

📌 *Case Study 5:* *Employers, Employees, and Payroll*

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Instructions:

1. Print and read the following case study.
2. On your own, complete the **Accounting Application** questions.
3. As a class, complete the **Class Interaction and Discussion** questions.
4. Optional: Complete the **Small Group Extension Activity** and **Internet Exploration and Research Activity**.
5. Complete the **Summary Questions**.

Objectives:

After completing the following case study, you will be able to:

- Record earnings and deductions for a worker in a payroll register
 - Record payroll register totals in a cash payments journal
 - Discuss the contract settlement between UPS and Teamsters
 - Explain the Taft-Hartley Act
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Study Tips:

Complete this case study after Chapter 13, Glencoe Accounting, First-Year Course.
Approximate time to complete: 2 hours.

Overview:

On Sunday, August 3, 1997, United Parcel Service's (UPS) operations slowed to a crawl as most of the company's 185,000 Teamsters employees walked off the job to participate in UPS's first-ever nationwide strike. Neither the Teamsters union nor the UPS company showed any willingness to budge on the major issues that prompted the strike.

What is a strike? A **strike** is a refusal by employees to work. Most often workers strike due to insufficient pay rates, benefits, or working conditions. In many kinds of work, employees belong to unions because they will negotiate for better pay and working conditions on the employees' behalf. The management of a company and union representatives work together to reach an agreement and sign a labor contract. A labor contract usually lasts from one to five years and it states pay rates, benefits, and dispute procedures. If an agreement is not reached and a contract lapses, sometimes a union goes on strike to force management to reach an agreement.

The Teamsters are a labor union organized for the benefit of truck drivers, chauffeurs, warehouse workers, and other laborers. Out of 1.4 million Teamsters, UPS employs 200,000. UPS is the largest employer of Teamsters in the nation.

UPS has a total of 360,000 employees worldwide. At the time of the strike, UPS was the fifth largest private employer in the United States. Its quarterly payroll is approximately \$4 billion.

The table below shows the issues and offers made during negotiations between UPS and the Teamsters in 1997.

ISSUES	UPS	TEAMSTERS
Length of contract	Five years	Three to four years
Full-time pay	\$1.50-an-hour increase over five years, plus profit sharing of \$3,060 this year and a bonus in 2000 based on 1999 profit margins.	\$2.60-an-hour increase over four years. * Current pay is \$19.95 per hour.
Part-time pay	Current employees get a \$2.60-an-hour increase over five years plus profit-sharing bonus of \$1,530 this year and another payment in 2000 based on profits in 1999. New hires get \$3 increase over five years and retention bonuses of \$500 in the first six months and are eligible for profit-sharing bonus in 2000.	\$3.60-an-hour increase over four years. Current pay is \$8 for loaders, \$9 for sorters, and \$12 for part-time drivers handling air deliveries.

Part-timers	Create 200 full-time jobs from part-time jobs each year of the contract, and guarantee that 2,000 part-timers would advance to full-time positions.	Create 2,500 full-time jobs from part-time jobs in each year of the contract.
Pensions	Wants to pull out of the Teamsters multi-employer pension plans, to which it contributed \$1.6 billion last year, and set up a plan only for UPS employees, with joint trusteeship.	Wants to retain UPS's participation in Teamsters multi-employer pension plans jointly administered by the companies and the Teamsters. These plans cover all Teamsters, regardless of employer.

Source: *The Atlanta Journal/Constitution*, August 15, 1997.

* "Current" here means as of August 15, 1997.

Accounting Applications:

Instructions: Now that you have reviewed the case study above, answer the following questions on your own.

1. Fill in the line of a payroll register for a UPS employee using the "current" part-time pay rate and the following information. Compute FICA taxes at 6.2% for social security and 1.45% for Medicare and use IRS tax tables from text.

Vanessa Bridges is a sorter for UPS. Her employee number is 0633. She is single, claims no exemptions, and worked 28 hours during the week ending January 15. In addition to FICA and federal income tax, she had deductions of state income tax of 3 percent of total earnings, a health insurance premium of \$9.45, and union dues of \$5. She was paid with check number 4432.

PAY PERIOD ENDING January 15, 19__		PAYROLL REGISTER										DATE OF PAYMENT January 15, 19__									
EMP NUMBER	NAME	MARR STATUS	ALL OW.	TOTAL HOURS	RATE	EARNINGS		DEDUCTIONS					NET PAY	CK. NO.							
						REGULAR	OVERTIME	TOTAL	SOC. SEC. TAX	MEDICARE TAX	FED. INC. TAX	STATE INC. TAX			HOSP. INS.	OTHER	TOTAL Ded.				
1																					
2																					
3																					
4																					

- Fill in another line of a payroll register for Vanessa Bridges using the Teamsters' suggested part-time pay increase in four years. Use the same pay period ending and date of payment as in question 1. Assume that her hours worked, the FICA tax, the IRS tax table, her exemption status, and the state income tax rate have not changed. Health insurance has increased to \$13.13 and her weekly union dues are now \$6.75. The paycheck number is 18972.

PAY PERIOD ENDING January 15, 19__		PAYROLL REGISTER												DATE OF PAYMENT January 15, 19__				
EMP NUMBER	NAME	MAR STATUS	ALL OW	TOTAL HOURS	RATE	EARNINGS		DEDUCTIONS					NET PAY	CK. NO.				
						REGULAR	OVERTIME TOTAL	SOC. SEC. TAX	MEDICARE TAX	FED. INC. TAX	STATE INC. TAX	HOSP. INS.			OTHER	TOTAL DED.		
1																	1	
2																		2
3																		3
4																		4

3. Given the following totals from a payroll register for the week ending March 22, record the entry for payroll in the general journal below, page 42.

Regular earnings: \$50,039; overtime earnings: \$9,701; total earnings: \$59,740; social security tax: \$3,703.88; Medicare tax: \$866.23; federal income tax: \$4,361.02; state income tax: \$2,509.08; health insurance: \$2,240.25; and union dues: \$1,194.80.

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DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT		
1					1	
2					2	
3					3	
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Class Interaction and Discussion:

Instructions: Read the following question. As a class, discuss your responses.

On Wednesday, August 20, 1998, the UPS Teamsters went back to work. Consider the contract settlement and discuss as a class who got what they wanted and who didn't.

Agreement between Teamsters and UPS

Length of contract:	Five years
Full-time pay:	Pay raises of \$3.10 an hour over five years. No profit sharing.
Part-time pay:	New part-time loaders start at \$8.50 with pay raises of \$4.10 over five years. No profit sharing.
Part-time jobs:	Create 10,000 full-time jobs from existing part-time positions over five years, predicated on package volume growth. These new full-timers will start at \$15 an hour and advance to \$17.50 by the end of the five-year contract.
Pensions:	UPS will continue participation in Teamsters multi-employer pension plans.

Optional Internet Exploration and Research Activity:

Instructions: Using the Internet, research the following activity.

Find either the Teamsters or the UPS Web site. What information can you find about the union or the company? Write a brief report about what you learned.

Summary Questions:

1. How is overtime pay calculated? How was this established?

2. Name three voluntary payroll deductions.

3. What is the difference between total earnings and net pay?
