

# REWARDING EMPLOYEES EFFECTIVELY



## Employee Benefits are an Alternative to Salary Increases

An attractive overall compensation package plays an important role in retaining an employer's most valuable assets — its employees. With government cutbacks and increasing taxes, drug, hospital and paramedical costs, giving employees an increase in pay is not always the most cost-effective method of compensation.

As the following chart illustrates, a raise in pay costs more than you think! Consider a pay increase of \$2,000 or spending the same amount on a benefits plan:

		Pay Raise	Benefit Plan
<b>Budget Increase</b>		\$2,000.00	\$2,000.00
<b>Add:</b>			
Sales Tax	8.00%	N/A	\$160.00
CPP	4.95%	\$99.00	N/A
E.I	2.32%	\$46.48	N/A
WSIB (varies by industry)	3%	\$60.00	N/A
Vacation	4.00%	\$80.00	N/A
<b>Total</b>		<b>\$2,285.48</b>	<b>\$2,160.00</b>

  

<b>Benefit to Employee</b>		Pay Raise	Benefit Plan
<b>Subtract:</b>			
CPP	4.95%	(\$99.00)	
E.I	1.66%	(\$33.20)	
Income Tax*	31.15%	(\$629.60)	
<b>Net Benefit</b>		<b>\$1,238.20</b>	<b>as claimed**</b>

\* Income tax rate varies by income

\*\* drug, paramedical and dental costs can easily exceed this amount. Travel coverage is also included.

It cost's the employer \$2285.48 to provide a net tangible benefit to the employee of \$1238.20. An employee's health (drug, physiotherapy, vision and extended health care) and dental expenses can potentially add up to far more than the \$2000 target increase. A benefit plan also gives employees some comfort and security of knowing that they have coverage when they need it. The result is improved morale and greater employee retention. Learn more at [www.chamberplan.ca](http://www.chamberplan.ca)!