Helping employees with family care

Employers are offering a variety of benefits to assist workers with family responsibilities, including child care and time off to look after aging parents

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One of the more noteworthy recent developments in employee compensation practices has been an increase in the number and types of benefits offered by employers. In the postwar period, companies have offered a fairly standard package of benefits emphasizing health and life insurance, retirement income plans, and paid leave such as vacations and sick leave. Several other common benefits such as severance pay and employee discounts have a long history, but these items are often of secondary value to the employee. In the work environment of today, however, employers are beginning to recognize another need among their labor force: the need for child care and related benefits to assist working parents.

These developments reflect several labor force trends. The increasing presence of women in the work force and the rise in the proportion of families in which both parents work outside the home have led to greater emphasis on providing family-related benefits, such as child care and parental leave. In a related development, the aging of the population and advances in medicine have led to increasing numbers of workers who must care for elderly dependents. New benefit plans are also reflecting these trends.

This article analyzes several employee benefits that have recently grown in importance at least partly as a result of these labor force developments. Data are from the Bureau of Labor Statistics' annual Employee Benefits Surveys. The most recently completed survey, for 1989, provides representative data on 32 million full-time employees of private industry establishments employing 100 workers or more.[1] Data are collected on the incidence and characteristics of a variety of employer-sponsored benefits, including health care coverage, life insurance, retirement and capital accumulation plans, disability coverage, and leave benefits, in addition to the benefits discussed in this article.[2] (See table 1.)

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Labor force developments

In the past, there was little need to include family-related benefits in a compensation package, as the spheres of work and home were kept separate. The typical American family consisted of a husband, a wife, and several children. The man was the breadwinner, while the woman remained at home and took care of the children. The structure of the American family has been changing, however, and the traditional distinctions between work and home have been blurring. In 1980, both the husband and the wife worked in 52 percent of families; by 1988, that proportion had risen to 63 percent. For these families, arrangements must be made for the care of the children during the day. Additionally, the number of single-parent households has risen 23 percent since 1980.[3] In these cases, the head of the household, usually a woman, has no choice but to work. Reliable, affordable child care becomes a necessity.

The number of women in the work force, especially those with children, is increasing steadily. In 1975, there were 13 million women with children in the labor force. By 1988, that number had risen to more than 20 million. Almost three-quarters of these women were working full time. Eight million had children under 6 years of age—too young to be in school during the day.[4] And not only are more women working, but their relative presence in the labor force is growing. In 1976, women represented 40.5 percent of the labor force. That proportion grew to 45.0 percent in 1988 and is projected to increase to 47.3 percent by 2000. Furthermore, projections indicate that women will account for two-thirds of the net increase in the labor force in the next 10 years.[5]

Child care assistance

As more women enter the labor force, and the demand for child care increases, employer-assisted child care may become an increasingly powerful incentive for jobseekers to choose one firm over another. In 1985, only 1 percent of full-time employees in medium and large establishments offered child care assistance. By 1988, that number had risen to 4 percent and in 1989, to 5 percent.

There are a variety of ways companies can provide child care assistance, each with its own advantages and disadvantages. One way is to allow employee flexibility on work schedules. In 1989, 11 percent of workers covered by the Employee Benefits Survey had the choice of flexible work schedules. These flextime plans enable the worker to vary the number of hours worked each day. Generally, employees must work a core of hours during midday and may vary the time they begin and end work. Allowing the employee to come in earlier or later than normal working hours helps many parents trying to juggle the demands of family and work.

Employers may choose to become directly involved with the provision of child care in a number of other ways. One approach involves employer oversight of the establishment and operation of a day care center for the employees' children. The availability of these centers, which can be either on the employer's premises or offsite, is thought to improve productivity and morale, reduce absenteeism, and solve problems with the accessibility and quality of care. This option is not suited to all employers, however, because of the considerable financial investment and administrative burden involved.[6]

Another approach is participation in a consortium program, in which several employers share the expenses, risks, and benefits of the operation of a day care center. The shared cost allows even small employers to participate. Drawbacks include a potentially less convenient day care site and limited space for each employer. Consortium programs appear to work best in office parks and similar environments because of the proximity of several different employers and a large pool of parents.[7]

Some employers offer programs onsite that provide day care to school-age children before and after classes. Other employers have established child care home networks; these coordinated systems of licensed family-home child care centers can be managed by the employers or an outside agency.[8] Still other employers set up resource and referral programs to provide their employees with information on child care; services can range from something as simple as providing a list of day care centers to providing assistance in evaluating and choosing the child-care provider.[9]

Employers also can choose to help their employees in strictly financial ways. Generally, these monetary solutions are more prevalent because they involve fewer administrative duties and legal liabilities. One common approach is the negotiation of vendor discounts. The company contracts with an independent day care center to provide a number of slots for the children of employees at a reduced rate. Some employers also give money directly to the employee to help purchase a slot, further subsidiz-

Table 1. **Percent of full-time employees eligible for specified benefits, medium and large private establishments, 1989**

Benefit	All employees	Professional and administrative employees	Technical and clerical employees	Production and service employees
Employer assistance for child care	5	6	6	3
Eldercare	3	4	3	2
Long-term care insurance	3	3	3	3
Flextime	11	15	16	6
Maternity leave:				
Unpaid	37	39	37	35
Paid	3	4	2	3
Paternity leave:				
Unpaid	18	20	17	17
Paid	1	2	1	1

ing child care expenses. While discount programs are less expensive and are more responsive to demand, such programs limit the employee's choice. Some parents may find the center unacceptable because of location or the type of care provided.[10]

Another form of financial assistance is the voucher program. The employer offers a cash benefit directly to employees, which is then spent on child care of the parents' choosing. Voucher programs are the least common of the financial forms of assistance because they generally involve a higher employer contribution than other methods. Consequently, employers may limit the benefit to certain income groups among the work force in an attempt to control costs and to provide the benefit to those parents with the greatest need. Voucher programs allow the parents to choose where to send their children and entail limited administrative responsibility. However, if no adequate child care facilities exist, then a voucher program may not address the problem.[11]

Table 2. **Percent of eligible full-time employees with parental leave by maximum duration of benefits, medium and large establishments, 1989**

Duration	All eligible employees	Professional and administrative employees	Technical and clerical employees	Production and service employees
Unpaid maternity leave				
Total	100	100	100	100
Under 6 weeks	2	1	1	2
6 weeks	15	12	13	18
Over 6 but under 8 weeks	([2])	–	([2])	–
8 weeks	4	5	2	5
Over 8 but under 13 weeks	9	7	9	11
13 weeks	15	18	19	11
Over 13 but under 26 weeks	19	18	19	21
26 weeks	20	19	22	19
Over 26 but under 52 weeks	5	6	6	3
52 weeks	11	13	10	10
Over 52 weeks	([2])	–	–	([2])
Unpaid paternity leave				
Total	100	100	100	100
Under 6 weeks	3	5	2	3
6 weeks	21	17	21	24
8 weeks	3	3	2	4
Over 8 but under 13 weeks	8	8	11	7
13 weeks	15	18	15	14
Over 13 but under 26 weeks	14	14	10	15
26 weeks	21	17	21	24
Over 26 but under 52 weeks	3	3	4	2
52 weeks	11	16	12	7

[1] This table includes plans providing a fixed number of unpaid days off, regardless of whether paid days off are also provided.

[2] Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals. Where applicable, dash indicates no employees in this category.

Private employers are not the only employers providing child care assistance. Governments are also working to meet their employees' child care needs. There are more than 46 Federal day care centers in agencies such as the Department of Labor, the National Institutes of Health, and the Central Intelligence Agency.[12] The armed services also provide extensive day care, with 639 centers at installations worldwide.[13] Although the Federal Government originally sponsored these programs to demonstrate responsiveness to the issue, one of its strongest motivations now is to compete effectively for qualified labor. State governments, particularly New York and Massachusetts, also are establishing child care centers. Cities and other local governments, however, sponsor few such programs due to budget constraints.[14] The 1987 Employee Benefits Survey of State and local governments found that 2 percent of government employees were offered child care assistance.

The growing problems of obtaining child care have led to calls for government action. In recent years, the Congress considered a variety of measures designed to help employees find and finance child care, including proposals for tax credits, day care voucher programs, and tax incentives for employers to play a greater role in providing child care assistance. At the present time, both the Senate and the House have passed child care legislation, but these proposals differ considerably in the type of assistance to be provided and in the cost to the taxpayer. While no consensus has yet been reached, it seems certain that the availability of quality child care will remain an issue before policymakers in the future.

Reimbursement accounts

While employer-provided child care benefits are not widespread, tax provisions do exist that offer working men and women financial assistance. Employers can now establish reimbursement accounts for dependent care. Money is taken out of the employee's paycheck on a pretax basis, thereby lowering his or her tax burden. These accounts are used to reimburse the employee for expenses associated with providing not only child care, but also health care and eldercare. The accounts may be part of an employer's flexible benefit plan, or they may be stand-alone accounts.[15] These accounts are currently the most widespread method of providing assistance with child care expenses; 23 percent of full-time workers in medium and large establishments had reimbursement accounts available to them in 1989. Of these workers, 87 percent could place money in accounts for reimbursement of dependent care expenses.

A similar financial assistance mechanism is the Dependent Care Tax Credit, which allows families to deduct between 20 and 30 percent, depending on income, of dependent care expenses, up to a maximum of $1,500 per year.[16] This tax credit is more advantageous than the reimbursement account to families with lower incomes because it does not require the parents to deposit money in advance of expenditures. Additionally, because it operates through the Federal tax system, it requires no employer involvement and thus is more accessible. Employees can take advantage of both options by depositing money into a reimbursement account and then claiming the tax credit for child care expenses incurred over and above the reimbursed amount.[17]

Parental leave

In addition to child care programs, flexible work schedules, and reimbursement accounts, employers are also offering special time-off arrangements to assist workers with parenting responsibilities. Parental leave, as defined by the Employee Benefits Survey, is time off, either paid or unpaid, for employees to care for newborn or newly adopted children. These plans are separate from other leave plans, such as sick leave, vacations, and personal leave, which may also be used for parenting purposes.

Unpaid maternity leave was available to 37 percent of full-time workers in medium and large private establishments in 1989, while unpaid paternity leave was available to 18 percent of full-time workers. Such leave is typically provided as part of a general leave of absence policy covering a variety of circumstances. For those workers with unpaid parental leave, plans allowed an average of 20 weeks off. Paid parental leave benefits were rare.[18] (See table 2.)

Care for elderly dependents

A worker's children may not be the only family members needing care. As the American population ages, an increasing number of workers are faced with the need to provide care for their parents, grandparents, or elderly spouses. Between one-quarter and one-third of a typical company's workers are providing care to an aging relative, according to a recent study.[19] For many elderly people, expensive, round-the-clock care in a nursing home is not necessary. Instead, they need assistance during the day with routine tasks such as shopping, preparing meals, and doing household chores. It is often a caregiving relative who must take time away from work to help with these tasks, resulting in increased absenteeism. Additionally, a caregiving worker must often spend time at work resolving problems of the elderly relative.

Employers are beginning to provide "eldercare" benefits in an attempt to minimize these work/home conflicts. The term "eldercare" encompasses a wide range of programs. For the Bureau's Employee Benefits Survey, eldercare is defined as time off, paid or unpaid, to care for an elderly dependent. It also includes employer-paid or subsidized adult day care. In 1989, 3 percent of workers in medium and large firms were offered eldercare assistance. Flexible work schedules can also be helpful to caregivers. Other employer programs, not studied in the survey, include reduced hours, job sharing, referral services, and support groups.[20] Employees can also establish dependent care reimbursement accounts to help with eldercare expenses. For the elderly person, eldercare can also include hospice care and community programs.[21]

Another emerging benefit is long-term care insurance. This insurance pays for part or all of the costs of long-term custodial care, either at home or in a nursing facility. This kind of care is needed by people who do not require medical attention; instead, they need help with day-to-day tasks. In the past, when someone needed long-term care, that person might have relied on an extended family to help out. But with changes in economic patterns, particularly greater labor force participation of women, someone requiring long-term care must look to a formal provider.[22] However, health care plans cover only medically necessary convalescent care, not custodial care.[23]

In 1989, 3 percent of employees in the survey were offered the opportunity to purchase long-term care insurance through the employer. Most employers allow the worker to purchase coverage for the employee's spouse and parents in addition to self-coverage. Currently, employer contributions for long-term care insurance are taxable as income to the employee, but it is unclear whether the benefits received from this insurance can be taxed.[24] However, Congress is now considering a variety of measures, including tax preferences to encourage more private plans, an expansion of medicare coverage for long-term care, and the implementation of a government-sponsored long-term care program.

The distinction between work and home has been blurring.

The American family has evolved from a male-supported group to one in which both parents often work. Added to the responsibility of caring for the children is the need to care for elderly dependents. In response, innovative and flexible benefits have evolved to meet these family needs. In the future, workers will continue to be offered an increasingly responsive range of benefits as these demographic changes continue to reshape America's labor force. □

Footnotes

[1] Data on employer-sponsored benefits in medium and large firms are available in *Employee Benefits in Medium and Large Firms, 1989*, Bulletin 2363 (Bureau of Labor Statistics, 1990). Data on government employees are available in *Employee Benefits in State and Local Government, 1987*, Bulletin 2309 (Bureau of Labor Statistics, 1988).

[2] Capital accumulation plans are defined contribution plans, such as savings and thrift plans, profit-sharing plans, and stock plans, that allow the employee to withdraw money prior to retirement, death, disability, separation from service, or hardship.

[3] Data on family and household characteristics can be found in the Bureau of Census' "Household and Family Characteristics," published periodically by the U.S. Department of Commerce as part of its *Current Population Reports* series.

[4] *Handbook of Labor Statistics*, Bulletin 2340 (Bureau of Labor Statistics, 1989), p. 241.

[5] For data on work force characteristics and projections, see Howard N Fullerton, Jr., "New labor force projections, spanning 1988 to 2000," *Monthly Labor Review*, November 1989, pp. 3–12.

[6] Stephen A. Huth, "Corporations Provide Variety of Child Care Options," *Employee Benefit Plan Review*, September 1989, p. 48.

[7] *Ibid.*, p. 48.

[8] *Ibid.*, p. 48.

[9] Howard V. Hayghe discusses a variety of child care assistance methods and provides data on the incidence of employer-sponsored child care assistance by type, industry, and size in "Employers and child care: what roles do they play?" *Monthly Labor Review*, September 1988, pp.38–44.

[10] Dana E. Freidman, "Corporate Financial Assistance for Child Care," in Fairlee E. Winfield, ed., *Work and Family Sourcebook* (New York, Panel Publishers, 1988), pp. 73–80.

[11] *Ibid.*, pp. 73–80.

[12] U.S. Congress, House Committee on Government Operations, Government Activities and Transportation Subcommittee, "Child Care in Federal Buildings: GSA Oversight," *Hearings*, 101st Cong., 1st Sess. (Washington, U.S. Government Printing Office, 1989).

[13] U.S. Congress, House Committee on Armed Services, Military Personnel and Compensation Subcommittee, "Child Care Programs," *Hearings*, 100th Cong., 2d Sess. (Washington, U.S. Government Printing Office, 1989).

[14] Friedman, pp. 73–80.

[15] While the tax savings provide an incentive for employees to save, Internal Revenue Service forfeiture regulations may discourage some parents from saving. The regulations require that money left in the account at the end of the year revert back to the employer. For more information on flexible benefit plans and reimbursement accounts, see Joseph R. Meisenheimer II and William J. Wiatrowski, "Flexible benefits plans: employees who have a choice," *Monthly Labor Review*, December 1989, pp. 17–23.

[16] Internal Revenue Code, Sec. 21. For details, see Alfred J. Kahn and Sheila B. Kamerman. *Child Care: Facing the Hard Choices* (Dover, MA, Auburn House Publishing Co., 1988), p. 174.

[17] John Bassett Place, "How Employers Are Responding to Child-Care Needs," *Work and Family Sourcebook*, p. 174.

[18] For more discussion of parental leave, see Joseph R. Meisenheimer II, "Employer provisions for parental leave," *Monthly Labor Review*, October 1989, pp. 20–24.

[19] Dana E. Friedman and Wendy B. Gray, "A Life Cycle Approach to Family Benefits and Policies," in *Perspectives*, No. 19 (The Conference Board, Inc., 1989), p. 15.

[20] Referral services may also be available through an Employee Assistance Program. These programs provide a variety of counseling and referral services for family, emotional, substance abuse, and other problems. In 1989, the Employee Benefits Survey found that 49 percent of full-time employees were offered such assistance.

[21] Janice L. Gibeau and others, "Breadwinners, Caregivers, and Employers: New Alliances in an Aging America," *Work and Family Sourcebook*, pp. 261–66.

[22] Fran Hawthorne, "Here comes long-term care," *Institutional Investor*, March 1989, pp. 113–19.

[23] Data on the types of services covered in health care plans are detailed in the Bureau's *Employee Benefits Survey* bulletins.

[24] Hawthorne, p. 113.