feet)   | Survey                  | Retail Stores  |
| 1985 | Murphy (1985)                   | Corporate performance and managerial remuneration                 | US               | 1964 - 1981   | N= 500 executives (from 73 firms)   | Econometric Methodology | Manufacturing Firms  |
| 1988 | Dreher, Ash & Bretz (1988)      | Compensation and benefits policies                                | US               | 1985 and 1986 | N = 2925  | Survey                  | State Police Agencies  |
| 1994 | Cable & Judge (1994)            | Pay Preferences   | North-eastern    | -             | N = 360 students  | Survey                  | Engineering and hotel administration students                                    |
| 2004 | Shearer (2004)                  | Compensation change and work effort (piece rates and fixed wages) | -                | -             | N = 120 planting days (60 piece rates, 60 fixed wages)  | Observation             | Male Planters (each had equal n° of days)  |
| 2004 | Heyman & Ariely (2004)          | Compensation forms  | US               | -             | N = 614<br>N = 159<br>N = 90  | Survey<br>Observation   | University of California, Berkely and Massachusetts Institute of Technology      |
| 2008 | Hillebrink <i>et al.</i> (2008) | Flexible benefits   | Netherlands      | 2003          | N = 2927 (with 100 employees or more)   | Survey                  | Organisations in private sector  |
| 2011 | Lin , Kelly & Trenberth (2011)  | Flexible benefits   | China            | 2006          | N = 1000 HR specialists (324 firms)   | Survey                  | Different industries)  |
| 2014 | Gneezy & Rustichini (2014)      | Compensation forms  | Israel           | -             | 1 <sup>st</sup> experience: N = 160 students university<br>2 <sup>nd</sup> experience: N = 180 students | IQ Test<br>Observation  | 1 <sup>st</sup> : University of Haifa<br>2 <sup>nd</sup> : High schools children |
| 2015 | De Gieter & Hofmans (2015)      | Reward satisfaction   | Belgium          | -             | N = 179 employees   | Survey                  | Financial Institutions   |
| 2020 | Patiar & Wang (2020)            | Compensation and benefits   | Australia        | -             | N = 292 department managers (from 146 hotels with 100 or more bedrooms)                                 | Survey                  | Hospitality  |

*Figure 3 – Summary of Empirical Studies (Author'sf elaboration)*

### **3 Methodology**

The purpose of this chapter is to provide an analysis around the methodologies used that contributed to the development of this study. Relevant findings emerged through data collection, to evaluate flexible benefits satisfaction across the organization.

#### **3.1 Research Context**

This project has taken place in an international Group that operates in nearly 112 countries, in which only the Portuguese context was analysed. All over the world, it counts with around 100 000 to 110 000 employees. By analysing the Portuguese context according to article 100.º, nº1, d) for the Portuguese labour code, a large company is considered when it employs more than 250 employees, which is the case as it employs around 500 and 900 employees. In Portugal, the Group comprises different agencies working in a shared service centre structure, which means several departments, such as Human resources or Finance, are shared across all organisations. (Chief People Officer, May 2022).

The organisation incorporates the market sector of technology, having different business areas dedicated to exploring communication, public relations, advertising, marketing and furthermore.

The Group focuses on four services offered to clients: Communications, Technology, Experience and Commerce, which are key for modern marketing. As a Group, various abilities are driven by integrated and specialised global agencies.

Offering a communication service involves building a connection between the brand and its audience at the right time. It is based on developing powerful concepts and ideas through deep insights. It encompasses public relations and paid campaigns.

The Technology services provided go through the construction of technology and its optimisation, as well as the presentation of a data solution, considering what best suits the customer's needs. Various services are included, such as customer relationship management, architecture design, data management and analytics. The Group's exclusive relationships development with leading global companies from the technology field generates benefits and creates opportunities for their clients.

The focus of Commerce is to offer clients assistance in selling to their customers what they intend to buy. This service consists of every step, from advising to activation, regardless of the

channel type. (Physical channels, e-commerce, direct-to-consumer website, social commerce, marketplaces).

In terms of Experience, it involves different essential means that allow brands to come to life. These media are important touchpoints, such as design and customer-facing platforms.

The acquired clients are from several business sectors. To give context about the customer level that the Group holds, clients annually reach billions of people with their services and work. The Group reached last year (2021), a billing level of between £45 and £55 billion and a revenue value in the intervals of £10 and £15 billion.

The development of this in-company project arose from the company's need to implement a flexible benefits scheme. As an intern in the human resources department, it was possible to have access with the whole implementation process and close contact with employees.

This experience enabled the project's development, intending to contribute through implementation suggestions for the progress of this benefit scheme.

### **3.2 Research Design**

This research will include an assessment and diagnosis of the implemented benefit plan, including data collection and analysis. Both primary qualitative and primary quantitative data were collected. The collection of the first mentioned was gathered through an interview with the CPO (Chief People Officer) of the Group in Portugal. Furthermore, primary quantitative descriptive data was collected via survey and observation. Secondary internal data were collected based on provided information by the company.

Following data collection, the next step was to analyse the company's current reality based on previous findings to understand the implemented benefit plan. Focused on its vision recognition, pointing out main challenges and eventual gaps to design a proposed implementation.

### **3.3 Data Collection**

Collected data was made via an interview performance and a survey. An interview with the CPO of the Group in Portugal was conducted, and different topics were discussed around flexible compensation. The focus was on describing the term flexible compensation and its importance. Also, questions were made to understand what flexible scheme was implemented.

In addition, why and on what grounds have they decided to do so? Another important topic discussed was their vision and evolution of this project, besides if employee satisfaction can be considered a driver for flexible compensation.

The key objective of carrying out a survey of the employees is to obtain an accurate perception of their value and satisfaction regarding the flexible benefits scheme implementation. In addition, observation data was collected since I had the opportunity to experience the daily basis of this implementation, given that I was an intern at the organisation. The secondary internal data was collected by sharing documents about the flexible compensation scheme implemented and the number of employees choosing a health insurance plan that generates a flex balance.

### **3.4 Data Analysis**

In this section, data gather will be analysed and interpreted aiming of drawing conclusions.

#### **3.4.1 Interview**

The interview was recorded with the previous permission of the CPO and transcribed to treat data with content analysis.

Firstly, the CPO has defined flexible compensation as an adjustment process according to individuals' needs instead of having a one size fits all. It was highlighted that different things are valued depending on which life cycle you are in (if you are married, if you have children if you bought a house, and so forth). Flex compensation allows employees to choose what benefits suit them best at a specific moment.

The characterisation of the term remuneration was considered to be a pivotal factor in retaining and engaging individuals and being competitive and aligned with the market. In the current reality, social factors are referred to, such as the pandemic and the war (between Ukraine and Russia). All that factor impacts the economy, consequently affecting people's thoughts regarding benefits and their relationship and connection with the organisation.

The main aim of the flexible benefits scheme was to maintain the most significant and expensive benefit for all employees (Health Insurance), offering three distinct plans containing different covers and limits. The plan with higher coverage would not generate a flex balance, just the other two options. According to the CPO, the purpose was to allow employees to choose and decide the benefits that would satisfy their needs without incurring higher costs with no budget. The Group have decided to implement this type of scheme since it made sense for their

young population, who do not have complicated medical situations, therefore not valuing the insurance they had previously. It led to the final question, "Do you think flexible compensation is a driver of employee satisfaction?" The answer was that employee satisfaction is a mix of everything; this englobes diverse subjects, such as work environment, salary, compensation package, and flexible compensation. Moreover, flexible compensation was emphasised as a significant part of achieving higher employee satisfaction.

### 3.4.2 Survey

A survey was conducted, from August to September of 2022, consisting of admissions until beginning of August, to understand better the current reality of employee satisfaction with the implemented flexible scheme. The total number of the population to which the survey was sent (N) was 117 employees at the time, which consisted of the group of employees that have chosen Plan A or Plan B, therefore, have flexible benefits. Of the study population, 51 subjects completed and returned the questionnaire, translating into a 44% response rate.

Table 2 – Survey Demographic Questions (Author's Elaboration)

| 1 - How old are you? |                 |            |
|----------------------|-----------------|------------|
|                      | Nº of responses | Percentage |
| 18 - 24              | 6               | 11,8%      |
| 25 - 34              | 30              | 58,8%      |
| 35 - 44              | 11              | 21,6%      |
| 45 - 54              | 4               | 7,8%       |
| 54+                  | 0               | 0,0%       |

  

| 2 - What's your gender? |                 |            |
|-------------------------|-----------------|------------|
|                         | Nº of responses | Percentage |
| F                       | 26              | 51,0%      |
| M                       | 25              | 49,0%      |
| Other                   | 0               | 0,0%       |

  

| 3 - Are you married? |                 |            |
|----------------------|-----------------|------------|
|                      | Nº of responses | Percentage |
| Yes                  | 11              | 21,6%      |
| No                   | 40              | 78,4%      |

  

| 4 - Do you have children? |                 |            |
|---------------------------|-----------------|------------|
|                           | Nº of responses | Percentage |
| Yes                       | 16              | 31,4%      |
| No                        | 35              | 68,6%      |

The age group with more answers is between 25 and 24 years old (58,8%). Regarding gender, the answers were relatively balanced; however, it was registered plus one female response, meaning 51% of the sample was female. On the other hand, 25 male responses (49%) were collected.

The following questions were regarding marriage and children to evaluate the respondents' life cycle. To the question "Are you married?" only 21,6% of the respondents answered yes, in contrast to 78,4% of the sample is not married. On the 4th question, a total of 16 individuals answered that they have children, facing 35 respondents answered that they do not have children (68,6%). According to the results, it is possible to observe that we are dealing with a youth population.

*Table 3 - Mean of Transportation Used to Go to Work (Author's Elaboration)*

| <b>5 - Which mean of transportation do you use to go to work?</b> |                        |                   |
|---|------------------------|-------------------|
|   | <b>N° of responses</b> | <b>Percentage</b> |
| <b>Car</b>  | 16                     | 31,4%             |
| <b>Public Transports</b>  | 24                     | 66,7%             |
| <b>Other</b>  | 1                      | 2,0%              |

On Question 5, most of those surveyed indicated that they use public transport to go to work, comprising 66,7%. A minority of participants (31,4%) have answered that they use a car as a means of transportation to work.

*Table 4 - Health Insurance Plan Decision-Making (Author's Elaboration)*

| <b>6 - Which health insurance plan did you choose?</b> |                        |                   |
|--|------------------------|-------------------|
|  | <b>N° of responses</b> | <b>Percentage</b> |
| <b>A</b>   | 26                     | 51,0%             |
| <b>B</b>   | 25                     | 49,0%             |

Table 5 - Health Insurance Plan Choice Categories (Author's Elaboration)

| 7 - Why did you choose that plan?      |      |     |   |     |       |     |
|--|------|-----|---|-----|-------|-----|
| Categories                             | Plan |     |   |     |       |     |
|  | A    | %   | B | %   | Total | %   |
| Already have personal health insurance | 5    | 10% | 2 | 4%  | 7     | 14% |
| More coverage health insurance         | -    | -   | 1 | 2%  | 1     | 2%  |
| More economic                          | -    | -   | 3 | 6%  | 3     | 6%  |
| Suitable plan for current needs        | 11   | 22% | 5 | 10% | 16    | 31% |
| To generate flex balance               | 7    | 14% | 5 | 10% | 12    | 24% |
| To use Daycare benefit                 | 1    | 2%  | - | -   | 1     | 2%  |
| To use Dental Benefit                  | -    | -   | 2 | 4%  | 2     | 4%  |
| To use Training benefit                | -    | -   | 3 | 6%  | 3     | 6%  |
| To use Transport benefit               | 3    | 6%  | 5 | 10% | 8     | 16% |

The following questions are regarding the health insurance plan chosen and why it has been chosen. The data collected illustrates little change between the type of plan, as 26 respondents have chosen plan A, corresponding to 51%, on Question 6.

Question 7 was an open-answer question. Answers were divided into different categories to analyse and compare results, joining similar answers into the same group. Most individuals answered that the chosen plan was the most suitable for their current needs (31%). Following the second higher result, 24% of employees were interested on having flex balance at their disposable to be used benefits.

Table 6 - Flexible Benefits Choice

| 8 - What type of benefit(s) you choose to use? |                 |            |
|--|-----------------|------------|
|  | Nº of responses | Percentage |
| <b>Transport</b>                               | 30              | 58,8%      |
| <b>Daycare</b>                                 | 8               | 15,7%      |
| <b>Training</b>                                | 9               | 17,6%      |
| <b>Life Insurance</b>                          | 9               | 17,6%      |
| <b>Capitalization Insurance (Pension Fund)</b> | 2               | 3,9%       |
| <b>Dental Insurance</b>                        | 11              | 21,6%      |

The most chosen benefit of using flex balance is the Transport benefit, which had 30 responses.

Table 7 - Flexible Benefits Valorisation

| 9 - On a scale of 1 to 5 (with 1= not valuable and 5 = very valuable), how much do you value having the possibility of making your own choices regarding the range of benefits? |                 |            |
|---|-----------------|------------|
|   | N° of responses | Percentage |
| <b>1</b>  | 0               | 0,0%       |
| <b>2</b>  | 1               | 2,0%       |
| <b>3</b>  | 1               | 2,0%       |
| <b>4</b>  | 14              | 27,5%      |
| <b>5</b>  | 35              | 68,6%      |

According to Question 9 results, we can observe that on a Likert scale from 1 to 5, with one being “not valuable” and 5 “very valuable”, most respondents consider it very valuable to make their own choices concerning the benefits range. (68,6%). We can conclude that flexible benefits are very valuable to employees, therefore impacting their satisfaction.

Table 8 - Additional Flexible Benefits Options

| 10 - Are there other benefits that if were included you would've chosen? (If other, which?) |                 |            |
|---|-----------------|------------|
|   | N° of responses | Percentage |
| <b>Fuel Tickets</b>   | 37              | 72,5%      |
| <b>Parking</b>  | 21              | 41,2%      |
| <b>Technology and Telecommunications</b>  | 25              | 49,0%      |
| <b>Gym</b>  | 26              | 51,0%      |
| <b>Access to mental and community health program (other)</b>                                | 1               | 2,0%       |
| <b>None</b>   | 1               | 2,0%       |

To better understand if employees were interested in other benefits that could better satisfy their needs, we have questioned which benefits they would like to choose if they had the possibility. The most desired benefit was the Fuel Tickets (72,5%), followed by Gym (51%), Technology and Telecommunications (49%). One individual suggested another benefit: "Access to mental and community health program".

As shown by previous results (question 9), employees feel valued by the company as it allows them to decide the best-suited benefits according to their needs, even though this data cannot expressly determine if employees are satisfied with the current flexible scheme. By observing question 10 data, we can comprehend that employees are not completely satisfied

with available options, as only one employee has answered that would not include more benefits to the benefits package.

*Table 9 - Spain Flexible Benefits Legislation*

| <b>11 - Similar to Spain legislation, it would be interesting to use a part of your base salary in benefits?</b> |                        |                   |
|--|------------------------|-------------------|
|  | <b>Nº of responses</b> | <b>Percentage</b> |
| <b>Yes</b>   | 22                     | 43,1%             |
| <b>No</b>  | 29                     | 56,9%             |

The final question was regarding the flex benefit legislation in Spain, which is not included in the Portuguese law. In Spain, there are limits imposed; Art.26 of the Spanish Labour Code clarifies that salary cannot exceed 30% of the employee's total annual remuneration (including salary and benefits in kind, independently of the salary is sacrifice or social benefit). (Javier C. 2018)

Surprisingly, 56,9% of respondents would not find it attractive to have part of the base salary to use on benefits. By results analysis, in question 9, the majority considered the possibility of selecting benefits very valuable. However, it does not necessarily imply that employees would be willing to give up a percentage of their salary to use exclusively on benefits (question 11). We can conclude that more than half of the respondents would not be willing to sacrifice their salary to use in social benefits. This phenomenon could be due to the fact that they are not satisfied with their base salary, likewise not available to devote part of it to benefits. Money does not drive everyone equally; it can drive and stimulate individuals from different perspectives. This kind of compensation has a solid ability to motivate, providing security to fulfil needs. (Armstrong, 2006; Judge et al., 2010).

### **3.4.3 Observation Data**

This internship has allowed me to observe the flexible benefits scheme implemented and direct contact with employees' requests, needs and satisfaction.

Many employees were dissatisfied with the offered benefits since there was little choice. For some individuals, there was no benefit to choose from according to their current needs and lifecycle without choosing something that would not make sense. It leads to alternatives given in the survey, to other benefits that could be included, which employees could take advantage

of and make better use of their flex balance. Another concern for employees was the flex balance amount given; most of them have expressed that the flex amount available is low.

One of the Group's practises is the development of exit interviews, with the goal of understanding and analysing the major factors that caused the employee decision of leaving the company. The most prominent reason is compensation, which suggests that employees are not completely satisfied.

#### **4 Compensation Management Platforms**

Various providers offer compensation management platforms, such as Cobee, Coverflex and Edenred. A comparison analysis has been conducted to understand each provider's offer better.

##### Cobee

Cobee was founded in 2019 with a presence in the Iberian Peninsula (Spain and Portugal). The main objective of Cobee was to simplify and help the daily basis of Human Resources when it comes to managing flexible benefits plans and simultaneously improving employees' well-being.

It was the first all-in-one platform for managing flexible employee plans in a completely automated method. There is the possibility of developing different plans according to the company's intention, adding or removing benefit(s), a customisable program, without negotiating with various suppliers. This approach provides employees with a complete experience, to independently have reasonable control and have track of their compensation and benefit. (Cobee Report, 2022) Aside from flexible benefits, the platform also allows meal allowance management.

PWC, Glovo, Tripadvisor, Hawkers, among others, are Cobee's main clientes in the Spanish market. (*Borja Aranguren, CEO E Cofundador Da Cobee: «A Cobee Nasceu Para Deixar De Lado Os Benefícios Tradicionais E Romper Com O Estabelecido»*, 2021)

##### CoverFlex

CoverFlex entered the market in January 2019 to change the general perception of compensation. The company's primary goal is to improve compensation for those who deliver and receive it. Coverflex's term compensation consists of everything an organisation offers to its employees as recognition for their work. That is more than a bank transfer.

It offers an all-in-one solution of compensation management, which englobes all other elements than salary (Benefits, Insurance, Meal Allowance and Discounts). It allows companies to maximise their compensation capability, thus reducing costs, offering employees various benefits to choose from and allowing them to use their flexible balance on what makes sense. (CoverFlex *O Estado da Compensação 2021-22*, 2021)

CoverFlex has more than 2 000 companies (34 000 employees). Some client companies are Bolt, PwC, Emma, MDS, BDO, among others.

### Edenred

Edenred is a platform specialising in social benefits, present in 45 countries worldwide and Portugal for more than 35 years. It has around 50 years of market experience, known as the world leader in transactional solutions.

This company created the meal title, and over the years, it has developed and extended the concept of social benefits. It currently has a multi-benefit solution tailored to the customer's needs. Edenred main goals are:

- Improve companies' attractiveness and efficiency
- Boost the local economy and job market
- Enhance the well-being and purchasing power of users
- Contribute to increased turnover for affiliate merchants

In Portugal, it has a customer portfolio of 17 000 clients (500 000 users). Companies such as SIC/Expresso and Mylan/Viatris use Edenred. (site edenred) (site edenred)

|                   |                         | PROVIDERS |       |           |
|-------------------|-------------------------|-----------|-------|-----------|
| FLEXIBLE BENEFITS |                         | EDENRED   | COBEE | COVERFLEX |
|                   | Childcare Vouchers      | ✓         | ✓     | ✓         |
|                   | Education Expenses      | ✓         | ✗     | ✓         |
|                   | Professional Training   | ✓         | ✓     | ✓         |
|                   | Retirement & Investment | ✗         | ✗     | ✓         |
|                   | Public Transportation   | ✗         | ✗     | ✓         |
|                   | Health & Well-being     | ✓         | ✗     | ✓         |
|                   | Gym & Fitness           | ✗         | ✗     | ✓         |
|                   | Technology              | ✗         | ✗     | ✓         |
|                   | Parking                 | ✗         | ✗     | ✓         |
|                   | Senior Expenses         | ✓         | ✗     | ✓         |
|                   | Health Insurance        | ✗         | ✓     | ✓         |

Figure 4 – Main Benefits Management Platforms (Author's Elaboration)

\* Edenred Flexible  
It's a social benefit that aims to support training, education, health and social support expenses. It can be used in a network of more than 2,400 establishments across the country.

|                         | EDENRED  | COBEE  | COVERFLEX   |
|-------------------------|--|--|---|
| Childcare Vouchers      | Daycare Euro Ticket<br>Agreements with more than 3 200 nurseries and kindergartens (0 to 6 years old)  | Agreements with several nurseries and kindergartens (0 to 6 years old) | Nurseries and kindergartens for children with inferior age of 7 years old.  |
| Education Expenses      | Student Euro Ticket<br>Agreements with more than 2 800 schools, colleges, universities, stationery stores, bookstores, copy centers, study centers, ATLS, training centers | _____  | It allows the employee to pay for courses for them and/or household tuition fee for schools, training centers, or universities school supplies, technical books, and stationery   |
| Professional Training   | Edenred Flexible *<br>Universities, training centres, language schools, etc.   | Online Courses, language courses, MBA, etc.                            | MBAs, post-graduate degree, language courses, programming classes, etc.   |
| Retirement & Investment | _____  | _____  | Employees can use their benefit balance to invest in Retirement & Investment products directly through the app. Coverflex offers products in partnership with Real Vida Seguros, with different levels of investment, flexibility and return, to meet different profiles. |
| Public Transportation   | _____  | _____  | Employees can purchase transportation cards   |
| Health & Well-being     | Edenred Flexible *<br>Hospitals, clinics, alternative medicines, pharmacies, opticians, orthopedic and geriatric shops, herbalists, etc.                                   | _____  | Hospitals, health clinics or laboratories; Pharmacies and drugstores; Physiotherapy, optometry, therapy (speech, occupational, ...), homeopathy, psychology, etc.; Physical or mental health apps   |
| Gym & Fitness           | _____  | _____  | Gyms, Sports club and Fitness centres, among others   |
| Technology              | _____  | _____  | Compensation of professional expenses, borne by employees to perform their duties, (such as acquisition of technological equipment)   |
| Parking                 | _____  | _____  | It's a professional expense, this benefit is to cover employees expenses with parking spaces retainers to support the execution of their role at the company. So it's assumed that the parking space is invoiced to the Company and it is properly documented             |
| Senior Expenses         | Edenred Flexible *<br>Hospitals, clinics, alternative medicines, pharmacies, opticians, orthopedic and geriatric shops, herbalists, etc.                                   | _____  | Day care centres and nursing homes; Senior residences; Social support establishments  |
| Health Insurance        | _____  | Complete coverage for the employee and the household                   | Health insurance for employee and household. Porccs management through the platform (billing, insurance details, add and remove household members, etc.)  |

Figure 5 – Benefit Management Platforms: Flexible Benefits Comparison (Author's Elaboration)

On figure X and Y it's possible to have an overview of what flexible benefits each provider offer, according to their website informations and reports. Looking at both figures we can conclude that Coverflex is the partner that offers the most flexible benefits choice.

## 5 What was Implemented?

Companies are always trying to outperform competition, vital factors such as compensation and benefits have an important role in engaging and retaining, especially when individuals are selecting the company they want to work for.

Previously, the organisation had a one size fits all package, offering all employees top health insurance with the most coverage. When analysing the current population, the company has concluded that it did not make sense to have the best healthcare plan for all employees. Since most of the Group usually comprises healthy youth who do not use or value their insurance as much. This line of conduct is intended to increase employee flexibility without incurring higher costs, meaning maintaining current expenses.

This implementation has been a mix of standard benefits and flexible benefits. Health insurance had to be a standard benefit to make it doable. Therefore, the Group offers health insurance to all its employees, whereas having three health insurance plans available to choose from, this choice is valid for two years.

On table n°, we can observe the general differences between plans. To whom, only Outpatient and Stomatology have different coverage limits across plans.

*Table 10 - Health Insurance Plans Coverages*

| <b>Plan</b> | <b>Hospitalization</b> | <b>Outpatient</b> | <b>Stomatology</b> | <b>Birth</b> | <b>Protheses and Orthoses</b> |
|-------------|------------------------|-------------------|--------------------|--------------|-------------------------------|
| <b>A</b>    | ✓                      | ✓                 | ✓                  | x            | x                             |
| <b>B</b>    | ✓                      | ✓                 | ✓                  | ✓            | x                             |
| <b>C</b>    | ✓                      | ✓                 | ✓                  | ✓            | ✓                             |

Plan C was, by default, for all employees, as it was the previous plan for the whole organisation. In terms of covers and limits, it is the most complete health plan. In first action of this

implementation, employees had a period to decide if they wanted to maintain current health plan (Plan C as default), or downgrade to Plan B or A. Choosing plan C means the employee does not generate a flex balance since it is used to upgrade, hence, it is the most expensive out of the three plan options.

On the other hand, both Plan A and Plan B generate a flex balance that can be used for benefits. Flex balance is generated according to the cost difference between Plan C and Plan A/Plan B (annual values). In that context, Plan A is the one that generates higher flex balance, between 160 and 170 euros annually, as it has the lowest coverage and limits. Plan B generates a flex balance between 110 and 120 euros.

A criterion was set according to the admission date since flex balance is set according to health insurance selection, which varies depending on the time of year in which the employee was hired. Thus, employees admitted in the first semester of the year (January until July) would have the annual flex balance available. Admissions from August to November would only generate half of the annual value, as their entrance was in the second semester. For admissions in December, the flex balance will be given at the beginning of the following year, in January.

The Group believes in flexibility, as a hybrid work model is practised. This working model consists of having the possibility to work onsite or remotely. According with CoverFlex study *O Estado da Compensação 2022-2023*, 47% of the inquired population has a hybrid work model. The management of hybrid work has been different across agencies/teams. In some cases, teams define the days they will go to the office; in other cases, individuals can choose which days they are going to the office, depending on their workflow. Most employees are at two days per week at the office. Although those criteria are set among different agencies/teams, everyone is open-minded about having a flexible work scheme, without being too restrictive but comprehensive with the work/life balance.

This culture, where personal and professional life is integrated, can boost job satisfaction, reducing burnout. Individuals feel more engaged and satisfied, which is associated with job flexibility and autonomy. (Financial Times).

## **5.1 Flexible Benefits Scheme**

### **Transport**

The Public Transport benefit allowed employees to pay monthly transport pass, benefiting from Social Security and Income Tax exemption. This benefit is used via reimbursement, to which

the employee needs to request an invoice with the company's tax number when paying for a Monthly Transport Pass.

### **Day Care Centre**

The Day Care Centre benefit includes nurseries, day care centres and/or kindergartens payment for private and public establishments for children under the age of seven years old. The amount is exempt from taxation at the Income Tax level and Social Security. It would be generated a Day Care centre Ticket with the amount chosen.

### **Training**

The Training benefit is intended to provide the employee with the opportunity to develop and enhance skills and knowledge professionally. Courses must be chosen according to the employee's function/job, providing them with professional growth. Similar to Transport, this is a benefit made via reimbursement, benefiting from Social Security and Income Tax exemption.

### **Life Insurance**

Through the benefits package, employees can use it to request Life Insurance, which is exempt from taxation at the Income Tax level and Social Security.

### **Capitalization Insurance (Pension Fund)**

With the amount chosen from the flexible package, employees can access Capitalisation Insurance by defining the amount to be applied. This type of benefit is exempt from taxation at the Social Security level.

### **Dental Insurance Card**

Employees can use their flex balance on their Dental Insurance Card. The company's Insurance Broker allows stomatology treatment co-payments, medical acts of Dental Medicine, and more than 100 free medical acts (e.g. consultations, scaling, and cleaning, among others). This Plan had a monthly cost per person.

In addition, employees can manage both meal allowance and flexible benefits, all in the same app and card, taking advantage of gift cards and discounts in several brands.

## **6 Proposed Implementation / Suggestions**

### **6.1 Suggested Flexible Benefits**

Flexible benefits have emerged as a critical differentiator in the business world, which consists of increasing and strengthening the company's value proposition on the market. In Portugal, explicit legislation has never been enacted concerning tax, social security, and labour regulation of flexible benefits packages. In other countries such as Spain and the United Kingdom, the law is expressly stated that both employer and employee may agree on reducing monetary compensation in exchange for a non-monetary benefit, along with the regulation of inherent tax and social security effects. In our context, to be fiscally practical, flexible benefits packages must meet all the standards outlined in the Corporate Income Tax Code for each benefit. (IRS, IRC, Social Security). (Ana Duarte, 2022)

Following Paulo Fradinho, Business Leader Mercer Marsh Benefits in Portugal, the most classic benefits are the company's car; health, life, and personal accident insurance; and savings and retirement plans. Since flexible benefits allow choices, employees can choose what is more aligned with their lifestyle. Some benefits have been gaining value, such as gym, transport, additional vacation days, investment products, daycare and school tickets, and health insurance for the household.

According to Mercer Total Compensation 2022 study, regarding flexible benefits in Portugal, the most frequent benefits included are Improving Health, Life and Dental Insurance, Life Insurance, DayCare, and Offering remote work conditions. Health insurance is considered to be currently a benefit in most Portuguese companies; in this study, results express that 90% of corporations offer this benefit. The main factors that impact decision-making on selecting who deserves a raise are individual employee performance with 87%, followed by the employee position on the salary grid (64%), and it is also influenced by business results (57%).

Survey data analyses contributed to employees' needs and their satisfaction level assessment. In this sense, other benefit options, such as Technology & Telecommunications, Parking, Gym, and Fuel Tickets, were given. The benefits suggested to be added to the flexible scheme, therefore, to use flexible balance, are analysed at the fiscal and enforcement level.

### **6.1.1 Technology & Telecommunications**

As mentioned, we are analysing an international Group in the technology market sector with a hybrid work model. In this sense, employees frequently work remotely from home. According to data, Technology and Telecommunications are essential for them, as it constitutes 49% of survey answers.

On CoverFlex study *O Estado da Compensação 2022-2023* results, technology benefit is the third used in Portugal.

In the article *What Are the Benefits of Buying New Equipment for Your Business?* the author Jedd Szenes (Chief Executive Officer at Unity Payments), explains the advantages of acquiring new equipment in a business. Individuals tend to get frustrated when working with technical and functional problems as they cannot perform their work correctly. Therefore, having good quality work equipment increases employees' capacity to do well in their jobs. Also, it will lead to promoting a positive working environment and enhance productivity and efficiency. Equipment with constant use and high wear will eventually need an update and be replaced with up-to-date equipment not to affect work performance.

According to Art. 23º of CIRC (Código do Imposto sobre o Rendimento das Pessoas Coletivas), this type of benefit can be considered a professional expense, being beard by employees to execute their tasks. The equipment acquired must be for the exclusive performance of duties by enhancing work conditions. Similar to the Transport benefit, the employee must request an invoice with the company's tax number to be reimbursed.

### **6.1.2 Parking**

Considering the organisation universe that has a flex balance, 31,4% goes to work by car. In the current flexible benefits scheme, there is the possibility of choosing Transport benefit to pay for a social pass; this choice would make sense for individuals that use public transport as a means of transportation for work. With the Parking benefit, individuals who drive to work can use their flex balance. The Group does not have a public park; therefore, employees must pay for parking whenever they come to the office.

As parking is not the company's property, there are two ways for this benefit to be feasible. The first one consists of having it as a salary component, meaning there must be an agreement between employer and employee. In this case, it will be taxed under IRS (Art.2º nº9 CIRS - Código do Imposto sobre o Rendimento das Pessoas Singulares) as personal use of a vehicle.

All costs are bare by the employee and considered a deductible expense for the company. (Art. 23º nº1 CIRC). Suppose the company can justify the expenses incurred to obtain income subject to IRC.

There is another option if there is no agreement between employer and employee, where the company will support costs and deduct expenses (Art 23º nº1 CIRC). Despite being a deductible expense, it is subject to Autonomous taxation since it was not taxed under IRS. (Art. 23º: Art. 88º CIRC).

This benefit would allow employees to pay for their parking expenses using flex balance to exercise their duties and functions. Every incurred expense must contain the company's tax number for the amount to be reimbursed to the employee.

### **6.1.3 Gym**

Flexible benefits are a great way to complement employee remuneration, having financial benefits associated with this type of compensation instead of money. Gym is one of the leading flexible benefits offered nowadays. (RH Magazine 142º Edition, 2022).

Under Social Security Code, Art.48.º subparagraph c) and d), gym is exempt from Social Security. In that regard, subsidies employees receive from the company to offset expenditures with their families linked to daycare centres, nursing homes, social assistance institutions, and payments with medical care and medication expenses are excluded from Social Security contributions. This benefit would work by reimbursed method, where the organisation can deduct IRC, 23,75%. (Art. 23º, CIRC)

### **6.1.4 Fuel Tickets**

In the current flexible benefits scheme, there is the option to choose Transport benefit. However, in the range of options, there is no benefit that would be suitable for individuals who use their car as a means of transportation to the office. Fuel Tickets benefit would provide them with an option to choose from.

This benefit, is considered to be the most wanted by employees in Portugal context according to CoverFlex study *O Estado da Compensação 2022-2023*.

These “tickets” represent income from the provision of dependent work, taxed by the IRS and contributory base, considered a financial expense for the entity. (Fátima Guerra, 2012). It is subject to taxation under IRS as a category A income (Art2.º nº2; nº3 b CIRS) and under

Social Security contributions. Furthermore, it will be a deductible expense for the company (Art. 23º CIRC).

By analysing this option, there is no financial benefit for the employer or employee. However, it allows the employee to choose whether to use the amount available on the flex balance to request fuel tickets if it makes sense, being subject to taxation.

#### **6.1.5 Additional Vacation Days**

Companies have implemented a model where the employee can have additional vacation days. This is the Santander Totta bank case, and this possibility was studied at Novo Banco. Employees can enjoy vacation days as stipulated by law, two days per month worked. However, the employee can choose to have more additional days. In the case of the companies mentioned previously, it varies between 5 and 10 working days, with the premise of not earning remuneration for those days. (Diogo Agostinho, 2019). This model would provide employees with a flexible benefit with a trade-off.

As mentioned in the Expresso article, the modernization of human resources management must motivate individuals to promote greater productivity. Currently, there is more and more the possibility of adaptability and flexibility in the world of labour, providing a more outstanding balance between professional and personal lives.

The possibility of “buying” additional vacation days is considered to be among portuguese, the fifth most appealing and desired benefit. (Coverflex, *O Estado da Compensação 2022-2023*).

The suggestion to implement in the Group is to provide employees with additional vacation days if they wish to do so, considering that those days will not be remunerated. The Labour Code Art. 237º expresses the employee's right to have vacation days. Furthermore, in Art. 238º nº1, it is specifically explained that the minimum annual vacation period is 22 working days, meaning no maximum limit is defined.

According to Art. 238º nº5, the employee has the right to renounce to enjoy vacation days if it exceeds 20 working days. However, the minimum period of vacations is established by law. From the perspective of the contractual entity's freedom, there is no fiscal consequence. In this sense, the company contains In this way, as in the Santander Totta case, the Group can set a limit for additional vacation days.

## **Flex Balance**

The previous chapter clarified the strategy behind the flex balance amount is given to employees, considering costs and expenses maintenance. As flex balance depends on health insurance covers and limits, a possibility to increase flex balance would be to analyse health care conditions. Negotiating values with the insurance broker without affecting the employee's health plan, with the intention of improving flex balance. Suppose the Group wants to maintain the same method without increasing flex balance. The organisation can always define a higher flex balance, despite incurring higher costs.

Compared with average flexible benefit compensation, the Group is much lower, as in CoverFlex study *O Estado da Compensação 2022-2023* results show that the average amount is between 0 and 200 euros/month in 66% of respondent's cases. In this same study, given two options to choose between a gross salary of 25,000 euros per year or 21,000 euros per year plus 5,000 euros in flexible benefits, about 56% of participants preferred the second option. Bearing in mind that the values given in the second option represent approximately the same expense for the company.

## 7 Conclusions & Recommendations

In an increasingly competitive business context, the need for companies to be more aligned with the market emerges, creating a value proposition where compensation is a crucial factor.

This research aimed to analyse the flexible benefits plan implemented in a multinational company's context, its impact on employee satisfaction, and to identify possible gaps that could be improved. When making an interconnection between the initially outlined objectives with the research question, it is possible to verify employee satisfaction concerning flexible benefit scheme.

Throughout the data analysis, findings revealed a high value attributed by employees to flexible benefits, which means that these are very important to them. Nevertheless, it does not necessarily express contentment about the flexible package.

In this study, we were able to ascertain two notorious factors that explain the satisfaction degree: the range of benefits available and flexible balance value. This second factor was quite evident since, compared to the average values practised in Portugal, according to a study by Coverflex *O Estado da Compensação 2022-2023*, we are considerably below these values, which mainly justifies this discontentment. As compensation is a combination of factors critical for an individual's decision-making on deciding which company they want to work for, it is a fundamental component for boosting talent attraction and retention.

Undoubtedly, satisfaction is impacted by compensation; however, it is affected by several factors, namely the work model, salary, and business environment. Thus, flexible compensation has a significant weight in achieving higher satisfaction levels. By observing the company's practises such exit interviews, results have shown that compensation is one of the major factors for employees to leave. As a suggestion, the Group must meet employees' needs, strategically seeking to provide attractive benefits by developing a recurrent market study to know what the market practises concerning compensation and benefits to offer the right package for the sector in which they operate. Regarding the flexible balance attributed, according to the Chief People Officer of the Group, this implementation was a starting point with no budget.

With this project, we can conclude that even in a multinational context, employees are not completely satisfied with the compensation package, more precisely, the flexible benefits scheme implemented this year. Therefore, there are always gaps to develop, in this case, various

paths to which the company can evolve their compensation and benefits package, always having in mind employee satisfaction.

### **Limitations & Next Steps**

There were some limitations that impacted data interpretation. One of them was the flexible benefits provider, due to lacked well-structured methods and management of the range of benefits offered, differing to what was explained in the beginning of the implementation. Another restriction is that flexible balance is determined by the chosen health insurance plan, as mentioned in this project, it is considered to be fairly low in comparison to market practices, employees despite having and valuing choosing benefits, turn out not so be a particularly engaging and interesting value. In that sense, few suggestions for increasing this value. Due to the fact of Portuguese legislation is restrictive concerning flexible compensation component, it is considered a major limitation that all companies face it in Portugal, as there are no specific regulations as there are in other countries.

In terms of next steps, I propose exploring flexible compensation method in international context, that would contribute to analyse how can Portugal evolve around this topic, namely in terms of legislation possible update. In addition, a comparative analysis between Portuguese context and other countries implementation of flexible compensation scope should be developed, to identify eventual gaps that may be filled.

## References

- Abowd, J. M., & Kaplan, D. S. (1999). Executive Compensation: Six Questions That Need Answering. *Journal of Economic Perspectives*, 13(4), 145–168. <https://doi.org/10.1257/jep.13.4.145>
- Agostinho, D. (2017, June 5). Comprar dias de férias. *Jornal Expresso*. [https://expresso.pt/blogues/bloguet\\_economia/blogue\\_econ\\_diogo\\_agostinho/2017-06-05-Comprar-dias-de-ferias](https://expresso.pt/blogues/bloguet_economia/blogue_econ_diogo_agostinho/2017-06-05-Comprar-dias-de-ferias)
- Aguinis, H., Joo, H., & Gottfredson, R. K. (2013). What monetary rewards can and cannot do: How to show employees the money. *Business Horizons*, 56(2), 241–249. <https://doi.org/10.1016/j.bushor.2012.11.007>
- Armstrong, M. (2006). *A Handbook of Human Resource Management Practice 10th Edition* (Tenth edition). Kogan Page Business Books.
- BAKER, G. P., JENSEN, M. C., & MURPHY, K. J. (1988). Compensation and Incentives: Practice vs. Theory. *The Journal of Finance*, 43(3), 593–616. <https://doi.org/10.1111/j.1540-6261.1988.tb04593.x>
- BARBER, A. E., DUNHAM, R. B., & FORMISANO, R. A. (1992). THE IMPACT OF FLEXIBLE BENEFITS ON EMPLOYEE SATISFACTION: A FIELD STUDY. *Personnel Psychology*, 45(1), 55–74. <https://doi.org/10.1111/j.1744-6570.1992.tb00844.x>
- Barringer, M. W., & Milkovich, G. T. (1998). A Theoretical Exploration of the Adoption and Design of Flexible Benefit Plans: A Case of Human Resource Innovation. *The Academy of Management Review*, 23(2), 305. <https://doi.org/10.2307/259376>
- Bayarçelik, E. B., & Findikli, M. A. (2016). The Mediating Effect of Job Satisfaction on the Relation Between Organizational Justice Perception and Intention to Leave. *Procedia - Social and Behavioral Sciences*, 235, 403–411. <https://doi.org/10.1016/j.sbspro.2016.11.050>
- Benefícios nas prioridades dos portugueses*. (n.d.). <https://www.mercer.pt/our-thinking/career/hed-human-evolution-design/beneficios-nas-prioridades-dos-portugueses.html>
- Borja Aranguren, CEO e cofundador da Cobee: «A Cobee nasceu para deixar de lado os benefícios tradicionais e romper com o estabelecido». (2021, May 19). RHmagazine. <https://rhmagazine.pt/borja-aranguren-ceo-e-cofundador-da-cobee-a-cobee-nasceu-para-deixar-de-lado-os-beneficios-tradicionais-e-romper-com-o-estabelecido/>

Boudreaux, C. J. (2020). Employee compensation and new venture performance: does benefit type matter? *Small Business Economics*, 57(3), 1453–1477. <https://doi.org/10.1007/s11187-020-00357-5>

CABLE, D. M., & JUDGE, T. A. (1994). PAY PREFERENCES AND JOB SEARCH DECISIONS: A PERSON-ORGANIZATION FIT PERSPECTIVE. *Personnel Psychology*, 47(2), 317–348. <https://doi.org/10.1111/j.1744-6570.1994.tb01727.x>

Chiang, F. F. T., & Birtch, T. A. (2011). The Performance Implications of Financial and Non-Financial Rewards: An Asian Nordic Comparison. *Journal of Management Studies*, 49(3), 538–570. <https://doi.org/10.1111/j.1467-6486.2011.01018.x>

Cialdini, R. B., Brown, S. L., Lewis, B. P., Luce, C., & Neuberg, S. L. (1997). Reinterpreting the empathy–altruism relationship: When one into one equals oneness. *Journal of Personality and Social Psychology*, 73(3), 481–494. <https://doi.org/10.1037/0022-3514.73.3.481>

Clark, M. S., & Mils, J. (1993). The Difference between Communal and Exchange Relationships: What it is and is Not. *Personality and Social Psychology Bulletin*, 19(6), 684–691. <https://doi.org/10.1177/0146167293196003>

Cobee. (n.d.). Relatório Portugal Tendências nos Benefícios para Colaboradores 2022: Prioridades para o bem-estar do colaborador. In <https://cobee.io/pt-pt/ebook/relatorio-tendencias-beneficios-2022/>.

CoverFlex. (n.d.-a). O Estado da Compensação 2021-22: um estudo sobre o futuro do trabalho e o trabalho do futuro. In <https://www.coverflex.com/pt/estado-da-compensacao-2021-22>.

CoverFlex. (n.d.-b). O Estado da Compensação 2022-23: um estudo sobre o futuro do trabalho e o trabalho do futuro. In <https://www.coverflex.com/pt/estado-da-compensacao-2022-23>.

De Gieter, S., De Cooman, R., Hofmans, J., Pepermans, R., & Jegers, M. (2012). Pay-Level Satisfaction and Psychological Reward Satisfaction as Mediators of the Organizational Justice-Turnover Intention Relationship. *International Studies of Management & Organization*, 42(1), 50–67. <https://doi.org/10.2753/imo0020-8825420103>

De Gieter, S., & Hofmans, J. (2015). How reward satisfaction affects employees' turnover intentions and performance: an individual differences approach. *Human Resource Management Journal*, 25(2), 200–216. <https://doi.org/10.1111/1748-8583.12072>

de la Torre-Ruiz, J. M., Vidal-Salazar, M. D., & Cerdón-Pozo, E. (2017). Benefit flexibility and benefit satisfaction: does employee's personality matter? *Personnel Review*, 46(1), 2–16. <https://doi.org/10.1108/pr-04-2015-0082>

DREHER, G. F., ASH, R. A., & BRETZ, R. D. (1988). BENEFIT COVERAGE AND EMPLOYEE COST: CRITICAL FACTORS IN EXPLAINING COMPENSATION SATISFACTION. *Personnel Psychology*, 41(2), 237–254. <https://doi.org/10.1111/j.1744-6570.1988.tb02383.x>

Dulebohn, J. H., & Werling, S. E. (2007). Compensation research past, present, and future. *Human Resource Management Review*, 17(2), 191–207. <https://doi.org/10.1016/j.hrmr.2007.03.002>

Dur, R. (2009). Gift Exchange in The Workplace: Money or Attention? *Journal of the European Economic Association*, 7(2–3), 550–560. <https://doi.org/10.1162/jeea.2009.7.2-3.550>

Edenred. (2022, November 8). *Edenred Portugal — Especialista em benefícios sociais*. Edenred Portugal. <https://edenred.pt/>

Eisenberger, R., Huntington, R., Hutchison, S., & Sowa, D. (1986). Perceived organizational support. *Journal of Applied Psychology*, 71(3), 500–507. <https://doi.org/10.1037/0021-9010.71.3.500>

Eisenhardt, K. M. (1985). Control: Organizational and Economic Approaches. *Management Science*, 31(2), 134–149. <https://doi.org/10.1287/mnsc.31.2.134>

Etheredge, L. (2001). A Flexible Benefits Tax Credit For Health Insurance And More. *Health Affairs*, 20(Suppl1), W1–W10. <https://doi.org/10.1377/hlthaff.w1.1>

Fehr, E., & Falk, A. (2001). Psychological Foundations of Incentives. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.294287>

*Fiscalidade das remunerações: a (in)viabilidade fiscal do pacote de benefícios flexíveis*. (2022, June 3). RHmagazine. <https://rhmagazine.pt/fiscalidade-das-remuneracoes-a-inviabilidade-fiscal-do-pacote-de-beneficios-flexiveis/>

Garvey, G. T., & Milbourn, T. T. (2006). Asymmetric benchmarking in compensation: Executives are rewarded for good luck but not penalized for bad. *Journal of Financial Economics*, 82(1), 197–225. <https://doi.org/10.1016/j.jfineco.2004.01.006>

Gibbons, R. (1998). Incentives in Organizations. *Journal of Economic Perspectives*, 12(4), 115–132. <https://doi.org/10.1257/jep.12.4.115>

Gneezy, U., & Rustichini, A. (2000). Pay Enough or Don't Pay at All\*. *Quarterly Journal of Economics*, 115(3), 791–810. <https://doi.org/10.1162/003355300554917>

Guerra, F. (2012, November 22). O 'ticket': vantagens fiscais para compensar colaboradores. *Opinião - Jornal De Negócios*. [https://www.jornaldenegocios.pt/opiniao/detalhe/o\\_quotticketquot\\_vantagens\\_fiscais\\_para\\_compensar\\_colaboradores](https://www.jornaldenegocios.pt/opiniao/detalhe/o_quotticketquot_vantagens_fiscais_para_compensar_colaboradores)

Gunderson, M. (2001). Economics of personnel and human resource management. *Human Resource Management Review*, 11(4), 431–452. [https://doi.org/10.1016/s1053-4822\(01\)00048-1](https://doi.org/10.1016/s1053-4822(01)00048-1)

Heneman, H. G., & Schwab, D. P. (1985). PAY SATISFACTION: ITS MULTIDIMENSIONAL NATURE AND MEASUREMENT\*. *International Journal of Psychology*, 20(1), 129–141. <https://doi.org/10.1080/00207598508247727>

Herzberg, F., Mausner, B., & Snyderman, B. B. (1959). *The Motivation to Work* (2nd ed.). John Wiley & Sons.

Heyman, J., & Ariely, D. (2004). Effort for Payment. *Psychological Science*, 15(11), 787–793. <https://doi.org/10.1111/j.0956-7976.2004.00757.x>

Hillebrink, C., Schippers, J., van Doorne-Huiskes, A., & Peters, P. (2008). Offering choice in benefits: a new Dutch HRM arrangement. *International Journal of Manpower*, 29(4), 304–322. <https://doi.org/10.1108/01437720810884737>

Judge, T. A., Piccolo, R. F., Podsakoff, N. P., Shaw, J. C., & Rich, B. L. (2010). The relationship between pay and job satisfaction: A meta-analysis of the literature. *Journal of Vocational Behavior*, 77(2), 157–167. <https://doi.org/10.1016/j.jvb.2010.04.002>

Kornelakis, A. (2018). Why are your reward strategies not working? The role of shareholder value, country context, and employee voice. *Business Horizons*, 61(1), 107–113. <https://doi.org/10.1016/j.bushor.2017.09.010>

Laundon, M., Cathcart, A., & McDonald, P. (2019). Just benefits? Employee benefits and organisational justice. *Employee Relations: The International Journal*, 41(4), 708–723. <https://doi.org/10.1108/er-11-2017-0285>

Lazear, E. P. (2000). Performance Pay and Productivity. *American Economic Review*, 90(5), 1346–1361. <https://doi.org/10.1257/aer.90.5.1346>

Lazear, E. P. (2018). Compensation and Incentives in the Workplace. *Journal of Economic Perspectives*, 32(3), 195–214. <https://doi.org/10.1257/jep.32.3.195>

Lin, Z., Kelly, J., & Trenberth, L. (2011). Antecedents and consequences of the introduction of flexible benefit plans in China. *The International Journal of Human Resource Management*, 22(5), 1128–1145. <https://doi.org/10.1080/09585192.2011.556787>

Mercer. (n.d.). Portugal 2022 Total Compensation. In <https://www.mercer.pt/our-thinking/career/total-compensation-2022.html>.

Murphy, K. J. (1985). Corporate performance and managerial remuneration. *Journal of Accounting and Economics*, 7(1–3), 11–42. [https://doi.org/10.1016/0165-4101\(85\)90026-6](https://doi.org/10.1016/0165-4101(85)90026-6)

Murray, B., & Gerhart, B. (2000). Skill-Based Pay and Skill Seeking. *Human Resource Management Review*, 10(3), 271–287. [https://doi.org/10.1016/s1053-4822\(00\)00029-2](https://doi.org/10.1016/s1053-4822(00)00029-2)

Patiar, A., & Wang, Y. (2020). Managers' leadership, compensation and benefits, and departments' performance: Evidence from upscale hotels in Australia. *Journal of Hospitality and Tourism Management*, 42, 29–39. <https://doi.org/10.1016/j.jhtm.2019.11.005>

Permana, A., Aima, M. H., Ariyanto, E., Nurmahdi, A., Sutawidjaya, A. H., & Endri, E. (2021). The effect of compensation and career development on lecturer job satisfaction. *Accounting*, 7(6), 1287–1292. <https://doi.org/10.5267/j.ac.2021.4.011>

Plataforma de Benefícios Flexíveis | Coverflex. (n.d.). <https://www.coverflex.com/pt>

Putterman, L., & Skillman, G. (1988). The incentive effects of monitoring under alternative compensation schemes. *International Journal of Industrial Organization*, 6(1), 109–119. [https://doi.org/10.1016/0167-7187\(88\)90009-4](https://doi.org/10.1016/0167-7187(88)90009-4)

RH Magazine. (2022, September). Compensação Saiba Como as Pessoas Estão a Competir pelo Talento Edição 142. <https://Rhmagazine.Inforh.Pt/#viewer?P=RHmagazine&v=revista&e=142>.

Ritter-Hayashi, D., Knoblen, J., & Vermeulen, P. A. (2020). Success belongs to the flexible firm: How labor flexibility can retain firm innovativeness in times of downsizing. *Long Range Planning*, 53(3), 101914. <https://doi.org/10.1016/j.lrp.2019.101914>

Ryan, R. M., & Deci, E. L. (2000). Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions. *Contemporary Educational Psychology*, 25(1), 54–67. <https://doi.org/10.1006/ceps.1999.1020>

Shearer, B. (2004). Piece Rates, Fixed Wages and Incentives: Evidence from a Field Experiment. *The Review of Economic Studies*, 71(2), 513–534. <https://doi.org/10.1111/0034-6527.00294>

*Spanish Payroll: Benefits in Kind.* (2018, August 19). <https://www.linkedin.com/pulse/spanish-payroll-benefits-kind-javier-cueto-castilla/>

Szenes, J. (2021, July 27). *What Are The Benefits Of Buying New Equipment For Your Business?* [https://www.linkedin.com/pulse/what-benefits-buying-new-equipment-your-business-jeff-szenes/?trk=read\\_related\\_article-card\\_title](https://www.linkedin.com/pulse/what-benefits-buying-new-equipment-your-business-jeff-szenes/?trk=read_related_article-card_title)

Tremblay, M., Sire, B., & Pelchat, A. (1998). A Study of the Determinants and of the Impact of Flexibility on Employee Benefit Satisfaction. *Human Relations*, 51(5), 667–688. <https://doi.org/10.1177/001872679805100505>

Vidal-Salazar, M. D., Cordon-Pozo, E., & de la Torre-Ruiz, J. M. (2016). Flexibility of benefit systems and firms' attraction and retention capacities. *Employee Relations*, 38(4), 487–504. <https://doi.org/10.1108/er-07-2015-0152>

Wang, M., & Wanberg, C. R. (2017). 100 years of applied psychology research on individual careers: From career management to retirement. *Journal of Applied Psychology*, 102(3), 546–563. <https://doi.org/10.1037/apl0000143>

Williams, M. L., McDaniel, M. A., & Nguyen, N. T. (2006). A meta-analysis of the antecedents and consequences of pay level satisfaction. *Journal of Applied Psychology*, 91(2), 392–413. <https://doi.org/10.1037/0021-9010.91.2.392>

## **Appendixes**

### **Appendix A – Interview Transcript**

#### **Marta**

Hello, my name is Marta. Today I'm joined with the Chief People Officer of the firm. I'm currently doing an internship and developing my master dissertation. I would like to start by thanking you for the time disposed for performing this interview. And throughout our conversation, I will ask some questions about the topic of flexible compensation. And under your permission, of course, I would like to record this meeting for research purposes only.

#### **Chief People Officer**

Absolutely.

#### **Marta**

Okay, thank you. To begin, I would like you to introduce a little bit about your occupation to understand the context and the functions you have.

#### **Chief People Officer**

So, Chief People Officer actually means I'm the head of HR, or, I don't know, the HR director, whatever you want to call it. But let's say that I'm responsible for all human resources issues for all the agencies, companies in the group. In Portugal, we currently have agencies. Well, they work under a shared service center structure. That means that they all belong to the same group and share, well, several departments, but one of them is HR. So basically that means that I'm the HR director for all of them.

**Marta**

All right. Yeah, of course. How would you describe the term flexible compensation?

**Chief People Officer**

Ideally, flexible compensation means adjusting what you need and not having, let's call it one size fits all kind of formula for all employees. Every employee is different, and even if we don't go as far as that, we actually have different groups of employees. When you think about simple stuff, how old are they? Meaning, what moment of their life cycle are they? Are they married? Do they have children? Have they already bought a house? No?.

That means that depending on where they are in the lifecycle, they will value and they will need different things from the company, different support from the company. So if we give them all the exact same package, that will not be interesting for any of them. So flexible compensation is actually giving the employee the choice to decide what benefits suit him or her best in a specific moment, and allowing them to make different choices depending on what they need instead of the company deciding by them what we think they need.

**Marta**

Okay.

**Chief People Officer**

In our case, it means giving them some choice, but also having benefits that are standard for everyone. So there's a mix between allowing them the choice and us deciding things that we believe are useful and they should exist.

**Marta**

Yeah. And could you tell me a little bit about its importance, flexible compensation in general?

**Chief People Officer**

Critical, actually, because when you make a decision about the company you want to work for, compensation is key. You can be the best employer in the world, but being the best employer means also having the best remuneration package, benefits development, career wise. So any decision is made based on several things, not just, if I don't know if it's a very nice company and offers good coffee. A decision is based on many different factors, but remuneration is key. So for the employee, understanding what he will receive from the company is very, very important. So either to retain someone and make sure they are fully engaged with the company or to recruit someone.

Well, compensation and benefits are super important. You need to understand if the remuneration you're paying to your employee is aligned with the market. It makes sense. If we are being competitive or not. Because again, if you don't make that evaluation and you're not competitive, even if the work is really interesting, people will not want to work for you. If you are paying too much, you have a problem as well because, yes, people will want to come and work for you, but the PNL of the company will suffer.

So it's critical to have the right package for your employees, for the sector where you operate. It's not the same thing to work in our sector and to work in real estate, for instance. So depending on the sector you work for, you have to do the exercise. And there are moments in time when things change. Like now, with a war going on in Europe. Before that we had a pandemic and that affected the economy as well. And that changed how people think about the benefits they want to have and how they think about their careers and how they think about the connection they want to have with the companies they work for. So it's critical.

## **Marta**

Yeah, of course. And what flexible compensation has already been implemented here in the firm?

## **Chief People Officer**

As I said, what we did was a mix between standard benefits for everyone and having something that allows the employees to have some choice. In the situation we are currently living costs are also crucial, absolutely. So the plan was not to spend more money, but to allow the employees more choice over the money the company already spends with their benefits.

The benefit that is more expensive to the company, because previously we had a one size fits all package where the benefit common to everyone was the medical insurance. There are other benefits, but they're not common to everyone. So the plan was how can we give choice to every single employee in all the companies of the group, not just one, to have something that was common to all? So medical insurance was the only thing common to all. That's why it was used. It's also something that is critical to the employee, given the healthcare world we live in, especially the Portuguese reality. So if you don't have a good medical insurance, you are depending on the public system and that's a problem. Therefore, medical insurance is very important. And that's also why we decided that all employees must have medical insurance.

### **Chief People Officer**

But medical insurance has different covers, different limits. And we also have employees that are already covered in the medical insurance they have privately or they have with their spouse or their parents. There's a mix of things. So if we were to continue to give them all the same medical cover, it would probably mean for some people doubling something and not valuing or using this benefit. So what we did was creating, instead of having just one option of medical insurance, to create three different options with different covers and allowing the employee to choose which cover they wanted, generating flex balance with the decision.

So what we used was one of the options, obviously, is maintaining the exact same coverage as they had until then. And that means you generate nothing when you choose that, because that is the maximum cost the company has. And then two other different options that generated an amount that you could spend with benefits that you choose. So if you choose now one option of the medical insurance and you generate a certain amount, then you can use that amount to choose other benefits. It could be transportation allowance, it could be an additional cover in medical insurance, life insurance, pension planning, what else?

### **Chief People Officer**

There's so much, daycare for your children. So depending on what you value, then it's up to you as an employee to choose where to use that money, but still having always a medical cover by the company. Because, again, as I said, it's critical and we didn't want any employee

to be without medical insurance, but they can use the rest of the money towards whatever they choose. And that was the, let's say, the flex scheme we implemented here.

**Marta**

Okay? It's really interesting and why and on what grounds have you decided to do so, to implement this scheme?

**Chief People Officer**

Again, because looking at our population, in our case average age is very young so, it means people usually think or fortunately they don't have complicated medical situations, and therefore they were not valuing the insurance that much. And that's why, again because it was the only benefit that was the same for everyone, so the only thing that was common that we could use because again there's also a tax liability implied here, so we have to have something that was common to everyone. Medical insurance was the only one, and again, we have the combination of being the only benefit available to do this choice and having a very young population that doesn't really care for this insurance. Unless they're sick.

**Marta**

Of course, is like all situations. And when implementing this flex compensation scheme here on the firm, was something bigger thought of or has already been implemented with a view of an evolution?

**Chief People Officer**

Yes this is the start of evolving the compensation package we currently have, we used to be, one year ago, when I started, we were very classic, that means in a job offer what we had to offer to someone was one size fits all medical insurance and actual job offer was very classic, was you come to work for us, there's an employment contract, there's benefit, that's it. And now, what we are trying to do, is to, one show choice, so you could choose what means most

to you, and at the same time also to explain the added value of things that are not so, well so easily transferred to money.

And that means the actual working here, the environment, or the other more informal and social benefits that we currently have here, those now are also stretched to the employee. And coming to work for us, also means having flexible working scheme, or it means having 35 hours of work per week instead of the standard 40. What we did was an exercise of looking at the things we do, that are really interesting for the employees and show that.

### **Chief People Officer**

And flexible remuneration was part of this, and we will evolve. This is the start, as I said, with no budget, so the plan is to first make sure the system is well implemented and then to try to in the following years to having it been more flexible with as much benefits as we can get inside and try to also increase the flex balance for the employees. Giving them as much choice as we can.

### **Marta**

Of course, is the future you want to accomplish.

### **Chief People Officer**

If we could, we would allow the employees to choose, actually to use also part of their gross salary for benefits. Following basically the legislation in Spain. In Spain you can choose up to 30% of your gross salary to be spend in benefits, instead of received a salary, but that's Spain. Portugal unfortunately, hasn't made that evolution yet, so maybe one day.~

### **Marta**

Yeah, of course. It would be, very interesting to do so in Portugal, following what was already said by you, and it's really important as well. Do you think flexible compensation is a driver of employee satisfaction?

**Chief People Officer**

Absolutely, I wouldn't say it, is the only, is one of, is getting the right mix of what you offer to employee. So employee satisfaction doesn't depend only on, I don't know, having a wonderful working environment, or having an amazing salary, or having a good compensation package, or flex benefits. It's a mix of everything, so it's part of it, and if you get it right is a good part, but it's not the only one. It's definitely, really important.

**Marta**

Yeah, okay. Well is there anything you would like to add to what has already been said?

**Chief People Officer**

No, I don't think so

**Marta**

No? Then I just have to say, it was a pleasure talking to you about such an important topic and hot topic as well in the human resources area, and thank you again for your time.

**Chief People Officer**

You're welcome.

## **Appendix B – Applicable Legislation**

### **Código Do Imposto Sobre o Rendimentos das Pessoas Coletivas (CIRC)**

**Última Atualização: Lei n. °12/2022, de 27 de junho**

#### **Artigo 23.º**

##### **Gastos e perdas**

1 - Para a determinação do lucro tributável, são dedutíveis todos os gastos e perdas incorridos ou suportados pelo sujeito passivo para obter ou garantir os rendimentos sujeitos a IRC.

2 - Consideram-se abrangidos pelo número anterior, nomeadamente, os seguintes gastos e perdas:

a) Os relativos à produção ou aquisição de quaisquer bens ou serviços, tais como matérias utilizadas, mão-de-obra, energia e outros gastos gerais de produção, conservação e reparação;

b) Os relativos à distribuição e venda, abrangendo os de transportes, publicidade e colocação de mercadorias e produtos;

c) De natureza financeira, tais como juros de capitais alheios aplicados na exploração, descontos, ágios, transferências, diferenças de câmbio, gastos com operações de crédito, cobrança de dívidas e emissão de obrigações e outros títulos, prémios de reembolso e os resultantes da aplicação do método do juro efetivo aos instrumentos financeiros valorizados pelo custo amortizado;

d) De natureza administrativa, tais como remunerações, incluindo as atribuídas a título de participação nos lucros, ajudas de custo, material de consumo corrente, transportes e comunicações, rendas, contencioso, seguros, incluindo os de vida, doença ou saúde, e operações do ramo «Vida», contribuições para fundos de poupança-reforma, contribuições para fundos de pensões e para quaisquer regimes complementares da segurança social, bem como gastos com benefícios de cessação de emprego e outros benefícios pós-emprego ou a longo prazo dos empregados;

e) Os relativos a análises, racionalização, investigação, consulta e projetos de desenvolvimento;

f) De natureza fiscal e parafiscal;

g) Depreciações e amortizações;

h) Perdas por imparidade;

i) Provisões;

j) Perdas por reduções de justo valor em instrumentos financeiros;

k) Perdas por reduções de justo valor em ativos biológicos consumíveis que não sejam explorações silvícolas plurianuais;

l) Menos-valias realizadas;

m) Indemnizações resultantes de eventos cujo risco não seja segurável.

3 - Os gastos dedutíveis nos termos dos números anteriores devem estar comprovados documentalmente, independentemente da natureza ou suporte dos documentos utilizados para esse efeito.

4 - No caso de gastos incorridos ou suportados pelo sujeito passivo com a aquisição de bens ou serviços, o documento comprovativo a que se refere o número anterior deve conter, pelo menos, os seguintes elementos:

a) Nome ou denominação social do fornecedor dos bens ou prestador dos serviços e do adquirente

ou destinatário;

b) Números de identificação fiscal do fornecedor dos bens ou prestador dos serviços e do adquirente ou destinatário, sempre que se tratem de entidades com residência ou estabelecimento estável no território nacional;

c) Quantidade e denominação usual dos bens adquiridos ou dos serviços prestados;

d) Valor da contraprestação, designadamente o preço;

e) Data em que os bens foram adquiridos ou em que os serviços foram realizados.

5 - (Revogado.)

6 - Quando o fornecedor dos bens ou prestador dos serviços esteja obrigado à emissão de fatura ou documento legalmente equiparado nos termos do Código do IVA, o documento comprovativo das aquisições de bens ou serviços previsto no n.º 4 deve obrigatoriamente assumir essa forma.

7 - Os gastos respeitantes a ações preferenciais sem voto classificadas como passivo financeiro de acordo com a normalização contabilística em vigor, incluindo os gastos com a emissão destes títulos, são dedutíveis para efeitos da determinação do lucro tributável da entidade emitente. *(Redação da Lei n.º 82-C/2014, de 31 de dezembro)*

## **Artigo 88.º**

### **Taxas de tributação autónoma**

1 - As despesas não documentadas são tributadas autonomamente, à taxa de 50 %, sem prejuízo da sua não consideração como gastos nos termos da alínea b) do n.º 1 do artigo 23.º-A.

2 - A taxa referida no número anterior é elevada para 70 % nos casos em que tais despesas sejam efetuadas por sujeitos passivos total ou parcialmente isentos, ou que não exerçam, a título principal, atividades de natureza comercial, industrial ou agrícola e ainda por sujeitos passivos que auferam rendimentos enquadráveis no artigo 7.º

3 - São tributados autonomamente os encargos efetuados ou suportados por sujeitos passivos que não beneficiem de isenções subjetivas e que exerçam, a título principal, atividade de natureza comercial, industrial ou agrícola, relacionados com viaturas ligeiras de passageiros, viaturas ligeiras de mercadorias referidas na alínea b) do n.º 1 do artigo 7.º do Código do Imposto sobre Veículos, motos ou motociclos, excluindo os veículos movidos exclusivamente a energia elétrica, às seguintes taxas: *(Redação da Lei n.º 82-C/2014, de 31 de dezembro)*

a) 10 % no caso de viaturas com um custo de aquisição inferior a 27 500 (euro); *(Redação da Lei n.º 2/2020, de 31 de março)*

b) 27,5 % no caso de viaturas com um custo de aquisição igual ou superior a 27 500 (euro) e inferior a 35 000 (euro); *(Redação da Lei n.º 2/2020, de 31 de março)*

c) 35 % no caso de viaturas com um custo de aquisição igual ou superior a €35 000.

4 - (Revogado.)

5 - Consideram-se encargos relacionados com viaturas ligeiras de passageiros, motos e motociclos, nomeadamente, depreciações, rendas ou alugueres, seguros, manutenção e conservação, combustíveis e impostos incidentes sobre a sua posse ou utilização.

6 - Excluem-se do disposto no n.º 3 os encargos relacionados com:

a) Viaturas ligeiras de passageiros, motos e motociclos, afetos à exploração de serviço público de transportes, destinados a serem alugados no exercício da atividade normal do sujeito passivo; e

b) Viaturas automóveis relativamente às quais tenha sido celebrado o acordo previsto no n.º 9) da alínea b) do n.º 3 do artigo 2.º do Código do IRS.

7 - São tributados autonomamente à taxa de 10 % os encargos efetuados ou suportados relativos a despesas de representação, considerando-se como tal, nomeadamente, as despesas suportadas com receções, refeições, viagens, passeios e espetáculos oferecidos no País ou no estrangeiro a clientes ou fornecedores ou ainda a quaisquer outras pessoas ou entidades. *(Redação da Lei n.º 42/2016, de 28 de dezembro)*

8 - São sujeitas ao regime dos n.os 1 ou 2, consoante os casos, sendo as taxas aplicáveis, respetivamente, 35 % ou 55 %, as despesas correspondentes a importâncias pagas ou devidas, a qualquer título, a pessoas singulares ou coletivas residentes fora do território português e aí submetidas a um regime fiscal claramente mais favorável a que se refere o n.º 1 do artigo 63.º-D da Lei Geral Tributária, ou cujo pagamento seja efetuado em contas abertas em instituições financeiras aí residentes ou domiciliadas, salvo se o sujeito passivo puder provar que correspondem a operações efetivamente realizadas e não têm um caráter anormal ou um montante exagerado. *(Redação da Lei n.º 42/2016, de 28 de dezembro)*

9 - São ainda tributados autonomamente, à taxa de 5 %, os encargos efetuados ou suportados relativos a ajudas de custo e à compensação pela deslocação em viatura própria do trabalhador, ao serviço da entidade patronal, não faturados a clientes, escriturados a qualquer título, exceto na parte em que haja lugar a tributação em sede de IRS na esfera do respetivo beneficiário. *(Redação da Lei n.º 42/2016, de 28 de dezembro)*

10 - (Revogado.)

11 - São tributados autonomamente, à taxa de 23 %, os lucros distribuídos por entidades sujeitas a IRC a sujeitos passivos que beneficiam de isenção total ou parcial, abrangendo, neste caso, os rendimentos de capitais, quando as partes sociais a que respeitam os lucros não tenham permanecido na titularidade do mesmo sujeito passivo, de modo ininterrupto, durante o ano anterior à data da sua colocação à disposição e não venham a ser mantidas durante o tempo necessário para completar esse período.

12 - Ao montante do imposto determinado, de acordo com o disposto no número anterior, é deduzido o imposto que eventualmente tenha sido retido na fonte, não podendo nesse caso o imposto retido ser deduzido ao abrigo do n.º 2 do artigo 90.º

13 - São tributados autonomamente, à taxa de 35 %:

a) Os gastos ou encargos relativos a indemnizações ou quaisquer compensações devidas não relacionadas com a concretização de objetivos de produtividade previamente definidos na relação contratual, quando se verifique a cessação de funções de gestor, administrador ou gerente, bem como os gastos relativos à parte que exceda o valor das remunerações que seriam auferidas pelo exercício daqueles cargos até ao final do contrato, quando se trate de rescisão de um contrato antes do termo, qualquer que seja a modalidade de pagamento, quer este seja efetuado diretamente pelo sujeito passivo quer haja transferência das responsabilidades inerentes para uma outra entidade;

b) Os gastos ou encargos relativos a bónus e outras remunerações variáveis pagas a gestores, administradores ou gerentes quando estas representem uma parcela superior a 25 % da remuneração anual e possuam valor superior a €27 500, salvo se o seu pagamento estiver subordinado ao diferimento de uma parte não inferior a 50 % por um período mínimo de três anos e condicionado ao desempenho positivo da sociedade ao longo desse período.

14 - As taxas de tributação autónoma previstas no presente artigo são elevadas em 10 pontos percentuais quanto aos sujeitos passivos que apresentem prejuízo fiscal no período a que respeitem quaisquer dos factos tributários referidos nos números anteriores relacionados com o exercício de uma atividade de natureza comercial, industrial ou agrícola não isenta de IRC.

15 - O disposto no número anterior não é aplicável no período de tributação de início de atividade e no seguinte. (*Redação da Lei n.º 2/2020, de 31 de março*)

## **Código Do Imposto Sobre o Rendimentos das Pessoas Singulares (CIRS)**

**Última Atualização: Lei n. °12/2022, de 27 de junho**

### **Artigo 2.º**

#### **Rendimentos da categoria A**

1 - Consideram-se rendimentos do trabalho dependente todas as remunerações pagas ou postas à disposição do seu titular provenientes de:

a) Trabalho por conta de outrem prestado ao abrigo de contrato individual de trabalho ou de outro a ele legalmente equiparado;

b) Trabalho prestado ao abrigo de contrato de aquisição de serviços ou outro de idêntica natureza, sob a autoridade e a direção da pessoa ou entidade que ocupa a posição de sujeito ativo na relação jurídica dele resultante;

c) Exercício de função, serviço ou cargo públicos;

d) Situações de pré-reforma, pré-aposentação ou reserva, com ou sem prestação de trabalho, bem como de prestações atribuídas, não importa a que título, antes de verificados os requisitos exigidos nos regimes obrigatórios de segurança social aplicáveis para a passagem à situação de reforma, ou, mesmo que não subsista o contrato de trabalho, se mostrem subordinadas à condição de serem devidas até que tais requisitos se verifiquem, ainda que, em qualquer dos casos anteriormente previstos, sejam devidas por fundos de pensões ou outras entidades, que se substituam à entidade originariamente devedora.

2 - As remunerações referidas no número anterior compreendem, designadamente, ordenados, salários, vencimentos, gratificações, percentagens, comissões, participações, subsídios ou prémios, senhas de presença, emolumentos, participações em multas e outras remunerações acessórias, ainda que periódicas, fixas ou variáveis, de natureza contratual ou não.

3 - Consideram-se ainda rendimentos do trabalho dependente:

a) As remunerações dos membros dos órgãos estatutários das pessoas coletivas e entidades equiparadas, com exceção dos que neles participem como revisores oficiais de contas;

b) As remunerações acessórias, nelas se compreendendo todos os direitos, benefícios ou regalias não incluídos na remuneração principal que sejam auferidos devido à prestação de trabalho ou em conexão com esta e constituam para o respetivo beneficiário uma vantagem económica, designadamente:

1) Os abonos de família e respetivas prestações complementares, exceto na parte em que não excedam os limites legais estabelecidos;

2) O subsídio de refeição na parte em que exceder o limite legal estabelecido ou em que o exceda em 60 % sempre que o respetivo subsídio seja atribuído através de vales de refeição;

3) As importâncias despendidas, obrigatória ou facultativamente, pela entidade patronal:

i) Com seguros e operações do ramo «Vida», contribuições para fundos de pensões, fundos de poupança-reforma ou quaisquer regimes complementares de segurança social, desde que constituam direitos adquiridos e individualizados dos respetivos beneficiários;

ii) Para os fins previstos na subalínea anterior e que, não constituindo direitos adquiridos e individualizados dos respetivos beneficiários, sejam por estes objeto de resgate, adiantamento, remição ou qualquer outra forma de antecipação da correspondente disponibilidade;

4) Os subsídios de residência ou equivalentes ou a utilização de casa de habitação fornecida pela entidade patronal;

5) Os resultantes de empréstimos sem juros ou a taxa de juro inferior à de referência para o tipo de operação em causa, concedidos ou suportados pela entidade patronal, com exceção dos que se destinem à aquisição de habitação própria permanente de valor não superior a € 180 426,40 e cuja taxa não seja inferior a 70 % da taxa mínima de proposta aplicável às operações principais de refinanciamento pelo Banco Central Europeu, ou de outra taxa legalmente fixada como equivalente;

6) As importâncias despendidas pela entidade patronal com viagens e estadas, de turismo e similares, não conexas com as funções exercidas pelo trabalhador ao serviço da mesma entidade;

7) Os ganhos derivados de planos de opções, de subscrição, de atribuição ou outros de efeito equivalente, sobre valores mobiliários ou direitos equiparados, ainda que de natureza ideal, criados em benefício de trabalhadores ou membros de órgãos sociais, incluindo os resultantes da alienação ou liquidação financeira das opções ou direitos ou de renúncia onerosa ao seu

exercício, a favor da entidade patronal ou de terceiros, e, bem assim, os resultantes da recompra por essa entidade, mas, em qualquer caso, apenas na parte em que a mesma se revista de carácter remuneratório, dos valores mobiliários ou direitos equiparados, mesmo que os ganhos apenas se materializem após a cessação da relação de trabalho ou de mandato social;

8) Os rendimentos, em dinheiro ou em espécie, pagos ou colocados à disposição a título de direito a rendimento inerente a valores mobiliários ou direitos equiparados, ainda que estes se revistam de natureza ideal, e, bem assim, a título de valorização patrimonial daqueles valores ou direitos, independentemente do índice utilizado para a respetiva determinação, derivados de planos de subscrição, de atribuição ou outros de efeito equivalente, criados em benefício de trabalhadores ou membros de órgãos sociais, mesmo que o pagamento ou colocação à disposição ocorra apenas após a cessação da relação de trabalho ou de mandato social;

9) Os resultantes da utilização pessoal pelo trabalhador ou membro de órgão social de viatura automóvel que gere encargos para a entidade patronal, quando exista acordo escrito entre o trabalhador ou membro do órgão social e a entidade patronal sobre a imputação àquele da referida viatura automóvel;

c) Os abonos para falhas devidos a quem, no seu trabalho, tenha de movimentar numerário, na parte em que excedam 5 % da remuneração mensal fixa;

d) As ajudas de custo e as importâncias auferidas pela utilização de automóvel próprio em serviço da entidade patronal, na parte em que ambas excedam os limites legais ou quando não sejam observados os pressupostos da sua atribuição aos servidores do Estado e as verbas para despesas de deslocação, viagens ou representação de que não tenham sido prestadas contas até ao termo do exercício;

e) Quaisquer indemnizações resultantes da constituição, extinção ou modificação de relação jurídica que origine rendimentos do trabalho dependente, incluindo as que respeitem ao incumprimento das condições contratuais ou sejam devidas pela mudança de local de trabalho, sem prejuízo do disposto no número seguinte e na alínea f) do n.º 1 do artigo seguinte;

f) A quota-parte, acrescida dos descontos para a segurança social que constituam encargos do beneficiário, devida a título de participação nas companhias de pesca aos pescadores que limitem a sua atuação à prestação de trabalho;

g) As gratificações auferidas pela prestação ou em razão da prestação do trabalho, quando não atribuídas pela respetiva entidade patronal;

h) As indemnizações não previstas na alínea e) que visem compensar perdas de rendimentos desta categoria e que não correspondam a prestações sociais.

4 - Quando, por qualquer forma, cessarem os contratos subjacentes às situações referidas nas alíneas a), b) e c) do n.º 1, mas sem prejuízo do disposto na alínea d) do mesmo número, quanto às prestações que continuem a ser devidas mesmo que o contrato de trabalho não subsista, ou se verifique a cessação das funções de gestor público, administrador ou gerente de pessoa coletiva, bem como de representante de estabelecimento estável de entidade não residente, as importâncias auferidas, a qualquer título, ficam sempre sujeitas a tributação:

a) Pela sua totalidade, na parte que corresponda ao exercício de funções de gestor público, administrador ou gerente de pessoa coletiva, bem como de representante de estabelecimento estável de entidade não residente;

b) Na parte que exceda o valor correspondente ao valor médio das remunerações regulares com carácter de retribuição sujeitas a imposto, auferidas nos últimos 12 meses, multiplicado pelo número de anos ou fração de antiguidade ou de exercício de funções na entidade devedora, nos demais casos, salvo quando nos 24 meses seguintes seja criado novo vínculo profissional ou empresarial, independentemente da sua natureza, com a mesma entidade, caso em que as importâncias serão tributadas pela totalidade.

5 - Para efeitos do referido no número anterior, considera-se também criado um novo vínculo empresarial quando sejam estabelecidas com a entidade com a qual cessaram as relações laborais, comerciais ou de prestação de serviços, por sociedade ou outra entidade em que, pelo menos, 50 % do seu capital seja detido, isoladamente ou em conjunto com algum dos elementos do respetivo agregado familiar, pelo beneficiário ou por uma pluralidade de beneficiários das importâncias recebidas, exceto se as referidas relações laborais, comerciais ou de prestação de serviços representarem menos de 50 % das vendas ou prestações de serviços efetuadas no exercício.

6 - O regime previsto no n.º 4 não é aplicável às importâncias relativas aos direitos vencidos durante os referidos contratos ou situações, designadamente remunerações por trabalho prestado, férias, subsídios de férias e de Natal.

7 - As importâncias referidas no n.º 4 serão também tributadas pela totalidade quando o sujeito passivo tenha beneficiado, nos últimos cinco anos, da não tributação total ou parcial nele prevista.

8 - (Revogado.)

9 - Para efeitos do disposto no n.º 3) da alínea b) do n.º 3, consideram-se direitos adquiridos aqueles cujo exercício não depende da manutenção do vínculo laboral, ou como tal considerado para efeitos fiscais, do beneficiário com a respetiva entidade patronal.

10 - Considera-se entidade patronal toda a que pague ou coloque à disposição remunerações que, nos termos deste artigo, constituam rendimentos de trabalho dependente, sendo a ela equiparada qualquer outra entidade que com ela esteja em relação de grupo, domínio ou simples participação, independentemente da respetiva localização geográfica.

11 - Para efeitos da alínea b) do n.º 3, consideram-se rendimentos do trabalho do sujeito passivo os benefícios ou regalias atribuídos pela respetiva entidade patronal a qualquer outra pessoa do seu agregado familiar ou que a ele esteja ligado por vínculo de parentesco ou afinidade até ao 3.º grau da linha colateral, ao qual se equipara a relação de cada um dos unidos de facto com os parentes do outro.

12 - (Revogado.)

13 - Para efeitos do n.º 10) da alínea b) do n.º 3, presume-se que a viatura foi adquirida pelo trabalhador ou membro do órgão social, quando seja registada no seu nome, no de qualquer pessoa que integre o seu agregado familiar ou no de outrem por si indicada, no prazo de dois anos a contar do exercício em que a viatura deixou de originar encargos para a entidade patronal.

14 - Os limites legais previstos neste artigo serão os anualmente fixados para os servidores do Estado.

15 - Consideram-se incluídas na alínea c) do n.º 1 as remunerações auferidas na qualidade de deputado ao Parlamento Europeu.

*Nota: N.º 1 do artigo 195.º da Lei n.º 42/2016, de 28 de dezembro - Norma transitória: "1 - Para os efeitos do n.º 14 do artigo 2.º do CIRS, no ano de 2017 é considerado o valor fixado para o mês de janeiro."*

## **Código dos Regimes Contributivos do Sistema Previdencial de Segurança Social**

### **Redação em vigor**

#### **Artigo 48.º**

##### **Valores excluídos da base de incidência**

Não integram a base de incidência contributiva designadamente: (*Redação dada pela Lei n.º 55-A/2010, de 31 de dezembro*)

- a) Os valores compensatórios pela não concessão de férias ou de dias de folga;
- b) As importâncias atribuídas a título de complemento de prestações do regime geral de segurança social;
- c) Os subsídios concedidos a trabalhadores para compensação de encargos familiares, nomeadamente os relativos à frequência de creches, jardins de infância, estabelecimentos de educação, lares de idosos e outros serviços ou estabelecimentos de apoio social;
- d) Os subsídios eventuais destinados ao pagamento de despesas com assistência médica e medicamentosa do trabalhador e seus familiares;
- e) Os valores correspondentes a subsídios de férias, de Natal e outros análogos relativos a bases de incidência convencionais;
- f) Os valores das refeições tomadas pelos trabalhadores em refeitórios das respetivas entidades empregadoras;
- g) As importâncias atribuídas ao trabalhador a título de indemnização, por força de declaração judicial da ilicitude do despedimento;
- h) A compensação por cessação do contrato de trabalho no caso de despedimento coletivo, por extinção do posto de trabalho, por inadaptação, por não concessão de aviso prévio, por caducidade e por resolução por parte do trabalhador; (*Redação dada pela Lei n.º 55-A/2010, de 31 de dezembro*)
- i) A indemnização paga ao trabalhador pela cessação, antes de findo o prazo convencional, do contrato de trabalho a prazo;
- j) As importâncias referentes ao desconto concedido aos trabalhadores na aquisição

## **CÓDIGO DO TRABALHO**

**Aprovado pela Lei n.º 7/2009, de 12 de fevereiro, com as alterações introduzidas pelas Leis n.ºs 105/2009, de 14 de setembro, 53/2011, de 14 de outubro, 23/2012, de 25 de junho, 47/2012, de 29 de agosto, 69/2013, de 30 de agosto, 27/2014, de 8 de maio, 28/2015, de 14 de abril, 120/2015, de 1 de setembro, 8/2016, de 1 de abril, 28/2016, de 23 de agosto, 42/2016, de 28 de dezembro, 73/2017, de 16 de agosto, 14/2018, de 19 de março, 90/2019, de 4 de setembro, 93/2019, de 4 de setembro, 2/2020, de 31 de março, 18/2021, de 8 de abril, 83/2021, de 6 de dezembro, 1/2022, de 03 de janeiro.**

### **Artigo 26.º**

#### **Regras contrárias ao princípio da igualdade e não discriminação**

1 – A disposição de instrumento de regulamentação coletiva de trabalho ou de regulamento interno de empresa que estabeleça profissão ou categoria profissional que respeite especificamente a trabalhadores de um dos sexos considera-se aplicável a trabalhadores de ambos os sexos.

2 – A disposição de instrumento de regulamentação coletiva de trabalho ou de regulamento interno de empresa que estabeleça condições de trabalho, designadamente retribuição, aplicáveis exclusivamente a trabalhadores de um dos sexos para categoria profissional correspondente a trabalho igual ou a trabalho de valor igual considera-se substituída pela disposição mais favorável aplicável a trabalhadores de ambos os sexos.

3 – O disposto nos números anteriores é aplicável a disposição contrária ao princípio da igualdade em função de outro fator de discriminação.

4 – A disposição de estatuto de organização representativa de empregadores ou de trabalhadores que restrinja o acesso a emprego, atividade profissional, formação profissional, condições de trabalho ou carreira profissional exclusivamente a trabalhadores de um dos sexos, fora dos casos previstos no n.º 2 do artigo 25.º e dos previstos em lei específica decorrentes da proteção do património genético do trabalhador ou dos seus descendentes, considera-se aplicável a trabalhadores de ambos os sexos.

## **Artigo 100.º**

### **Tipos de empresas**

1 – Considera-se:

- a) Microempresa a que emprega menos de 10 trabalhadores;
- b) Pequena empresa a que emprega de 10 a menos de 50 trabalhadores;
- c) Média empresa a que emprega de 50 a menos de 250 trabalhadores;
- d) Grande empresa a que emprega 250 ou mais trabalhadores.

2 – Para efeitos do número anterior, o número de trabalhadores corresponde à média do ano civil antecedente.

3 – No ano de início da atividade, o número de trabalhadores a ter em conta para aplicação do regime é o existente no dia da ocorrência do facto.

## **Artigo 237.º**

### **Direito a férias**

1 – O trabalhador tem direito, em cada ano civil, a um período de férias retribuídas, que se vence em 1 de janeiro.

2 – O direito a férias, em regra, reporta-se ao trabalho prestado no ano civil anterior, mas não está condicionado à assiduidade ou efetividade de serviço.

3 – O direito a férias é irrenunciável e o seu gozo não pode ser substituído, ainda que com o acordo do trabalhador, por qualquer compensação, económica ou outra, sem prejuízo do disposto no n.º 5 do artigo seguinte.

4 – O direito a férias deve ser exercido de modo a proporcionar ao trabalhador a recuperação física e psíquica, condições de disponibilidade pessoal, integração na vida familiar e participação social e cultural.