

# Pay, Benefits, and Working Conditions

- 6.1** Understanding Pay and Benefits
- 6.2** Work Schedules and Unions

## Lesson 6.1

# Understanding Pay and Benefits

## GOALS

- Compute payroll deductions and net pay.
- Identify optional and required employee benefits.

# Gross Pay, Deductions, and Net Pay

- **Gross pay** is the total amount you earn before any deductions are subtracted.
- Amounts subtracted from your gross pay are called **deductions**.
- When all deductions are taken out of your gross pay, the amount left is your **net pay**.

$$\text{Gross Pay} - \text{Deductions} = \text{Net Pay}$$

# Gross Pay Calculation

- Gross pay with overtime
  - **Overtime** is time worked beyond the regular hours.
  - Overtime rate is  $1\frac{1}{2}$  times the regular rate.

Regular Pay + Overtime Pay = Gross Pay

# Example of Gross Pay Calculations for Hourly Employee

Type of Pay	Hours		Rate		Amount
Regular pay	40	×	\$8.00 per hour	=	\$320.00
Overtime pay	4	×	\$12.00 per hour	=	48.00
Gross pay					\$368.00

# Salary

- Salary may be stated as an annual amount.
- The annual amount is divided into equal amounts to be paid each pay period.
- Common pay periods
  - Monthly
  - Twice a month
  - Every two weeks
  - Weekly

# Example of Gross Pay Calculations for Salaried Employee

	Annual Salary	÷	Pay Period per Year	=	Gross Pay per Paycheck
Monthly	\$24,000	÷	12	=	\$2,000
Twice a month	\$24,000	÷	24	=	\$1,000
Every two weeks	\$24,000	÷	26	=	\$923.08
Weekly	\$24,000	÷	52	=	\$461.54

# Deductions

- Amounts subtracted from your gross pay are called **deductions**.
- Some deductions, such as Social Security tax and federal income tax, are required by law.
- Other deductions are optional.



# Net Pay

- When all deductions are taken out of your gross pay, the amount left is your **net pay**.
  - Amount of your paycheck
  - “Take-home pay”
  - Amount you can actually spend as you wish

# Self-Employed Requirements

- Estimated tax payments quarterly (four times during the year)
- Social Security tax and Medicare tax
  - **Self employment tax** is the total Social Security and Medicare tax, including employer-matching contributions, paid by people who work for themselves.
  - The total tax rate is 15.3 percent of gross income.
    - Social Security tax is 12.4 percent
    - Medicare tax is 2.9 percent

# Benefits and Incentives

- Profit sharing
- Paid vacations and holidays
- Employee services
- Child care
- Sick pay
- Leaves of absence
- Insurance
- Bonuses and stock options
- Pension and savings plans
- Travel expenses

# Profit Sharing

- Profit sharing is a plan that allows employees to receive a portion of the company's profits at the end of the corporate year.
- The more profits the company makes, the more the company has to share with employees.
- Profit sharing is considered **incentive pay**—money offered to encourage employees to strive for higher levels of performance.

# Paid Vacation

- Most businesses provide full-time employees with a set amount of paid vacation time.
- While you are on vacation, you are paid as usual.
- The amount of vacation time often varies with years of service.

# Paid Holidays

- Paid holidays typically include: Christmas, Thanksgiving, Fourth of July, Labor Day, and Memorial Day
- Other holidays that many companies consider paid holidays are New Year's Day, Veterans Day, Martin Luther King Day, and Presidents Day.
- An employee required to work on a holiday is usually paid double or more than double the regular hourly rate of pay.

# Employee Services

- Employee services are the extras that companies offer in order to improve employee morale and working conditions.
- Examples include:
  - Employee discounts
  - Social and recreational programs
  - Free parking
  - Tuition reimbursement for college courses
  - Wellness programs
  - Counseling for employee problems

# Child Care

- Onsite child-care facilities
- Coverage of child-care expenses as a part of employee benefit packages



# Sick Pay

- Many businesses also provide an allowance of days each year for illness, with pay as usual.
- It is customary to receive three to ten days a year as “sick days” without deductions from pay.

# Leaves of Absence

- Some employers allow employees to temporarily leave their jobs (without pay) and return to their jobs at a later time.
- There are often restrictions on the reason for a leave, such as having children or completing education.
  - Disadvantage: Unpaid
  - Advantage: Job security

# Personal Days

- Some employers allow personal days (absences for personal reasons) so that employees can attend to important matters without calling in “sick” when they aren’t sick.

# Insurance

- Most large companies provide group insurance plans for all employees.
  - A few plans are paid for almost entirely by the employer, as a part of employee compensation.
  - Most plans require that employees pay for part of their own coverage, as well as to cover dependents.
- Common types of insurance plans
  - Group health insurance
  - Group life insurance
  - Group dental insurance
  - Group vision insurance

# Bonuses and Stock Options

- Bonuses are incentive pay based on quality of work done, years of service, or company sales or profits.
- Stock options give employees the right to buy a set number of shares of the company's stock at a fixed price.

# Pension and Savings Plans

- Pension plans are funded by the employer.
- Retired employees receive a monthly check.
- Employees become **vested** (entitled to the full retirement account) after a specified period of time, such as five years.

# Employer-Sponsored Retirement Savings Plans

- Common plans
  - 401(k) for private employers
  - 403(b) for government employers
- Employees put money in these accounts.
- The employer may also (but is not required to) contribute money to the employee's account.

# Travel Expenses

- Company car
- Mileage allowance
- Daily allowance to cover hotel, meals, and other travel expenses
- Expense reports and receipts



# Evaluating Employee Benefits

- Benefits generally are not taxable to employees (except bonuses and other benefits paid in cash), yet they provide valuable coverage and advantages.
- Generally, large companies provide more extensive optional benefits than do small companies.
- In recent years, employee benefits have been expanded to meet the needs of different life situations.

## Lesson 6.2

# Work Schedules and Unions

## GOALS

- Describe flexible work arrangements for employees.
- Describe the role of unions and professional organizations.

# Flexible Work Arrangements

- Many employers are responding to the changing lifestyles and needs of their employees.
- By designing more flexible jobs, employers can reduce absenteeism, burnout, and turnover.

# Altered Workweeks

- Many firms have experimented with altered workweeks to get away from the standard eight-hours-a-day, five-days-a-week work schedule.
- Two examples are flextime and the compressed workweek.

# Flexitime

- Flexible scheduling, or **flexitime**, is a work schedule that allows employees to choose their working hours within defined limits.
  - Core time period
  - Negotiated starting and ending times

# Compressed Workweek

- A **compressed workweek** is a work schedule that fits the normal 40-hour workweek into less than five days.
- The typical compressed workweek is ten hours a day for four days, followed by three days off.

# Job Rotation

- **Job rotation** is a job design in which employees are trained to do more than one specialized task.
- Employees “rotate” from one task to another.
- Advantages of job rotation include:
  - Gives employees variety in their and allows them to use different skills
  - Reduces boredom and burnout, leading to greater job satisfaction
  - Allows for free exchange of information and ideas
  - Keeps work flowing when one worker is absent

# Job Sharing

- **Job sharing** is a job design in which two people share one full-time position.
- They split the salary and benefits according to each person's contributions.
- Job sharing is especially attractive to people who want part-time work.
- By satisfying employees' needs for more personal time, job sharing reduces absenteeism and tardiness, lowers fatigue, and improves productivity.



# Permanent Part-time

- Many employees choose to work only part time (16–25 hours a week).
- Companies can save on salary and benefits by hiring permanent part-time employees.
- Part-time work usually provides some benefits to the employee, such as job security, while allowing freedom to spend more time away from work.

# Telecommuting

- Advances in technology have made telecommuting possible.
- Telecommuters can work at home or on the road and stay in contact with their manager and coworkers through e-mail, fax, cell phone, and other technologies.
- Employees who telecommute often do computer-related work, such as data entry, Web design, information processing, or software development.
- Working at home is convenient and gives the worker flexibility.
- Telecommuting does not work well in some jobs.

# Labor Unions

- Unions are groups of people joined together for a common purpose.
- A **labor union** is a group of people who work in the same or similar occupations, organized for the benefit of all employees in these occupations.

# Functions of Unions

- Recruit new members
- Engage in collective bargaining
- Support political candidates who support members' interests
- Provide support services for members

# Collective Bargaining

- The main function of unions is **collective bargaining**, which is the process of negotiating a work contract for union members.
- Terms of the contract set working conditions, wages, overtime rates, hours of work, and benefits.

# Collective Bargaining

- Work contracts spell out grievance procedures.
  - A grievance is a formal complaint, by an employee or by the union, that the employer has violated some aspect of the work contract.
- Work contracts often provide for seniority rights.
  - **Seniority** refers to the length of time on the job
  - It is used to determine transfers, promotions, and vacation time according to most union contracts.

# Types of Unions

- Craft unions
- Industrial unions
- Public-employee unions

# Professional Organizations

- A professional organization consists of people in a particular occupation that requires considerable training and specialized skills.
- Professional organizations also collect dues from members and provide support services.



# Examples of Member Services

- Establish and maintain professional standards
- Administer exams, accreditations, and admission requirements
- Publish professional journals to help keep members up to date in their field
- Provide pension, retirement, and insurance benefits for members
- Participate in political action activities, such as **lobbying**, which is an attempt to influence public officials to pass laws and make decisions that benefit the profession