

## Chapter 15: Employee Benefits

**Workers' Compensation laws** govern employer responsibility for workplace injuries to employees.

Workers' compensation laws have two main features:

- (1) employers are required to pay specified benefits for monetary loss to injured employees without regard to employer fault or negligence
- (2) employees are not allowed to sue employers for injuries under tort laws

Workers' compensation benefits included medical benefits, benefits for total disability, benefits for permanent partial disability, and survivor benefits. For permanent partial disability payments, which represent a large proportion of the total cost of disability benefits, the amount of benefits may be scheduled or may be based on the worker's estimated loss of earning capacity.

Many employees receive a material amount of their total compensation in the form of employer-related retirement plans and group life and health insurance. Obtaining benefits through work is often advantageous compared to employees purchasing individual coverage because qualifying employment-related benefits reduce income taxes for employees and administrative expense loadings in group insurance premiums are lower than for individual insurance.

**Flexible Benefit Plans** – employees typically receive a core minimum package of required benefits and credits to select from a menu of optional benefits

### Questions

What are the key features in worker compensation?

What are the main benefits in worker compensation?

What is included in federal program temporary benefits?

Why do companies offer employee benefits?

Which of the following attributes does not make employer sponsored (group) medical benefits less expensive than individual medical insurance?

- a) Premiums of employer sponsored insurance plans often are tax deductible.
- b) There is often less adverse selection with employer sponsored plans.
- c) There is less moral hazard involved in employer sponsored plans.
- d) Employer sponsored plans eliminate the search cost for employees.
- e) Administration and underwriting costs are lower for group plans than individual plans.

Short calculation on cost savings arising from differential taxation.

