

1.2: Employee Benefits and Total Compensation



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Employee Benefits within Total Compensation

Employee benefits are compensation OTHER than their hourly wage or salary.

Total Compensation

Total Compensation represents both core compensation (wages, salaries, etc.) AND employee benefits such as holidays, vision insurance, etc.

- **Core Compensation: hourly wage or annual salary**
 - Base pay money that employees receive for performing their jobs
 - COLA - cost of living adjustment: periodic adjustments often matching CPI (Consumer Price Index)
 - Seniority pay - raise based on length of service
 - Merit Pay - increased in pay to praise performance
 - Incentive Pay - rewards employees for attaining work goals
 - Person-Focused - rewards employee for acquiring new knowledge and/or skill
- **Family and Medical Leave Act of 1993 (FMLA)**
 - Entitles eligible employees of covered employers to take unpaid, job-protected leave for specified family and medical reasons with continuation of group health insurance coverage under the same terms and conditions as if the employee had not taken leave.
 - Read more about employee benefits under the [Family and Medical Leave Act website](#)
- **The Patient Protection and Affordable Care Act of 2010 (PPACA)**
 - Requires employers to offer health care benefits to their employees
 - Read more about these requirements at the [Patient Protection and Affordable Care Act website](#)



Legally Required Benefits (Mandated by Law)

- Laws mandate and regulate:
 - Social Security
 - Medicare
 - Unemployment Insurance
 - Workers Compensation,
 - FMLA
 - PPACA



Discretionary Benefits (Voluntary)

- Additional benefits offered on a discretionary, or voluntary basis, often based on the current competition in the market.
 - **Protection programs**
 - Disability insurance - replaces income if employee is unable to work
 - Life insurance - protects employees family members by paying a specified amount upon a employee's death
 - Retirement plans - provides income to individuals and beneficiaries throughout retirement.
 - Defined contribution plans,
 - Defined benefit plans
 - Hybrid plans
 - **Paid Time off**
 - Compensates employees when not performing primary work duties: holidays, vacation, jury duty, bereavement leave, military leave, sick leave
 - Unionized settings will establish time off based on collective bargaining
 - **Accommodation and Enhancement**
 - Promote opportunities for employees and their families
 - Mental health counseling
 - Physical well-being - gym membership reimbursements
 - Stress management classes
 - Child care
 - Tuition reimbursement
 - Transportation services
- **Designing Discretionary Benefits**
 - Considerations
 - Eligibility (who qualifies?)
 - Kinds of benefits to include (based on competition)
 - Levels of benefits (the same for everyone, different levels)
 - Waiting periods (when are employees eligible?)
 - Who pays?
 - Non-contributory
 - Contributory
 - Employee-financed

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