

Westcoast Child Care Resource Centre
2772 East Broadway
Vancouver, BC V5M 1Y8
ph: 604.709.5661 Fax: 604.709.5662
Toll-free: 1.877.262.0022
Email: info@wstcoast.org
www.wstcoast.org



SUMMARY OF SALARY AND BENEFITS EXPENSES

Introduction

Salaries and benefits are typically the largest expense in child care budgets. Understanding and managing all aspects of these expenses is extremely important.

Salaries and benefits costs fall into 4 main categories:

1. **Regular salaries** – The gross salaries and/or wages paid to regular, ongoing staff members, whether part-time or full-time.
2. **Substitute salaries** – The gross salaries and/or wages paid to casual staff that replace regular staff who are on leave for vacation, illness, professional development, etc.
3. **Employee benefits** – The employer's share of benefit costs paid on behalf of employees. Some of these benefits are mandatory, meaning that the employer is legally required to pay them. Mandatory benefits include employer's share of Canada Pension Plan, Employment Insurance, and Workers' Compensation. In addition, some personnel policies and collective agreements require the employer to contribute some or all of the costs of optional benefits such as medical, dental, life insurance, etc. for regular employees.
4. **Professional Development** – The employer's contribution towards the costs for staff to attend conferences, training, workshops, etc.

An example has been provided in order to help clarify the above concepts. *Readers are cautioned that the figures used in this example were chosen for illustrative purposes only, and are not necessarily representative of a centre or group of centres in BC.* Organizations should review their individual personnel policies and/or collective agreements and change the figures in the following example to arrive at their own specific costs of salaries and benefits.

An Example

In this example:

- The employee's salary is \$14/hour and he/she is paid for 35 hours per week.
- In addition to the standard mandatory benefits, the employer contributes to medical/dental coverage.
- The employer annually budgets for professional development for regular staff.
- Substitute staff are paid \$10.50/hour plus 4% vacation pay, and mandatory benefits (they are not eligible for medical/dental benefits).

Let's look at the total annual costs for this employee:

1. Regular Salaries	\$25,480.00	(\$14 x 35 hours/week x 52 weeks)	
2. Substitute Salaries	\$ 2,293.00*	(9%)	Note 1
3. Mandatory Benefits	\$ 2,402.92*	(9.4%)	Note 2
4. Medical/Dental Benefits	\$ 864.00*	(3.3%)	Note 3
5. Professional Development	\$ 250.00*	(1%)	Note 4
Total	\$31,289.92	or 22.7%	in addition to regular salaries

* rounded off

Notes

Regular Salaries	
\$25,480.00 (\$14 x 35 hours/week x 52 weeks)	
Note 1	
Substitute Salaries	In this example, the employee is entitled to:
\$ 2,293.00 (9%)	<ul style="list-style-type: none"> • 15 days annual vacation • 10 days paid sick leave • 5 days for professional development
	Based on these entitlements, the calculation for substitute costs is:
	30 days x 7 hours/day x \$10.50/hour = \$2205.00
	4% vacation pay = 88.20
	=====
	Total \$2293.20

Note 2	
<p>Mandatory Benefits</p> <p>\$ 2,402.92 (9.4%)</p>	<p>Canada Pension Plan (CPP) The employer's share of CPP in 2005 is 4.95% of the employee's salary. In this example, the cost to the employer is \$1374.77 [(4.95% of regular salary \$25,480.00) + substitute salary \$2293.20 = \$1374.77].</p> <p>Employment Insurance (EI) The employer's share is 1.4 times the EI premium payable by the employee. In 2005, this employee's EI share would be \$549.91 [(\$25,480 + \$2293.20) x 1.98% = \$549.91]. The employer's EI share would then be \$549.91 x 1.4 = \$769.87 or 2.77%.</p> <p>Workers' Compensation The Workers' Compensation Board assesses each employer based on their classification structure according to "Industry Group" and "Rate Groups". Individual employer's assessment rates are "adjusted in proportion to their injury cost experiences..." In this example the employer cost would be \$258.29 based on 0.93% per \$100 of payroll [(\$25,480 + \$2293.20) x 0.93% = \$258.29].</p> <p>The total annual Mandatory Benefit costs payable by the employer for this position would be \$2402.93 [\$1374.77 (CPP) + 769.81 (EI) + 258.29 (WCB)].</p>
Note 3	
<p>Medical/Dental Benefits</p> <p>\$ 864.00 (3.3%)</p>	<p>The expense for medical and dental benefits will vary depending on the type of plan your organization has chosen, the coverage it provides and the size of the employee's family unit. For this example, we have used the rates for a single employee. The annual cost of the medical/dental benefit for this employee would be \$864.00. [(\$40.00/month medical + \$32.00/month dental) x12].</p>
Note 4	
<p>Professional Development</p> <p>\$ 250.00 (1%)</p>	<p>The organization commits \$250.00 annually per each full-time regular employee for ongoing professional development.</p>

The information presented in this document is for reference use only. Westcoast Child Care Resource Centre does not assume any responsibility for actions taken based on any of the information provided in this document.