

FINAL PERK

Dear Linux Magazine Reader,

News of Google's employee survival benefit surfaced recently, much to the amazement of bloggers, who were all out on the prowl for some tech news. In an interview with Forbes Magazine's Meghan Casserly [1], Google Chief People Officer Lazlo Bock spelled out the terms. If a Google employee dies, the company will give a surviving spouse or domestic partner half the employee's salary for up to 10 years.

Various commentators have referred to this policy as "Impressive," "Awesome," "Admirable." Another Forbes contributor called it "awe inspiring." Although Google should certainly be commended for offering this benefit, I wonder sometimes about the way news gets passed around in our high-velocity, zero-friction Internet economy. Lofty adjectives are fast and evocative, but numbers talk. I worry that what we call "news" today is little more than a patter of glorified re-tweets that get passed through the industry without anything close to the level of pre-press scrutiny they would have received 10 years ago.

The best thing about a survival benefit is that you only have to pay it once in a great while. The vast majority of your employees won't even get to claim this benefit, unless everyone works and works until they die of old age, which almost certainly won't happen at Google. All this means that survival benefits are not really as expensive as they seem. Although the risk to Google might appear extremely intangible and mysterious (who knows when the grim reaper will text), it is actually not so difficult to estimate the approximate cost of this death benefit.

For an employee making \$100,000 per year, that 50% benefit comes to \$50,000 per year for 10 years, or a total of \$500,000. (Note that the present value of a \$500,000 total disbursement allotted over 10 years would actually be something less than \$500,000, but I'll use this number for purposes of the calculation.) So the cost of providing this benefit for employees is approximately equal to the cost of providing a \$500,000 term life insurance policy.

The cost of life insurance can vary by region, age, gender, and health, but according to the "Ultimate Guide to Retirement" at money.CNN.com, "Just as a ballpark, a healthy 40-year-old man who buys a 20-year level term policy, which has a fixed annual premium, might pay \$350 a year to secure a \$500,000 death benefit" [2].

In the case of Google, the average age of employees is likely much less than 40, which means the actual cost is probably much lower. Additionally, Google is a large group that could achieve some economies of scale by negotiating a single contract. On the other hand, some Google employees make signif-

icantly more than \$100,000, and a few will undoubtedly stay beyond 20 years. So if you want to say it is \$350 or even if you say \$500 per year, the cost of providing this death benefit is approximately the same as a gym membership or a community college class, and it is significantly less (by a factor of 10) than providing health insurance or a 5% match on the 401K.

Put simply, the actual cost of offering this benefit is probably around half a percent (.005) of salary – most likely not even within the margin of error of the salary negotiation process.

It sounds like I'm griping but I'm not. I think it is great that Google is providing this perk for its employees, and I wish more employers would roll in a life insurance benefit. (I must admit, I would like it even better if all employees received the same benefit, rather than highly paid employees getting more, but who's to quibble?) My real point is, it isn't really about the money – it is about finding high-profile (and low-risk) ways of offering an inventive collection of benefits that will give employees a sense that they are getting something more for their time than plain old cash.

Attracting talent is never easy, especially in the ultra-competitive high-tech industry. When ambitious, intelligent young people show up in Silicon Valley, they want to be part of something big. They are looking for epic proportions that will reflect some kind of grandiose success. Lots of digits on the salary line is plenty for some, but many great programmers (as well as marketers and managers) aren't really even in it for the money. For that matter, you're not even supposed to brag about your salary. Good benefits, however, are an easy and very public way of showing someone they are special, and no one does that better than Google. But don't worry – it won't break the bank.

Joe

Joe Casad,
Editor in Chief



INFO

- [1] Here's What Happens to Google Employees When They Die," by Meghan Casserly: <http://www.forbes.com/sites/meghancasserly/2012/08/08/here-s-what-happens-to-google-employees-when-they-die/>
- [2] "Ultimate Guide to Retirement: How Much Will Life Insurance Cost Me?" http://money.cnn.com/retirement/guide/insurance_life.moneymag/index9.htm