



Lawrence D. Copp



Jeffrey B. Carr



Economic, Policy and
Financial Analysts



John M. Dellipriscoli



Nathan A. Masse

Economic & Policy Resources,

Inc.

Jeffrey B. Carr

President & Senior
Economist

Lawrence D. Copp

Director & Senior Economist

Robert A. Chase

Senior Economist

Matthew L. Cooper

Economist

John M. Dellipriscoli

Economist

Phillip L. Sprehe

Economist

Amanda M. Wassel

Research Economist

Nathan A. Masse

Research Economist

Denise C. Fortin

Administrative Assistant

.....

Contact Information

400 Cornerstone Drive, Suite 310

PO Box 1660

Williston, Vermont 05495

Phone:

802.878.0346

800.765.1377

Fax:

802.878.0876

E-mail:

info@epreconomics.com

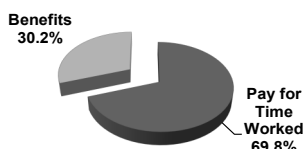
Website:

Employment Fringe Benefits As an Element of Economic Loss in Personal Injury

Value of Employment Fringe Benefits

Employment fringe benefits may account for one quarter of an individual's total work-related compensation. Consequently, an accurate estimation of employment-related fringe benefits is

Employee Benefits as a Percent of Total Compensation, All Workers, 2016



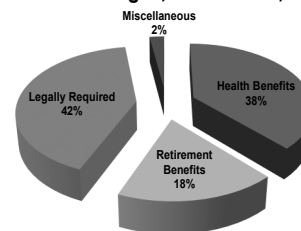
fundamental to determining economic loss in personal injury cases.

Employment-related benefits commonly include:

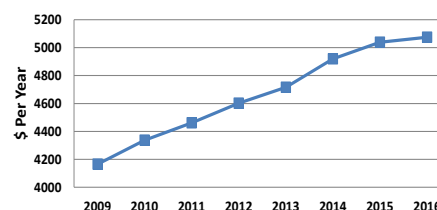
- Health and dental insurance;
- Life insurance;
- Short term and long term disability insurance;
- Retirement and pension benefits such as a defined benefit plan;
- 401(k) or profit sharing program; and
- Government-mandated benefits, which include:
 - Social Security;
 - Medicare;

- Workers' compensation insurance; and
- Federal and state unemployment insurance.

Employee Benefits by Category as a Percent of Wages, All Workers, 2016



Employer Health Benefits Cost Per Employee



Note: Based on Annual Average costs.

Social Security benefits can either be included in employment-related benefits or estimated as they would actually be received in retirement. The proper method depends on the circumstances specific to the case being reviewed.

Proper determination of economic loss resulting from loss of employment-related fringe benefits requires careful consideration of the individual's work status and eligibility for certain benefits.

Economic Analysis

Economic Forecasting
Impact Analysis
Economic Development

Forensic Economics

Personal Injury
Wrongful Death
Wrongful Termination
Expert Testimony
Medical Malpractice

Business Valuations

Buy/Sell Valuations
Stockholder Disputes
Damage Assessment

Contact Information



Economic & Policy Resources, Inc.

400 Cornerstone Drive, Ste 310
PO Box 1660
Williston, Vermont 05495

Phone:

802.878.0346
800.765.1377

Fax:

802.878.0876

E-mail:

info@epreconomics.com

Visit Us on the Web

If you would like more information about Economic & Policy Resources, access to state and federal data sources, or have a question you would like to ask, visit our website at:

www.epreconomics.com

How Lost Benefits Arise

Tort actions resulting in personal injury may result in an economic loss due to loss of employment-related fringe benefits. Since many benefits are directly related to levels of salary and wage compensation, an economic loss may result when an individual is prevented from returning to a pre-accident work status. Loss of employment-related benefits may result from a partial disability where the individual is unable to return to a pre-injury work level and is forced to take a job paying a lower wage or offering less generous benefits.

What Is Lost?

Proper calculation of an individual's economic loss due to reduced or eliminated fringe benefits must address the following question: Is the individual's economic loss the reduction in the "value" of the benefits received or is the loss determined by the "cost" to the employer of providing the benefits?

The two concepts inherent in the above question will likely produce different estimates of the individual's economic loss. In general, the courts have given little guidance in the preferred measurement of the loss of fringe benefits. The economist must be careful to determine the relevant circumstances of each case when preparing his or her estimate of economic losses due to reduction or elimination of fringe benefits.

Generally Recognized Approaches

There are three generally recognized approaches to the estimation of economic loss of employment-related benefits:

1. The employer's cost to provide the benefit;
2. The economic value of the benefit to the employee; and
3. The cost to the employee of replacing the benefit when lost.¹

The preferred selection of estimation methods is determined by case-specific circumstances and practical consideration, such as the availability of relevant data. The three approaches will likely not result in the same estimate of economic loss. Administration costs, the effects of adverse selection, and tax effects, individually and in combination, will lead to different estimates of economic loss due to foregone employment benefits.

Considerations and Conclusions

Of the three approaches, the employer's cost to provide the benefit is generally the easiest to obtain. If specific data is not available, published survey data generally can be adapted for use.

Estimates based on the replacement cost approach may be more appropriate in cases such as wrongful deaths, where the survivor must replace health benefits which otherwise would have been provided by an employer. Caution must be exercised to be sure there is an appropriate matching between the benefits lost and those provided through replacement means.

Determining the economic value of employment benefits to the employee is frequently difficult. Often the only practical option is to determine either the individual's replacement cost of the benefit or the employer's cost to provide the benefit as a proxy measure of the economic loss. The state-of-the-art methods for measuring economic loss due to foregone employment benefits are changing. Evolving measurement techniques may soon assist economists to better estimate the economic value of employment-related fringe benefits.

¹ See *Three Concepts of the Value of Fringe Benefits*. Romans & Floss, *Journal of Forensic Economics* (3)189, pp. 69-73.

***NOTE*: You may subscribe to this periodic economic newsletter by visiting EPR's forensic section of our website and entering your name and email address.**