
MODULE 6: REMUNERATION STRATEGIES

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TEMPLATES:

- A. Employer Data Sheet
- B. Paycheque & Cost Calculations
- C. Payroll Scenarios
- D. Employment Standards

1. INTRODUCTION

While it is true that money isn't everything when it comes to employee satisfaction, fair and equitable remuneration practices are essential to positive employee relations and employee retention. If you want your paycheques to reflect employee performance, make sure that you have outlined clear expectations and goals for employees.

You can also compensate your employees through non-monetary means. These rewards can range from formal benefits (such as health and dental insurance) to more informal perks (such as flex time or sick child leave). First and foremost, rewards must be meaningful to each employee. Because everyone is unique, you might have to tailor rewards depending on personal preferences.

This module will cover a broad range of compensation issues. The module starts with a discussion of employee motivation as it relates to rewards and consequences. Then, there is a breakdown of different remuneration strategies. Salaries/wages, benefits, and perks are discussed. Finally, a section on pay administration outlines necessary payroll processes and plans, with some payroll calculation examples to help you with different payroll scenarios.

2. PERFORMANCE & REWARDS

2.1 Intrinsic & Extrinsic Motivation

We typically assume that people are primarily motivated by external factors (extrinsic motivation). In other words, people will work better or be more committed if they receive significant material gains, such as a large paycheque or more holiday time.

Research has shown, however, that many of our assumptions about economic-based motivation are untrue. In fact, employees are often more motivated as a result of internal factors (intrinsic motivation). Employees' pride in workmanship or their ability to help customers is often much more of a motivating factor than money or self-interest.¹

Despite this fact, it is important to note that extrinsic and intrinsic rewards complement each other, and that one is not sufficient without the other. Each becomes an issue when it is insufficient or unfair. For example, pay will become more important when employees are short of money or when unfairness is perceived. Intrinsic rewards are what keep employees motivated while they perform their daily tasks and duties.²

Everyone is different when it comes to motivation. While some people are motivated by the potential to earn rewards, others are motivated primarily by their desire to avoid unpleasant consequences. It takes time and good listening skills to determine how to best motivate each employee.

Many of our assumptions about motivation are untrue.



¹ Kenneth W. Thomas, *Intrinsic Motivation at Work: Building Energy & Commitment* (San Francisco: Berrett-Koehler Publishers, 2002), 11-14.

² *Intrinsic Motivation at Work*, 8.

Employees are Motivated When



*They believe that if they try (Effort)
They will succeed (Performance)
And be rewarded (Payoff)*

*They believe that if they don't succeed (No Performance)
They will feel consequences (No Payoff)
And the consequences will be undesirable.³*

There is no doubt that figuring out how to motivate employees remains a complex and challenging dilemma. The following tips on motivation may be helpful to you: ⁴

MANAGEMENT MAXIMS

- No one can cause anyone to do anything; the motivation comes from within.
- We *can* create circumstances in which people motivate themselves.
- You've got to walk the talk.
- If you listen long enough, people will tell you what motivates them.
- Some people are motivated more by rewards and some people are motivated more by (fear of) consequences.
- If you watch long enough, people will show you how to motivate them.
- You can waste a lot of time giving rewards to people who aren't motivated by them.
- The Managerial Golden Rule: "Do unto others as they would like to be done unto!"

2.2 Rewards & Consequences

In order to cultivate top rate performers, employers must not only offer rewards for good work, but they must also have consequences for substandard work. Although employers are often reluctant to follow through with negative consequences, it is sometimes a necessary process. Otherwise, employees have no incentive to correct unacceptable behaviour.

³ Frank McNair, *It's OK to Ask 'Em to Work ... and Other Essential Maxims for Smart Managers* (Toronto: AMACOM, 2000), 28.

⁴ It's OK to Ask 'Em to Work, 29.

When dealing with your employees, it is important not to focus all of the efforts on the “best” and “worst.” Most workplaces have employees who excel and employees who disappoint. These employees typically receive the most interaction and are therefore known the best by the employer. This leads to a very common mistake among employers – neglecting and overlooking those in the “middle.”

Think back to your elementary school years. You can probably remember the students that your teachers knew best. These were the academically talented students, the students who were academically challenged, and the “trouble makers.”⁵ Usually the bulk of the student body – the average to good students – remain faceless.



Rather than falling into this trap, make a concerted effort to encourage positive behaviour from all employees – including your average employees. The talent of “generally good” employees is often enough to carry a business. Be sure to identify “off-target” behaviour immediately and provide feedback to correct it.⁶



Word of Advice: *By paying the greatest attention to those who are worse than mediocre, you actually encourage mediocre performance.*

Because people are motivated by different things, it is useful to “customize” rewards whenever possible. Offer rewards that each employee wants to receive and establish consequences that each employee wants to avoid.⁷ Listen to employees. Don’t make any assumptions about what would be desirable or undesirable to them.

By being in tune with your employees, you will be better able to select the motivators that will work with *each* individual employee, at

**Try to
“customize”
rewards
whenever
possible.**

⁵ It’s OK to Ask ‘Em to Work, 80.

⁶ It’s OK to Ask ‘Em to Work, 80.

⁷ It’s OK to Ask ‘Em to Work, 81.

this time, in *these* circumstances.⁸ You may gather this information both by asking employees directly and by using indirect methods.

The following list offers some helpful tips on how to effectively reward employees:

- ***Ask yourself.*** How would you like to be thanked or rewarded?
- ***Ask them.*** How would your employees like to be recognized or rewarded?
- ***Keep it personal.*** What is meaningful to one employee might not be to another. If possible, allow a choice of rewards.
- ***It might be cultural.*** What is an honour in your culture might not be in another.
- ***It should be timely.*** Reinforce cause and effect by rewarding the desired performance as soon as possible and delivering consequences promptly.
- ***It could be fun.*** Some companies have stuffed animals or banners that move around to the next person or place of honour.
- ***It might even pay.*** Cash or gift certificates, small or large rewards, a contribution to the employee's charity of choice—the investment you make can earn you a significant return in worker morale and performance.
- ***Or it might not cost a dime.*** A simple thank you goes a long way. Respecting your employees' knowledge and abilities, and showing recognition is important. More freedom, more trust, more responsibility, or a new work challenge can all be real and valued rewards for doing a great job.⁹



⁸ It's OK to Ask 'Em to Work, 81.

⁹ Alberta Human Resources and Employment, *Finders & Keepers: Recruitment and Retention Strategies*, 38.

There is no denying that positive feedback and recognition is a great way to foster improved performance. This doesn't necessarily mean that you should get carried away (either positively or negatively) when there are changes in employee performance. Rather, you should scale rewards or consequences according to the level of accomplishment or underachievement.

For example, if a below-average employee shows moderate improvement, you don't need to give him/her a raise or promotion. You must, however, acknowledge his/her progress in some way to encourage continued improvement and demonstrate that you know the difference between good and bad performance. Sometimes a word of approval or a "thank you" is reward enough for employees.



Word of Advice: *The very best time to give people pay-offs – whether rewards or consequences – is immediately upon observing the behaviour you want to encourage or stop. This way, the pay-off will be directly associated with the behaviour.*¹⁰

The following maxims on rewards and consequences should serve as good reminders:¹¹

MANAGEMENT MAXIMS

- Good performance must be rewarded and poor performance must be corrected.
- Pay attention to the middle performers.
- Pay off must be in a currency that matters to the employee.
- It's not an employer's job to make value judgements about employee motivators.
- Match the magnitude of the pay-offs – or consequences – to the magnitude of the performance.
- Ignoring improvement in performance will extinguish it.
- Ignoring slippage in performance will encourage it.
- Just do it – NOW!
- For different results, change how you reward employees.

In general, people change behaviour when the pain of changing is less than the pain of staying the same or when the joy of changing is greater than the job of staying the same.

¹⁰ It's OK to Ask 'Em to Work, 83-84.

¹¹ It's OK to Ask 'Em to Work, 87.

3. COMPENSATION

3.1 How Much Should I Pay?

Determining how much to pay employees is difficult. As of May 2008, minimum wage in Saskatchewan is \$8.60/hour.¹² However, if you want to attract and retain employees, you may need to pay more than the legislated minimum. Consider the following compensation strategies:¹³



- *Competitive compensation* - people get paid the “going rate” or a rate that is similar to that being paid to others in the industry that are doing a similar job.
- *Retention-based compensation* - the longer the employee stays, the more they earn; this may include longevity bonuses at certain intervals in time (i.e. 6 months, 1 year, 5 years)
- *Performance-based compensation* - pay based on how well the individual or team performs

These strategies can be used alone or combined to create a very effective compensation package. For example, if you operate a retail clothing store, you may want to pay your sales personnel at least what other local clothing stores pay their employees (competitive compensation). You might also want to incorporate bonuses for employees who meet or exceed sales targets (performance-based compensation). In addition, you may offer employees annual raises (retention-based compensation).

If you are seeking an employee in high demand or with specialized skills, you will probably need to provide pay that is at the higher end of the market range for that particular job. In order to

Compensation strategies can be used alone or combined.

¹² Advanced Education, Employment and Labour, www.labour.gov.sk.ca

¹³ Finders & Keepers, 35.

remain competitive, it is generally accepted that employers should adjust all employees' pay at least once a year. Be sure to leave a bit of room if you want to provide pay increases based on performance.

The following table contains some useful advice on how to pay your employees.

Tips for Getting Compensation Right ¹⁴
<p>Figure out what wages your industry is offering. Try one of the following:</p> <ul style="list-style-type: none"> ▪ Track classified ads on the Internet ▪ Consult with members of human resource organizations ▪ Consult trade organizations <p>Examine internal pay disparities. Make sure that the pay for each job is roughly equivalent to that of similar jobs across the organization.</p> <p>Don't assume you have to outspend your competitors. "Fair" compensation is often sufficient. You can use special compensation arrangements to address short-term issues.</p>



Note: *Total Financial Compensation = Base Pay + Incentives + Benefits + Perks*

3.2 Incentives

Base pay is not the only means of compensating employees. In fact, other incentives are often what employees remember most – and what sets you apart from other employers. By linking incentives to desired performance, you:

- Motivate employees to excel;
- Demonstrate that employee contributions are valued; and
- Draw a direct correlation between performance and financial reward. ¹⁵

¹⁴ Harvard Business School, *Harvard Business Essentials: Hiring and Keeping the Best People* (Boston: Harvard Business School Press, 2002), 94.

Commissions

Commissions are the payment of a percentage of the proceeds of a sale, and are typically provided to sales staff. For example, automobile sales personnel are typically paid by commission; the more they sell, the more money they will make.

Bonuses

Bonuses are provided to employees who meet a certain standard or quota, or to those who have completed a project. For example, a customer call-centre representative who answers more than 200 phone calls in a month might receive a cash bonus.



Profit Sharing

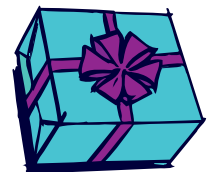
Profit sharing means sharing some of the business profits with employees, either in cash, shares, or as a deferred payment (e.g. placed in an RRSP or in trust for the future).

Cost Reduction Incentives

Cost reduction incentives are used to reward employees who come up with ways to reduce costs for the company. The savings should be used to fund the incentive amounts.

Special Awards

Special awards can be provided to employees for many reasons. Employees can be given gifts for years of service or teamwork. Gifts can also be given for the most exceptional employee, on a regular basis, or on an ad hoc basis to recognize recent extra efforts. For example, many employers give employees a Christmas bonus.



¹⁵ Monica Beauregard and Maureen Fitzgerald, *Hiring, Managing and Keeping the Best: The Complete Canadian Guide for Employers* (Toronto: McGraw-Hill Ryerson, 2000), 128.

3.3 Benefits

Another way that employers remunerate employees is by offering benefits. Some of these are mandatory legislated benefits that serve the purpose of protecting citizens in case of injury or loss of income, and to guarantee that all employees have a pension when they retire. Others are optional benefits that you can use to enhance your compensation package.

Mandatory Benefits

Saskatchewan employers are required to make contributions to the Canada Pension Plan (CPP), Employment Insurance (EI), and to Workers Compensation. Employers are also required to provide paid and unpaid leaves of absence as legislated. You must also make deductions to employees' pay where applicable for these plans.

Employers are responsible for remitting both the employee and employer parts of the EI and CPP contributions, as well as the tax deducted. Canada Customs and Revenue Agency (CCRA) provides employers with payroll deduction tables (for CPP, income tax and EI) that can be ordered or downloaded from the CCRA website free of charge (www.ccra-adrc.gc.ca).

The table on the following page provides a summary of the mandatory benefits that must be provided by Saskatchewan employers:

What Saskatchewan Employers are Required to Do ¹⁶	
Canada Pension Plan	Employers and employees must contribute jointly to CPP. Employers must deduct the contributions from paycheques.
Employment Insurance	Employees and employers must contribute jointly to EI.
Paid Leaves of Absence	Employers are required to provide paid time off for 3 weeks vacation and statutory holidays (see www.labour.gov.sk.ca/LS/ for a listing). During federal and provincial elections, employers are required to provide employees with 3 continuous hours to vote. If employees must vote during work hours, they must be paid for this time.
Unpaid Leaves of Absence	Employers are required to give time for but are not required to pay for the following: Jury duty leave; bereavement leave (up to 5 days); adoption and parental leaves; and sick leave.
Income Taxes	Employers are required to deduct income tax for each employee and pay this income tax directly to CCRA.

Optional Benefits

Employers may choose to offer additional benefits for a number of reasons. Benefits may: ¹⁷

- Make your company more competitive in the job market
- Promote a healthier workplace
- Help motivate employees
- Help reduce employee turnover
- Help reduce employee stress



¹⁶ Hiring, Managing and Keeping the Best, 115-119.

¹⁷ Hiring, Managing and Keeping the Best, 124.

While there are many types of benefits offered by businesses, the most common types of benefits are:

- Health and dental insurance
- Short-term disability insurance
- Long-term disability insurance
- Life insurance

Employers and employees typically share in the cost of these plans. Deductions are made from employees' wages/salaries.

The cost of employee benefit insurance is a substantial cost, at an estimated 15 percent of total compensation costs.¹⁸ For this reason, it might be preferable not to offer benefits. Some employees – especially younger people and part-time people – may even favour cash in lieu of benefits. Employers may wish to have a separate “benefits” amount included in each paycheque.

Employers and employees typically share in the cost of benefits plans.

The following steps should help you decide whether or not it is desirable or feasible for you to offer benefits:¹⁹

- Assess employees' needs when selecting benefits.
- Determine your budget for benefit expenses.
- Determine the objective of your benefit program (i.e. to retain or attract employees).
- Involve your employees before you design a plan. Gather information from a variety of sources about numerous programs.
- Speak to other businesses and determine what other companies in your industry are offering.
- Read published salary surveys; these often detail benefit coverage. The figures in these studies can help you estimate potential costs.

¹⁸ Help Wanted, 123.

¹⁹ Hiring, Managing and Keeping the Best, 130.

The Government of Canada HR Management website (www.hrmanagement.gc.ca) provides a comprehensive discussion of employer sponsored and government sponsored benefit plans.

3.4 Perks

While a small business may not be able to afford all of the benefits that larger businesses can provide, they can offer a variety of valuable perks. Think about what would be meaningful to your employees. Be creative! Consider some of the following perks and creative worksite practices:²⁰

Family

- Childcare assistance
- Eldercare assistance
- Scholarships for children of employees
- Sick child days

Monetary

- Anniversary cakes with a \$100 coupon for every year worked
- Contributions to employees' charity of choice
- Discounts on corporate products or services
- Personal computer loans
- Housing allowance
- Staff lotteries (e.g. perfect attendance earns you a ticket)
- Stock options
- Tuition reimbursements



Personal

- Counselling services
- Financial planning services
- Wellness subsidies (e.g. weight loss, smoking cessation programs)

²⁰ Finders & Keepers, 36-37.

Time

- Flex time
- Personal leave days
- Time off for early completion (of a task or project)
- Time off to volunteer in the community
- Sunny Fridays (working extra each day to earn every fourth Friday off)

Work Environment

- Barbeques on-site
- Birthday celebrations
- Casual dress days
- Innovative and fun office environment
- Employee assistance programs
- Free or subsidized food or allowance (coffee & snacks)
- Free or subsidized parking or allowance
- One-hour job swap on Friday afternoons
- Plant a tree on the property for each new employee
- Staff functions, parties, social events
- "Toys," such as a basketball court on site or video games in the lunchroom



Other Perks

- Fitness allowance
- Health care/ massage allowance
- Sabbaticals earned after 10 years
- Telecommuting
- Training account for *any* self-development
- Transportation arrangements/subsidies

4. PAY ADMINISTRATION

4.1 Developing a Pay Administration Plan

You probably already have some sort of pay plan in place – whether you realize it or not. However, paying your employees in accordance with a *formal* system will help you increase the ease of payroll and avoid mistakes. This plan need not be complex, time-consuming or costly. Rather, it should be straightforward and easily explainable so that it is understood by your managers/supervisors.

To set up a formal pay plan, follow the following steps: ²¹

1. Define the jobs and prepare a job description for each position so that you may compare them for pay purposes.
2. Evaluate the jobs by comparing job descriptions against one another. Rank job difficulty and responsibility and cluster those that are similar in scope into the same pay range. Arrange these groups into pay levels (from highest to lowest).
3. Price the jobs according to the “going rates” for similar work in your area. Because you have ranked and grouped jobs into pay levels, you won't have to find this information for each job. Calculate an average rate for each job; you may decide to use these averages as the midpoints in your pay level ranges.
4. Install the plan, keeping in mind how it will be administered to provide for individual pay increases. You may want to use performance-based increases, promotions, increases for time spent with the company, or general increases to compensate for

²¹ BizMove.com: The Small Business Knowledge Base,
<http://www.bizmove.com/personnel/m4h.htm>.

changing economic factors/cost of living and to remain competitive.

5. Communicate the plan to employees. You may decide to write personal letters to each employee and follow-up with meetings to explain the plan and answer questions. Clearly, honestly, and openly describe how the plan works so that expectations are defined. This will help build goodwill and good relations with your employees.
6. Appraise employee performance under the plan. Explain how employees' efforts relate to pay and provide feedback to help them better understand job responsibilities and expectations.

An effective pay plan will help you recruit, retain, and motivate employees. Establishing competitive pay ranges will help you attract high calibre employees. Appraising employee performance and explaining its connection to pay will encourage performance. Providing goals will keep employees interested in and enthusiastic about their present assignments.²² Your pay administration plan should be updated at least annually.

An effective pay plan will help you recruit, retain and motivate employees.

Some companies choose to outsource their payroll processing to outside organizations. There are a variety of organizations that you may want to consider including:

- Ceridian Canada (www.ceridian.ca/en/contact_us/locations.html)
- PayTrak Payroll Services (www.paytrak.ca/index.html)
- Payworks (www.payworks.ca/)
- ADP (Automatic Data Processing) (<http://www.adp.ca/en/index.html>)

²² <http://www.bizmove.com/personnel/m4h.htm>

4.2 Creating a Personnel File

When a new employee starts work, you or your payroll staff should create a personnel folder for storing all employee-related documents. Some common subsets of information to include in personnel files are:²³

- **Deduction Information**

Collect information on deductions relating to benefits, such as medical, life, and dental insurance. Sign-up or waiver sheets should be included in the folder.

- **Employee Correspondence**

If communications between employees and your payroll staff (regarding time off, special treatment, etc.) are in writing, they should be included in the folder. If they are verbal, you may want them recorded in a memo and stored in the folder.

- **Employee Reviews**

All employee reviews/performance appraisals should be kept in the folder. In the event of substandard performance resulting in employee termination, they will provide you with evidence for cause. Make sure the reviews are signed by the reviewer *and* the employee.

- **Garnishment Information**

If there are court orders for garnishing an employee's pay for any reason (e.g. tax levies, creditor levies, child support, or alimony) include a copy of each one in the folder.

- **Tax-related Information**

Employers should collect and retain TD1 forms from all employees. These forms are a legal necessity, and are needed to place employees into the appropriate tax bracket.

²³ Steven M. Bragg, *Essentials of Payroll: Management and Accounting* (Hoboken, John Wiley and Sons, 2003), 21-22.

4.3 Payroll Calculations

At your business, you may use a variety of employment arrangements. Some of your employees may have full-time employment status while others are part-time. You may hire temporary/seasonal workers or enlist contract work at certain times of the year. New employees may be monitored as probationary employees.



All of the above work arrangements are different and should be dealt with in a different way. Obligations to employees vary depending on the nature of the work arrangement. Appendices B and C will walk you through a number of scenarios and their corresponding payroll calculations. The examples use information consistent with Saskatchewan's employment standards.



Remember: *In Saskatchewan, overtime is payable for hours over 8 in a day or 40 in a week and is payable at 1.5 times regular earnings. The annual minimum for vacations with pay in Saskatchewan is 3 weeks. If your employees do not take holidays, you must pay them vacation pay of 3/52 of annual earnings.*²⁴

For more information on payroll and remuneration, visit the Canada Revenue Agency website (www.cra-arc.gc.ca/menu-e.html).

For an abbreviated listing of Saskatchewan's Employment Standards, see below. For a complete discussion of Saskatchewan's Labour Standards, please find attached *Rights and Responsibilities: A Guide to Labour Standards in Saskatchewan* (www.labour.gov.sk.ca/RightsAndResponsibilities/). A listing of the

²⁴ Hiring, Managing and Keeping the Best, 243.

Labour Standards District Offices in Saskatchewan can be found in Module 8: Contact Information.

For more specific information related to regulations for parental leave, please refer to the document *Pregnancy, Parenting and the Workplace* (www.labour.gov.sk.ca/pregnancy-parenting/).

Saskatchewan Employment Standards	
General Minimum Age Requirement	16
Personnel/Payroll Records Retention	5 years after termination
Hours of Work/Breaks	Minimum hours to be paid = 3 Maximum regular hours permitted = 8 hrs per day; 40 hrs per week Rest Period: 1 day per 7 days
Overtime Pay	Payable for any hours over 8 in a day or 40 in a week; Payable at 1.5 times regular earnings
Minimum Wage	\$8.60 (effective May 2008)
Payment of Wages	Hourly Wages: Min. every 2 weeks Termination Pay: Within 14 days of the termination date
Vacations with Pay	Annual minimum – 3 weeks or 3/52 of annual earnings After 10 years of service, annual minimum = 4 weeks or 4/52 of annual earnings
Statutory Holidays	Most employees get 1/20 of their regular wages in the four weeks before a public holiday as public holiday pay. If an employee works on a statutory holiday, he/she is entitled to 1.5 times regular rate plus regular pay.
Leaves of Absence	Jury duty Voting at elections leave (3 hours) Bereavement leave Adoption Maternity and parental leaves Sick leave
Minimum Notice of Termination (by employer)	0 - 3 months 0 weeks 3 months - 1 year 1 week 1 - 3 years 2 weeks 3 - 5 years 4 weeks 5 - 10 years 6 weeks 10 years and over 8 weeks

Probationary Period	3 months
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5. CONCLUSION

Your remuneration strategy is an important ingredient in your overall human resource strategy. A good compensation plan can increase employee satisfaction and motivation, resulting in increased production and employee retention rates. This can have a spin-off effect, resulting in positive public relations and customer satisfaction.

Although an employee's paycheque is a component of most compensation plans, it is worth noting that compensation is not only measured monetarily. A mix of benefits and perks can also be used to remunerate your employees. By linking rewards to employee performance, you can increase employee motivation and achieve winning results.



EMPLOYEE DATA SHEET

Employee Name: _____

This form is used to record details of a new employee, a termination of employment, a change in employee personal data, or a change to job, salary or organizational related data.

A. Personal Information (Employee to Complete)

Familiar Name: _____ Gender: M F
Last Name: _____ First: _____ Date of Birth: _____
M ___ D ___ Y _____
Address: Street & # _____ Apartment: _____
City: _____ Province: _____ Postal Code: _____
Home Phone: () _____ Social Insurance Number: _____

B. Emergency Contact Information (Employee to Complete)

Primary **Secondary**
Name: _____ Name: _____
Check if address is the same as
employee or: Check if address is the same as
employee or:
Address: _____ Address: _____
City/Province: _____ City/Province: _____
Home Phone: _____ Home Phone: _____
Bus. Phone: _____ Bus. Phone: _____
Other Phone: _____ Other Phone: _____
Notes: _____ Notes: _____

C. Emergency Contact Information (Employee to Complete)

Eligible for Benefits: Y N

Benefit Plan	Yes/No	Coverage	Effective Date
1. AD & D			
2. Dental			
3. Extended Health			
4. Life Insurance			
5. Long term Disability			

Comments: _____
Employee Signature: _____ **Date:** _____

PAYCHEQUE AND COST CALCULATIONS

Paycheque Calculation	
Employee: Susan Smith	
<ul style="list-style-type: none"> ▪ Annual salary of \$35,000 ▪ Pay frequency: monthly (12 pay periods a year) ▪ Income tax rate based on net claim code of 1 (the most common code) ▪ CPP at a rate of 4.95% after annual exemption ▪ EI at a rate of 1.73% 	
To calculate Susan Smith's net pay, divide the annual salary amount by the pay frequency and deduct the income tax and CPP and EI premiums.	
Biweekly Gross Salary (\$35,000/12)	\$2,916.67
Deductions from pay	
Income tax (federal and provincial)	(\$ 496.69)
CPP @ 4.95% after exemption	(\$ 129.94)
EI @ 1.73%	(\$ 50.46)
Total deductions	(\$ 677.09)
Net Pay	<u>\$2,239.58</u>

Calculating the Cost to the Employer	
Annual salary	\$35,000.00
Employer portion of premiums	\$ 2,406.95
EI (50.46 x 1.4) = \$70.64 x 12	
CPP (129.94 x 1) = \$129.94 x 12	
Benefits (15%)	\$ 5,250.00
Vacation (3/52 of total pay)	\$ 2,019.23
Stat Holiday pay (10 days)	\$ 1,346.00
Total estimate cost to employer	\$46,021.95
The employer remittance to Canada Customs and Revenue Agency for that pay period for that one employee comes to \$526.60, as calculated below:	
Employee deductions for tax, EI, CPP	\$399.39
Employer portions of EI and CPP	\$200.58
Total remittance to Canada Customs and Revenue Agency	<u>\$599.97</u>
(Numbers are based on January 2008 rates)	



Helpful Hint: *PDOC- Payroll Deductions Online Calculator*
www.cra.gc.ca/payroll

PAYROLL SCENARIOS ²⁵

PAYROLL SCENARIO 1

Vacation for Full-time Employees

Andrew Smith was hired as a full-time employee on March 20, 2007, at ABC Inc. and is entitled to three weeks (15 days) of annual vacation entitlement as per employment standards. ABC Inc. will allow him to take a vacation once he has completed his three-month probationary period.

In 2007, he worked for 9 months. He is entitled 15 days of vacation per 12 months of employment, which is 1.25 days per month. 1.25×9 full months of work equals 11.25 days.

PAYROLL SCENARIO 2

Overtime for Part-time Employees

Emily Connor works in Saskatchewan, where overtime is paid after eight hours a day or 40 hours a week. She is a part-time employee who regularly works three days a week, seven hours a day. If she works one hour extra for each of those three days she will not be entitled to any overtime pay for those hours because she has not exceeded the eight-hour limit. For these three hours worked she will be paid at her regular hourly rate.

On the other hand, if Emily works her three additional hours on the same day, she will be entitled to two hours of overtime pay and one hour at regular time because she will have worked 10 hours in one day.

²⁵ Hiring, Managing and Keeping the Best, 104-108.

**PAYROLL
SCENARIO 3**

Vacation Pay for Temporary Employee

Paul Crawford is hired on a temporary basis and works at ABC Inc. for two months. His total gross earnings are \$6400. He is entitled to three weeks annual vacation, which is equivalent to 3/52 of his earnings. His employer is therefore required to pay him an amount of \$369.23 ($\$6400 \times 3/52$) for vacation pay at the end of his assignment.

**PAYROLL
SCENARIO 4**

Contract Employee: Vacation Pay Entitlement?

Jake Stuart hires Deborah Allen to do independent contract work for the duration of a four-month construction project. Deborah owns her own equipment and has control over the work she performs. Because Deborah is self-employed, Jake is not required to provide vacation pay, EI, or CPP.

**PAYROLL
SCENARIO 5**

**Probationary Employee:
Vacation Pay if Terminated**

Trish Carpenter was terminated just prior to completing her probationary period. Upon hire, she negotiated four weeks' vacation (4/52 of earnings). At termination she was paid 4.52 of her total gross earnings for the two months worked.

Note: Vacation entitlement for part-time employees can be calculated in days or hours. If one of your employees works three days a week, the same hours each day, he/she would be entitled to nine days off annually (three days per week x three weeks per year).

If one of your employees works five hours one day, 11 hours the next day and two hours the next day (totalling 18 hours a week), he/she would be entitled to 54 hours of vacation annually (18 hours per week x three weeks per year).²⁶

²⁶ Hiring, Managing and Keeping the Best, 105.

SASKATCHEWAN EMPLOYMENT STANDARDS	
General Minimum Age Requirement	16
Personnel/Payroll Records Retention	5 years after termination
Hours of Work/Breaks	Minimum hours to be paid = 3 Maximum regular hours permitted = 8 hrs per day; 40 hrs per week Rest Period: 1 day per 7 days
Overtime Pay	Payable for any hours over 8 in a day or 40 in a week; Payable at 1.5 times regular earnings
Minimum Wage	\$8.60 (effective May, 2008)
Payment of Wages	Hourly Wages: Min. every 2 weeks Termination Pay: Within 14 days of the termination date
Vacations with Pay	Annual minimum – 3 weeks or 3/52 of annual earnings After 10 years of service, annual minimum = 4 weeks or 4/52 of annual earnings
Statutory Holidays	Most employees get 1/20 of their regular wages in the four weeks before a public holiday as public holiday pay. If an employee works on a statutory holiday, he/she is entitled to 1.5 times regular rate plus regular pay.
Leaves of Absence	Jury duty Voting at elections leave Bereavement leave Adoption Maternity and parental leaves Sick leave
Minimum Notice of Termination (by employer)	0 - 3 months 0 weeks 3 months - 1 year 1 week 1 - 3 years 2 weeks 3 - 5 years 4 weeks 5 - 10 years 6 weeks 10 years and over 8 weeks
Probationary Period	3 months