

balance sheets

A series of information sheets for employers interested in helping employees balance their work, family, and personal responsibilities

This series jointly produced by:



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balance

Xsheets™

A series of information sheets for employers interested in helping employees balance their work, family, and personal responsibilities

The Center for
Work & Family
BOSTON COLLEGE
CARROLL SCHOOL OF MANAGEMENT

One Small Step


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"Polaroid has offered a Day Care Subsidy Program for the past 25 years. This program made quality childcare more accessible for eligible employees. We do not need studies to know that this Subsidy helps Polaroid attract and retain qualified workers."
Beverly Carothers, Manager,
Corporate Work & Family Life,
Polaroid Corporation, Cambridge, MA.

"IBM's Personal Financial Planning Program include educational seminars and individual consultation and services. This program promotes employee understanding and appreciation of company benefits – such as Tax Deferred Savings Plan, Stock Purchase Plan, and Long Term Care Insurance – and also provides employees with the resources needed to establish and achieve their financial goals."
Cynthia Neff,
Human Resources Manager, IBM Almaden
Research Center, San Jose, CA.

"(Many employees are) using group purchasing power to offer discounted rates and convenient payroll deductions for the purchase of products typically bought outside the workplace . . . group automobile insurance, for example, is currently offered by 32% (of the employees surveyed) . . ."
1996 Tower Perrin/ New England
Employee Benefits Council report.

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Financial Assistance Programs

Financial Assistance Programs (FAPs) provide direct and/or indirect financial support to employees through employer savings, negotiates discounts programs, and financial guidance.

A COST EFFICIENT ENTRÉE INTO WORK/LIFE

Many employers hesitate to offer work/life programs or services because of perceived high costs, reluctance to "get into the child care business," or concern about low utilization. Financial Assistance Programs (FAPs) offer an employer the opportunity to assist a very wide range of employees without overcommitting themselves financially or programmatically.

There is a wide variety of FAPs to consider; common denominators among FAPs include: supplementing compensation packages when increasing pay is not an option, assisting employees by giving them the tools to assume control over their financial future, taking advantage of an employer's size to procure group discounts and passing the savings along to individual employees, and providing efficient and cost effective means to help employees integrate their work and life responsibilities.

RELEVANT STATISTICS

- A 1996 Hewitt Study shows a dramatic increase in financial assistance programs between 1990 and 1995: 26% of the 681 employers surveyed offer adoption assistance, up from 12%; 84% offer Dependent Care Spending Accounts (DCAPs) up from 55%, and almost 90% of employers offer matching incentives in their company sponsored savings plan.
- The 1995-1996 National Survey of Life Stages Needs conducted by Godwins Brooke & Dickenson/HR Strategies asked 1000 employees to evaluate 38 specific traditional and non-traditional benefits in terms of importance and satisfaction; DCAPs were rated more important than all other child/elder care services.
- According to the Employee Benefit Research Institute, Long Term Care insurance may be the employee benefit issue of the future. Americans are living longer, but advanced age brings with it significantly higher health-care costs; 30-40% of all health care costs are incurred in the last year of life.

- The 1995 Innovative Benefits Survey conducted by the Society for Human Resource Management surveyed 2,000 of its members. Of the 308 responses, dependent care flexible spending accounts and flextime are the two most widely offered benefits. Seven of 10 employers offered dependent care flexible spending accounts to employees.

MODEL PROGRAMS

Adoption, DCAP, and FSA Programs

- **Fleet Financial Group, Inc.**, based in Boston, MA, offers an Adoption Assistance Policy for regular, full time employees. This one time cash payment of \$2,000 (minus withholding and applicable taxes) per adoption covers medical expenses for the biological mother or adopted child, adoption agency fees, and transportation expenses. To be eligible, the employee must submit a copy of the Certificate of Adoption documentation.
- **Little, Brown, and Company**, based in Boston, MA, offers its employees a FSA and an adoption subsidy. Employees may set aside a minimum of \$100 to a maximum of \$5,000 pre-tax for unreimbursed medical or dependent care costs. For adoptions, employees are eligible for expense reimbursements up to \$2100. Sixty-one employees, about 10%, are utilizing the FSA program in 1996.
- **Millipore Corporation**, based in Bedford, MA, offers an adoption policy that partially offsets adoption costs up to \$5,000 per adoption per family. Employees are eligible if they work at least 24 hours a week and have completed three months of service when the adoption is finalized. The adopted child must be age 12 or under and may be a relative or stepchild. Millipore also offers a FSA for dependent care (\$5,000 max) and healthcare (\$2,000) that reimburses employees weekly instead of monthly, so employees don't have to wait so long for expense reimbursement.
- **Ocean Spray Cranberries, Inc.**, based in Lakeville, MA, offers a voucher system for their employees in the Middleboro processing plant to withhold a maximum of \$5,000 pre-tax for dependent care and a maximum of \$2,000 for medical expenses. The program is administered by a vendor and the company incurs minimum costs, \$4.15 per employee in the program to offer it. Utilization

rates are 5% and 2% participation for medical and dependent care expenses, respectively.

- **Charles Schwab & Company, Inc.**, based in San Francisco, CA, offers regular employees who work a minimum of 20 hours per week up to \$2,000 per calendar year, per family, to cover adoption related expenses for a child under the age of 18. Introduced in 1993, this reimbursement program covers legal, agency, medical, foster care, transportation and immigration costs related to adoption. Five employees used this benefit in 1995, and 6 are expected to use it by the end of 1996.

Childcare Discounts

- **Bechtel Corporation**, headquarters in San Francisco, CA, made arrangements in 1994 with several major U.S. childcare providers to offer employees 10% discounts off regular child care rates. Some providers waive registration fees as well. Approximately 60 Bechtel families across the country benefited from this program in 1995.
- **Texas Instruments**, based in Dallas, TX, has negotiated a 10% discount with most major childcare providers for TI families. Initiated in 1994, TI launched the discount program to assist more of their employees located in many sites across the county. In 1995, approximately 250 Tiers received the discounts.

Higher Education Scholarships and Loans

- **McKesson Corporation**, based in San Francisco, CA, has offered four-year scholarships each year to its regular full time employees' children since 1979. McKesson has also awarded 20 one-year scholarships a year since 1987. In addition, students and parents who take advantage of McKesson's loan programs for educational expenses do not have to pay the required 3% guarantee fee on loans.

A Recruitment Tool

- **BE&K**, based in Birmingham, AL, offers childcare subsidies to attract more women to the industry (design engineering and construction) that is predominately male, and to help employees afford the best care available in their community. Initiated as a pilot in 1990 and expanded to hourly and salaried employees, except at headquarters, 1993, BE&K offers a subsidy from \$15-40/week depending on the number of children in the family.

A First Step

- **Arnold Communications**, based in Boston, MA, launched its work/life programs by offering DCAPs and FSAs as a basic foundation for future work/life programs. Arnold is presently polling its employees, through surveys and focus groups, to determine additional work-life needs of its workforce.

Intermittent Expenses

- **Amoco**, based in Chicago, IL, implemented in 1993 an Incremental Dependent Care Expense Policy. This policy helps defray additional childcare expenses incurred when an employee must travel for work. Features of this policy include: a maximum of \$1500 (plus tax make-up) per year, expenses must be pre-approved by employee's supervisor, and the care provider may not be someone the employee claim as a dependent on their income tax return or a permanent member of the household. Utilization rates at year-end 1995 were 152 employees or less than 1%.

Providing the Educational Tools

- **Raychem Corporation**, based in Menlo Park, CA, worked with the local chapter of a national non-profit budget and debt counseling agency to provide a "Master Your Money" workshop for employees at their headquarters. Offered in early 1996 as part of the company's ongoing "Lunch & Learn" series, this session covered issues such as financial goal setting and creating a spending plan. Raychem also held a "Physical Fitness Fair" in 1995, and continues to provide monthly financial planning classes, free of charge for employees and their spouses, on topics such as estate planning, college funding and understanding investments.

RATIONALE

A Better Grasp of Financial Issues

FAPs help to make employees feel in control. Employers can provide employees and their families with educational information to understand and improve their financial situation as well as relatively painless ways to accrue substantial savings in incremental amounts.

Accessibility to Quality Care

Subsidies and vouchers enable employers to assist with making quality child/elder care affordable for their employees while limiting their direct involvement in the care provided.

A Low-Cost "Give"

In today's environment of downsizing and restructuring, "surviving" employees are being asked to do more for less. Often employers have little leeway in the area of financial compensation. FAPs are "low cost gives" to offset the painful "take-aways" that have become so common.

Equity

Employers considering offering work-life often express concern about the equity of such programs. No single program assist everyone, and no one benefit is used by every employee all the time. FAPs fit easily into existing flexible packages and enhance an employer's efforts to provide a range of benefits that are equitable to all.

CONSIDERATIONS

Use it or Lose it

One caution for employers is to make sure they apprise their employees that once an employee elects to set aside a certain dollar amount in a DCAP or FSA they must spend all the money on dependent care or medical expenses or lose it. It is not possible to convert the funds into after-tax monies once it has been set aside pre-tax.

Barriers to Utilization

Employees who use unlicensed childcare arrangements do not, or cannot, participate in subsidy and voucher programs. Most employers require licensing documentation information for the subsidy or voucher paperwork.

Applicability

Many employers question implementing work/life programs, such as adoption assistance, if utilization is typically very low (usually .5-1%). Above and beyond the invaluable positive internal and external PR, FAPs can improve the overall work environments. One employee's absence or distraction from doing a task due to personal concerns can affect an entire department.

Cost

Cost, of course, depends on the nature of the FAP provided. DCAPs and LTCI have little or no employer cost – usually involving only minimal administrative fees. Others, such as adoption assistance, appear to have a higher cost, however, the extremely low utilization serves to diminish the size of the investment.