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## Employee Compensation; A Price Every Employer Must Pay

Basic Economics 101 teaches us that the amount an employer should pay an employee is in direct proportion to the employee's productivity. The more a worker produces in a set amount of time, the more a worker should be paid for that time. It seems that, based on this theory, determining the optimal amount to pay an employee should be relatively simple. However, in reality, once you factor in legally required benefits, insurance benefits, paid time off, and the wages paid to employees by competitors, the wage equation has a lot more than employee productivity to solve for.

### Workplace Humor

Studies show that employees who have some fun and enjoy their work environment are more creative, productive and successful. We hope our workplace joke makes you laugh and have a more productive day!

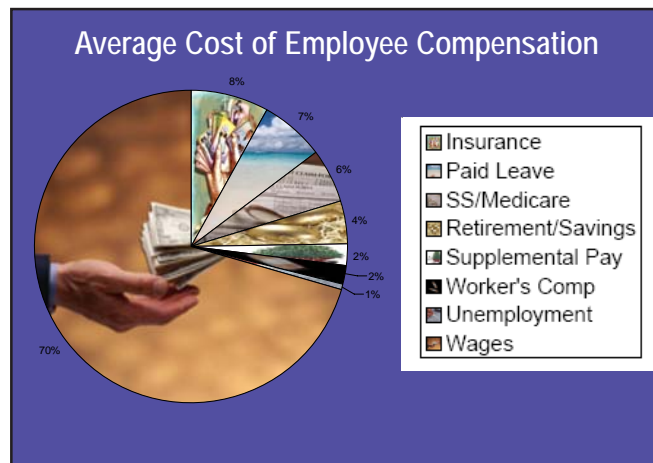
#### A Job Interview Gone Wrong:

A man went in for a job interview and handed his employment application to the interviewer.

The interviewer reviewed the application and said, "I see that you have put down a start date of ASAP. I assume that means as soon as possible. I also see that you've put down AMAP for salary. Now, I don't think I've ever seen that before."

The interviewer looked expectantly at the interviewee, who quickly replied, "As much as possible, Sir."

Balancing all of the different compensations and benefits into a package that is attractive to prospective employees, while still profitable for employers, can be a difficult task. Employers need to arm themselves with information about legally required benefits and the "going rate", including salary and non-compulsory benefits, for positions within their companies to create the most profitable compensation packages possible.



The U.S. Department of Labor's Bureau of Labor Statistics (BLS) generates a quarterly "Employer Costs for Employee Compensation Summary" that serves as a gauge for the current average cost of employee compensation across the nation. This report is a good jumping off point to see if your company's compensation packages are competitive with the national average.

At the close of the second quarter, the BLS reported that the average cost to compensate an employee was \$26.86 per hour. However, only about \$18.82, approximately 70 percent, of this amount was paid in actual wages. The remaining \$8.04, or 30 percent of employer compensation costs, was spent on a variety of benefits.

Among the guidelines available for deciding how to divvy up this remaining 30 percent of employer costs per employee dedicated to benefits are: the legal requirements for employer provided benefits and the available statistics for the amount average employers nationwide are spending to keep their employees satisfied.

*(Compensation continued on page 2...)*

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(...Compensation continued from page 1)

First, let's examine the benefits that employers are required to provide by law. These benefits include: Social Security, Medicare, unemployment, and worker's compensation. Social Security and Medicare are federal taxes that employees pay and employers must match. These taxes are put into funds that are delegated by the federal government to care for retired and aging workers. Worker's compensation protects employees who are injured or killed on the job for lost wages at the employer's expense. Unemployment is a tax paid by employers to cover wage compensation for employees who are involuntarily removed from the workforce.

The BLS reports that of the average 30 percent of total compensation employers spent on employee benefits, 8.1 percent was spent on these legally required benefits. The BLS breaks this percentage down even further, reporting that 5.6 percent of an employer's cost was dedicated to Social Security and Medicare, 1.8 percent to worker's comp, and 0.7 percent to unemployment.

In addition to legally required benefits, most employers choose to provide additional benefits in order to keep their employees happy and their compensation packages competitive with other employers in their industry. Commonly, employers will choose to provide health benefits, which are attractive to employees who wish to protect themselves and their families from the high costs of medical care in the case of sickness or injury. The BLS reports that employer costs to provide an employee with health insurance averaged 6.9 percent with some variation across industries and establishment size. The difference in cost per employee for health insurance ranged from, on the low end, 5.6 percent for management and professional occupations to, on the high end, over 9 percent for construction and manufacturing industry workers.

Two additional benefits employers provide that fall under the insurance category are disability insurance and life insurance. Disability insurance protects employees from wage loss in the case of an illness or injury, which does not necessarily have to occur on the job, and that prevents them from working. Life insurance provides an employee's family or loved ones with wage loss compensation in the case of an unexpected or early death. Disability and life insurance accounted for the additional 1.1 percent of employer costs spent on insurance benefits.

Retirement and savings plans, often in the form of a 401K, in which employers pay a percentage matched to the amount an employee contributes, make up approximately 4.3 percent of the average employer costs for an employee. Retirement and savings plans are more appealing now than ever before as the Baby Boomers retire and younger workers must face the fact that the Social Security fund may be non-existent when their time to retire comes around.

Finally, employers will often provide paid time off and bonuses as benefits that employees can earn. Paid time off makes up, on average, 6.6 percent of employer cost per employee. Paid time off is often allotted in a set number of weeks per annum. Many employers award employee loyalty by increasing the number of weeks of paid time off an employee receives after multiple years of service. Many employers see paid time off as an important job perk because it rewards employees for a job well done and improves employee morale by encouraging employees to take occasional vacations to avoid becoming "burnt out". Bonuses are often provided to employees based on their job performance. Again, many employers provide bonuses as a reward and recognition for top-notch employee performance on the job.

All in all, understanding the intricacies of employee compensation can be a very difficult task. Ultimately, employers are only responsible for providing minimum wages and benefits mandated by law. However, employers oftentimes get what they pay for, and must provide more than the bare essentials of compensation to attract hard-working employees. As an employer, knowing the facts and statistics about employee compensation can help you create employee compensation packages that equal profits and success!

	Employer Costs: Wages and Insurance		
	Median Cost of Wages Per Employee	Median Cost of Insurance Per Employee	Percent of Total Spent on Insurance
<i>All respondents</i>	\$30,476	\$2,778	8.3%
<i>Industry</i>			
Construction	\$34,516	\$2,709	7.1%
Manufacturing	\$32,470	\$3,948	10.2%
Trade, Transportation & Utilities	\$31,219	\$2,923	8.6%
Financial activities	\$35,799	\$3,959	9.7%
Professional & Business Services	\$34,348	\$2,690	7.2%
Education and Health Services	\$22,931	\$2,192	8.0%
Leisure & Hospitality	\$11,137	\$525	4.6%
Other services	\$29,776	\$2,767	8.4%

*Use this chart to see how your company's insurance compensation compares to the average for your industry.*

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## Career Horoscopes: The Signs of Success

Almost everyone, at some point in time, whether for fun or because of a genuine interest in astrology, has read their horoscope to see what it predicts about for their future. Astrologists believe that being born under a certain star sign can predestine an individual to possess certain personality traits that cause them to be better suited for certain situations, lifestyles, and even careers. Find your star sign in Award's Career Horoscopes below and test the astrologists' theories. See if your chosen occupation matches your sign's predictions for success.



**Aquarius**  
(January 20-February 18)

Aquarians are utilitarian, idealists who are strong in their beliefs and enjoy a mental challenge. Naturally inquisitive, intelligent Aquarians are best suited for careers as astronomers, writers, musicians, scientists, and astronauts.



**Pisces**  
(February 19-March 20)

Those born under the sign Pisces are generous, friendly, compassionate, dreamy individuals, well-suited for careers in the arts, justice system, or as caregivers. Pisces can use their creativity to succeed as artists, writers and musicians, or their compassionate nature to succeed as veterinarians, judges, and philanthropists.



**Aries**  
(March 21-April 19)

Aries, like the ram their sign represents, are strong-willed, energetic, creative, competitive, and ambitious. Aries are suited for a variety of fast-paced jobs in which they can constantly keep reaching for the proverbially brass ring. If you were born under the Aries sign, then you are likely to be most successful as an entrepreneur, a firefighter, a surgeon, a mechanic, or working in advertising.



**Taurus**  
(April 20-May 20)

If you were born under the sign of the bull, Taurus, then you are a reliable, loyal, methodical, and dependable worker. Like the bull representing Taurus, once Taurans get going they are known for a single-minded focus on achieving their work goals. Taurans are best suited for jobs in banking, accounting, and scientific research.



**Gemini**  
(May 21-June 21)

The sign of the twins, Geminis possess excellent communication skills, are very social, and work and think at double the pace of most other signs. Geminis love to talk and need constant change to stimulate their quick thinking personalities. If you are a Gemini, try a job as a travel agent, explorer, publicist, or salesperson.



**Cancer**  
(June 22-July 22)

If you were born under the Cancer sign, you possess sensitive, cautious, empathetic, and nurturing qualities. Cancers are good at giving advice and taking care of people in need. Cancers are most successful as teachers, doctors, nurses, psychologists, counselors and social workers.



**Leo**  
(July 23-August 22)

Leos, represented by the mighty lion, are proud, energetic, risk-takers who love the limelight and want it all. Leos are natural leaders suited for high-profile jobs in which they play a leadership role, such as CEOs, managers, editors, and presidents.



**Virgo**  
(August 23-September 22)

Virgos are known to be witty, organized, detail-oriented, problem-solvers. With their attention to detail and tendency to aim for nothing but perfection, Virgos make good medical researchers, chemists, investigators, and managers.



**Libra**  
(September 23-

October 22)

Like the scales that represent them, Libras have well-rounded personalities that tend to balance the more extreme personalities of the other signs in a work environment. Diplomatic, fair, charming, sociable, cooperative Libras are suited to careers as lawyers, mediators, counselors, and negotiators.



**Scorpio**  
(October 23-November 21)

Scorpios are intelligent, analytical, deeply intense, strong-willed individuals. If you need a creative problem-solver, find an employee born under the sign of the Scorpio. Scorpios are best suited to careers that take advantage of the intelligence and intense focus that they bring to every task. If you are a Scopio, consider a job as a detective, investigator, doctor, manager, or navigator.



**Sagittarius**  
(November 22-December 21)

The optimist of the zodiac, Sagittarians are positive, fun-loving, energetic, team players, who love to travel. Social Sagittarians, thrive in situations that offer the opportunity to satisfy their often insatiable curiosity. If you are a Sagittarius, try a career as a travel agent, explorer, ambassador, photographer, professor, or thrill-seeker.



**Capricorn**  
(December 22-January 19)

Capricorns, like the goat they represent, are hard workers. They are practical, conservative, organized, and smart individuals who make good leaders because they like to be in control of most situations. Capricorns will find success as generals, administrators, managers, IT professionals, and engineers.

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