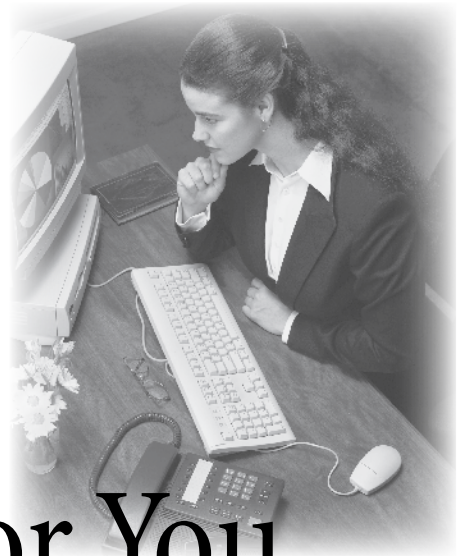


What Employee Benefits Can Do for You



Benefits are a key part of the compensation that you receive for the work that you do. When you think about a job, consider the salary and the overall value of the job, including the benefits package.

Benefits are important at any stage of your career:

- **You are young.** You may not think you need health care services and other protections right now, but you will at some point in your life. If you don't have access to company-provided coverage, you will have to purchase it privately – perhaps at a much higher price.
- **You want the best deal.** Benefits are being increasingly used by employers as an incentive for employee recruitment and retention. Therefore, knowing the standard benefits offered by companies in your field can give you a competitive edge during negotiations.
- **You are in transition.** Your next job may not cover the services you have been getting from your old employer. Knowing the implications of your choices can help you plan your future.

Types of benefits

Medical benefits cover the costs of surgeon and physician fees, hospital rooms, and pharmaceuticals. Dental and optical care is not included, but might be offered as part of an overall benefits package. Coverage can be extended to the employee's family (dependents). Part-time workers are rarely offered family coverage.

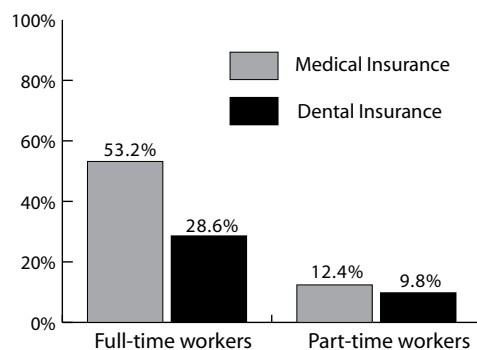
Health insurance benefits are the most expensive benefits for employers in Minnesota. According to our survey, for those firms that offered health insurance benefits in 2005, the share of compensation costs (compared to wage and salary disbursements) spent on health insurance was 8.7 percent. Statewide results correspond to national findings that benefits, especially health insurance and retirement, represent a significant cost for employers. Thus they have a financial value to employees who have access to them.

Minnesota facts:

- About 53 percent of firms offer medical insurance to full-time employees, while only 12.4 percent offer it to part-time employees. Dental insurance is less common, especially for part-time workers (see Figure 1).

Figure 1

Percent of Firms Offering Health Insurance to Employees



Source: 2005 Minnesota Employee Benefits Survey

- By industry, manufacturing, financial, education and health services are the most likely to offer medical benefits and most other benefits as well. The leisure and hospitality sector is the least likely to offer this and other types of benefits.
- The share of firms that offers medical and dental benefits varies depending on firm size with larger firms more likely to offer them than small firms.

Retirement benefits are funds set aside to provide people with an income or pension when they end their careers.

Retirement plans fit into two general categories: defined benefit and defined contribution. In defined benefit plans, sometimes called pension plans, the benefit amount is pre-determined typically on the basis of salary and years of service. In these plans the employer bears the risk of the investment. In defined contribution plans (e.g., 401k) employer or employee contributions are specified, but the benefit amount is usually tied to investment returns, which are not guaranteed.

Minnesota facts:

- The vast majority of full-time workers in Minnesota are offered access to retirement benefits: 64.4 percent are offered access to a defined contribution and 15.6 percent are offered a defined benefit program.
- Defined benefit plans are offered most frequently in those sectors that tend to have the highest levels of unionization: public administration, construction, manufacturing, and trade, transportation, and utilities.

Disability benefits assist with income replacement when workers are unable to perform their jobs because of illness or injury. This benefit is not commonly offered. The two main types of disability insurance are short-term and long-term.

Short-term disability insurance begins right away or within a few weeks of an accident, illness, or some other disability. For example, someone hurt in a car accident would be offered a few paid weeks to recover.

Long-term disability insurance provides benefits to an employee when a long-term or permanent illness, injury, or disability renders the individual unable to perform her/his job duties. For example, an employee with spinal injuries could be entitled to long-term disability benefits until retirement age.

Minnesota facts:

- Statewide only 19.2 percent of firms offer short-term disability insurance to full-time workers. By industry manufacturing firms are most likely to have short-term

disability plans for full-time workers.

- Long-term disability insurance is even less common with only 18.1 percent of all firms in Minnesota offering it to full-time workers.

Life insurance provides financial support to a beneficiary after an employee's death. Insurance benefits are paid all at once to the designated beneficiaries of the policy - usually relatives such as a spouse or children. This benefit will be very important to your loved ones if the unexpected occurs.

Life insurance can be either privately purchased in the marketplace (usually for a large sum) or received through an employer at much lower cost if your employer sponsors a group plan. Company-sponsored life insurance plans are standard for almost all full-time workers in medium and large firms across the country.

Minnesota facts:

- The number of people employed determines whether a company will offer life insurance or not. Only 15.5 percent of firms with fewer than 10 employees offer this benefit, while firms with more than 250 employees offer it almost universally.
- Full-time workers are much more likely to have access to this benefit than part-time workers.

Paid Time Off (also referred to as PTO) is earned by employees while they work. The three common types of paid time off are holidays, sick leave, and vacation leave.

In the majority of cases paid leave is allocated by separate classifications such as vacation, sick leave, and paid holidays. In a few cases, however, employers offer consolidated Paid Time Off, which combines sick leave and vacation into one account to be used as needed.

Minnesota facts:

- The most popular benefit is paid vacation with 62 percent of firms offering this benefit to full-time workers. Paid holidays are also very common (See Table 1).
- Almost 10 percent of firms offer consolidated Paid Time Off to full-time employees.

Fringe benefits include a wide variety of non-cash payments, such as tuition assistance, flexible medical or child care spending accounts (pre-tax accounts to pay qualified expenses), other child care benefits, and non-production bonuses (bonuses not tied to performance). Direct cash payments or stock options were not included in the survey.

With the looming prospect of skill shortages in some occupations, fringe benefits are increasingly being used to attract and retain talented employees.

Tuition reimbursement is an especially important benefit if you plan to pursue a degree in your evening or weekend hours. It can represent a unique opportunity to advance in your career. Most firms offering it, however, require that courses relate to job duties.

Minnesota facts:

- Non-production bonuses, such as hiring bonuses, are the most common type of fringe benefit offered to full-time workers in Minnesota. Tuition/educational assistance is offered by 19 percent of companies in Minnesota (see Figure 2).
- Full-time employers in the manufacturing sector have among the highest offer rates in almost all categories of fringe benefits.

Who is eligible for benefits?

Eligibility is conditional upon:

- **Work status.** Part-time employees are rarely offered benefits. Also, in some companies some employees may be eligible for benefits while others may not be eligible. For example, eligibility could be based on job title or union membership.
- **Amount of time you have worked for the company.** Some components of a benefit begin the first day of work, others after 30 days, others after one year of employment. In most classifications full-time workers qualify for 40 hours of paid vacation at one year of service and 80 hours at three years of service (see Table 2).
- **Waiting periods.** Once you are eligible, you may still not have access to these benefits until a “medical waiting period” has elapsed. The vast majority (73 percent) of Minnesota employers are implementing waiting periods for full-time workers as a cost containment measure.
- **Other restrictions.** Some plans require you to undergo medical exams before enrolling. Some disabilities or pre-existing conditions (such as cancer or heart disease) might be excluded from health care coverage.

Who pays the costs?

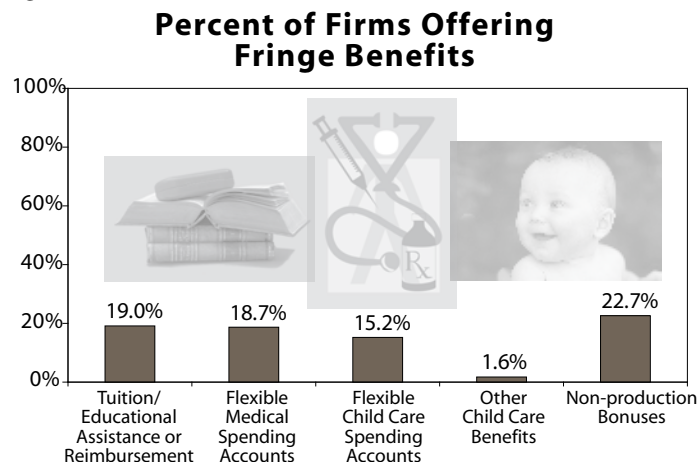
When comparing and evaluating benefit packages, it’s important to look at **how many** benefits are included, and the **share of costs** you are responsible for covering. Some employers pass the entire cost to their workers, particularly those who are part-time.

Who pays the costs is especially important for the amount of company matching (if any) in pension or retirement plans. There are extreme differences between defined contribution and defined benefits plans (see Figure 3) as well as among defined contribution plans.

Table 1

Percent of Firms Offering Paid Time Off	
Vacation	62.1%
Sick Leave	33.8%
Holidays	58.6%
Consolodated PTO	9.9%
Source: 2005 Minnesota Employee Benefits Survey	

Figure 2



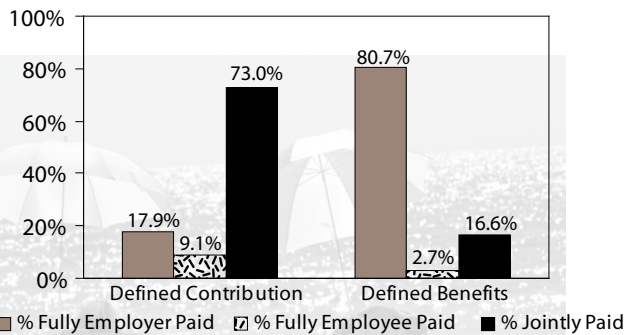
Source: 2005 Minnesota Employee Benefits Survey

Table 2

Median Hours of Vacation Offered		
Years of Service	Employee Type	Median Hours of Vacation Earned per Year
1 Year	Full-time	40
	Part-time	20
3 Years	Full-time	80
	Part-time	40
5 Years	Full-time	80
	Part-time	40
Source: 2005 Minnesota Employee Benefits Survey		

Figure 3

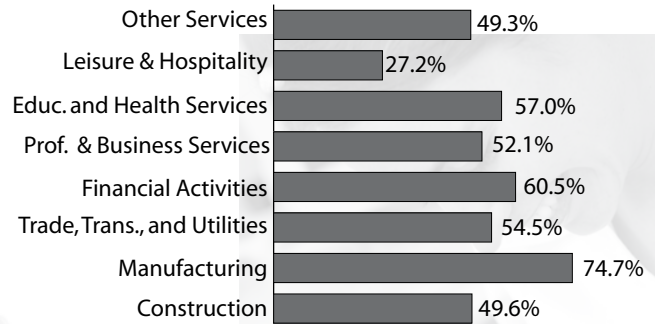
Who Pays For Retirement Benefits by Type of Plan



Source: 2005 Minnesota Employee Benefits Survey

Figure 4

Percent of Firms with Medical Insurance Plans, by Industry



Source: 2005 Minnesota Employee Benefits Survey

Which types of companies offer the most generous benefits?

Each company offers its own unique benefits package. Sometimes there are variations because of **firm size** or **industry**.

Generally employee benefits increase when firm size increases, because it is cheaper for the employer to offer a plan when there is a larger pool of participants. The high program participation rates in big companies show that employees are satisfied with plans that have lower employee costs.

Benefits offered vary widely across industries. Manufacturing, financial, and education and health services are the most generous industry sectors and offer most categories of benefits for their employees. By contrast, employers in the leisure and hospitality sector, which includes entertainment, accommodations, and food service businesses, tend to be the least generous. As an example, Figure 4 displays industries offering medical benefits.

Things to ask when you are thinking about benefits.

When you think about accepting any job, take some time to review the benefit package using the following check list:

- ✓ What benefit programs does the employer offer?
- ✓ Are the programs offered important to you?
- ✓ What do you need to do to be eligible?
- ✓ What benefit costs does the employer pay for?
- ✓ What benefit costs are you responsible for paying?
- ✓ Does the company offer family coverage and other family-friendly provisions?
- ✓ Is there flexibility in working hours and in the use of paid time off?

Remember: You are not in a position to negotiate money or benefits until after you receive a job offer.

Interested in learning more about employee benefits in Minnesota?

The benefits information provided here is the result of a survey conducted by the Minnesota Department of Employment and Economic Development during the first three months of 2005. The publication is available on line at <http://www.deed.state.mn.us/lmi/publications/benefits.htm>