

# 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
  - **Regular Hours** Usually 8 a day or 40 a week.
  - **Overtime** is time worked beyond the regular hours.
  - Overtime rate is  $1\frac{1}{2}$  times the regular rate.

$$\text{Regular Pay} + \text{Overtime Pay} = \text{Gross Pay}$$

# 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, such as life insurance, union dues, etc



# 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

# 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

# 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.

# 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.

# 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