



## How To Calculate Benefits as a Percent of Salary

Why might you want to know this? It can be used as a powerful recruitment tool if your benefits are good but your salary base is a bit low. It is also a good reminder to current employees as to their compensation package.

Identify the individual components to include in the benefits calculation. No single standard method exists. For example, the Bureau of Labor Statistics considers paid leave such as vacation as a benefit. Often, benefits included in the calculation are the value of the employer-paid portion of insurance plans (health, dental, vision, life, AD&D, LTD, etc.) and retirement contribution.

### For an Individual:

Sum the annual employer costs of each fringe benefit to get a total yearly benefits expense. For example, if you decide to calculate vacation as a benefit, and your company provides employees with 10 days of vacation per year, add the cost of 10 days of salary to the other benefits costs.

Divide the total yearly benefits expense by the employee's annual salary to calculate his individual benefits as a percentage of salary. This can become a more complex issue if the salary is not for 12 months, is not for full-time work, or if benefits are provided over a period of time that does not exactly coincide with the period during which the salary is paid. The simplest method is to total the actual employer contributions to benefits and retirement and divide by the actual salary.

Ex.:  $\$26,000 \text{ Employer-Paid Benefits per Year} / \$74,000 \text{ annual salary} = 0.3513 \text{ or } 35\%$

### For the Institution:

Calculate the average benefits load for all employees by taking the total annual amount spent by the company on benefits and dividing it by the total annual amount spent on salary. Use actual data for the fiscal year so that you won't need to worry about accounting for the number of employees on the books at any particular time. Using annual data also takes into account monthly fluctuations in benefits expenditure. For example, a total yearly benefits expense of \$240,000, divided by an annual salary expenditure of \$900,000 equals a rounded benefits percentage of 27% ( $240,000 / 900,000 = 26.6666$ ).

Ex.:  $\$240,000 \text{ Total Employer-Paid Benefits per Year} / \$900,000 \text{ total salaries paid} = 0.2666 \text{ or } 27\%$