

**LESSON
13.3**

Employee Benefits

Vocab:**Employee Benefits-**

Employee Benefits A business may offer several **employee benefits**. Employers consider employee benefits as part of the cost of employing someone. Benefits vary, but may include the following:

- | | | |
|------------------------|-------------------------------|--------------------------|
| • health insurance | • Social Security | • unemployment insurance |
| • vision insurance | • Medicare | • disability insurance |
| • dental insurance | • stock purchase plans | • sick leave |
| • group life insurance | • paid vacations and holidays | |
| • retirement plans | | |

Part-Time Employees The benefits offered part-time employees are generally less than the benefits offered full-time employees. Part-time employees normally do not receive benefits such as vacations, holidays, and health insurance. Consequently, the cost of part-time employees is usually less than the cost of full-time employees.

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EXAMPLE

The personnel department of Commercial Credit Company is preparing annual reports on employee benefits. Calculate Tamika Rey's rate of benefits.

Tamika Rey Annual salary: \$41,340

Vacation: 2 weeks

Holidays: 8 days

Health insurance: 12 months @ \$162.50/mo

Sick leave policy: 30 days

Unemployment insurance: 4.6%

Social Security (FICA): 6.2%

Medicare: 1.45%

Total

→ weekly: $\frac{41340}{52}$

daily: $\frac{795}{5} = 159$

@ \$795 = \$1590

@ \$159 = 1272

@ \$159 = \$5850

of 41,340 = \$1902.10

of 41,340 = 2563.08

$14,646.15$

$\frac{14646.15}{41340} = 0.3543 = 35.43\%$

total salary

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Complete the problem. Check your answers in the back of the book.

1. Complete the table and then calculate the rate of benefits.

Melvin Davis: Annual Salary \$21,860		
Find the weekly salary	$21860 \div 52$	a. \$420.38
Find the daily salary	$420.38 \div 5$	b. \$84.08
Vacation: 2 weeks	$2(420.38)$	c. \$840.76
Holidays: 8 days	$8(84.08)$	d. \$672.64
Health insurance: 12 months @ \$182.50/mo		e. \$2190
Sick leave policy: 21 days	$21(84.08)$	f. \$1765.68
Unemployment insurance: 4.6% of salary		g. \$1005.56
Social Security: 6.2% of salary		h. \$1355.32
Medicare: 1.45% of salary		i. \$316.97
Total Benefits		j. \$8146.93

$$\frac{8146.93}{21860} \approx 37.27\%$$

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- 8. (a) Complete the benefits chart for French Coffee Shoppe's employees. (Round to the nearest cent.)

Position	Annual Wage	2-Week Vacation	3.6% Workers Comp.	8-Day Sick Leave	6.2% Social Security	1.45% Medicare	Total Benefits
Manager	\$47,580	a. 1830	b. 1712.88	c. 1464	d. 2949.96	e. 689.91	f. 8646.75

$$\text{weekly: } \frac{47580}{52} = 915$$

$$\text{daily: } \frac{915}{5} = 183$$

$$2(915)$$

$$0.036(47580)$$

$$8(183)$$


 LESSON
13.4

Disability Insurance

Vocab:

Disability Insurance- a way to help pay for your salary when you can no longer work.

$$\text{Annual Disability Benefit} = \left(\text{Years Worked} + \frac{\text{Expected Retirement Age} - \text{Present Age}}{\text{Expected Retirement Age} - \text{Present Age}} \right) \times \text{Rate of Benefits} \times \text{Final Average Salary}$$

time left to work

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EXAMPLE

Alicia Walmsley was working at Northern State University as an administrative assistant for 21 years when she became permanently disabled and could not continue to work. She was 52 years old and had planned to retire in 13 years at Northern State's normal retirement age of 65. Her final average salary was \$88,740. Northern State's rate of benefits is 2%. What is her monthly disability benefit?

$$\left(\begin{array}{l} \text{years} \\ \text{worked} \end{array} + \begin{array}{l} \text{expected} \\ \text{retirement} \end{array} - \begin{array}{l} \text{present} \\ \text{age} \end{array} \right) \times \text{rate} \times \text{salary}$$

$$(21 + 65 - 52) \times 0.02 \times 88740 = 60,343.20$$

$$\frac{60,343.20}{12} = \boxed{\$5028.60}$$

**LESSON
13.4**

Complete the problem. Check your answer in the back of the book.

1. Mark Mowler's final average salary is \$47,800. He worked for 15 years and will retire in 10 years, when he is 60. The rate of benefits is 1.8%. Find the annual and monthly disability benefits.

$$(15 + 10) \times 0.018 \times 47800$$

\$21,510 per year

\$1792.50 per month

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For Problems 2–4, find the (a) annual and (b) monthly disability benefits.

	(Years Worked	+	Expected Retirement Age	-	Present Age)	×	Rate of Benefits	×	Final Average Salary	=	Annual Disability Benefit	Monthly Disability Benefit
2.	(20	+	65	-	60)	×	2.00%	×	\$40,000	=	a.	b.

20,000

20000
12

\$ 1666.67