

10.3: Benefits

Learning Outcomes

- Discuss various benefits

Legally Required Benefits



35th U.S. President Franklin D. Roosevelt signing the Social Security Act in 1935.

Benefits are the elements of an employee's compensation package other than salary or wage. Some benefits are legally mandated; for example, Social Security, Medicare, unemployment insurance, and workers compensation insurance (which we'll discuss briefly below). Discretionary benefits include paid leave (for example, vacation, holidays, sick or personal days), health, dental and vision coverage, retirement plan, life and disability insurance, wellness benefits. Clarification: "large employers" are subject to the Affordable Care Act Employer Mandate that requires a minimum level of health care coverage. For details, refer to legal publisher [Nolo's article on employer's healthcare requirements under the Affordable Care Act](#).

- **Social Security.** Established in 1935 by the Social Security Act, social security is a social insurance program that provides retirement, disability and survivors' benefits for workers, who contribute to the system by paying Federal Insurance Contributions Act (FICA) taxes withheld from most paychecks.
- **Medicare.** Medicare is the U.S federal health insurance program for people who are 65 or older, among others.^[1]
- **Unemployment Insurance.** Unemployment Insurance is a joint state-federal program that provides cash benefits to eligible workers who are unemployed through no fault of their own. All states follow the guidelines established by federal law, but each state sets its own additional requirements for eligibility, benefit amounts, and length of time benefits can be paid. In general, benefits are based on a percentage of your earnings over a recent 52-week period.^[2]
- **Workers Compensation Insurance.** Workers' compensation insurance is insurance that covers medical expenses and a portion of lost wages for employees who become injured or ill on the job.^[3] Each state has its own unique set of workers' compensation laws that employers must follow. Workers compensation insurance is paid by employers; premiums are calculated back on employee classification (type of work) and the rate associated with that classification.

A budgeting rule of thumb is to estimate that employee benefits will cost 30% of an employee's salary. Although that's clearly a significant cost, benefits can also be a critical differentiator in a competitive labor market. Employer research and salary site Glassdoor reports that 57% of job seekers consider benefits among their top criteria in evaluating a new job.^[4]

Additional Benefits



As companies raise their game, perks such as unlimited vacation and work-from-home Fridays are no longer differentiators. Based on Benefits Reviews posted on the site, Glassdoor identified 20 benefits that transcended the basics and put the offering company in “legendary” status. A few highlights:^[5]

1. **Paid parental leave.** Ikea offers up to four months of paid parental leave to both part-time and full-time employees with at least one year of experience at the company
2. **On-site fitness.** Reebok encourages employees to reach their personal fitness goals by providing an on-site gym with Crossfit classes.
3. **Gender reassignment surgery.** Goldman Sachs offers coverage for gender reassignment surgery.
4. **Pet health care.** Scripps Health offers its employees’ health insurance for cats and dogs.
5. **Flexible schedules.** Insurance company Swiss Re’s “Own the Way You Work” program encourages employees to embrace flexibility with their schedules and work remotely.

? Learn More

You can check out the complete list here: [Top 20 Employee Benefits & Perks for 2017](#)

? Practice Question

<https://assessments.lumenlearning.co...essments/18180>

? Perspective Point

Glassdoor notes that “while benefits and perks are a great way to get employees in the door, they’re not among the leading factors that keep employees satisfied on the job and with a company long-term.” We’ll discuss this idea more in Module 10: Building Positive Employee Relations.

1. "What's Medicare?" Medicare.gov. Accessed August 22, 2019. ↩
2. "What is Unemployment Insurance and How Do You Know if You're Eligible?" Careeronestop. Accessed August 22, 2019. ↩
3. "A Small Business Owner's Guide to Workers' Comp Insurance." Progressive Commercial. Accessed August 22, 2019. ↩
4. Glassdoor Team. "Top 20 Employee Benefit Perks for 2017." Glassdoor. February 7, 2017. Accessed August 22, 2019. ↩
5. Ibid. ↩

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