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Work/Life Benefits

Employers Face Backlash From Childless

Work/life (W/L) benefits are a relatively new phenomenon – and they are still evolving. They were originally intended to help employees with children balance work and home responsibilities. But now, with the increasing adoption of W/L benefits and family-friendly policies, some employees *without* dependents may be adopting a mindset akin to "us vs. the boss" or "us vs. co-workers with children."

Many employers offer a variety of benefits that assist employees who are parents. (See ¶580 of the *Handbook.*) For example, an increasing number of employers provide on-site child care centers. (See ¶582.) (See box.)

With the increasing adoption of W/L benefits and family-friendly policies, some employees without dependents may be adopting a new mindset.

The Flip Side

W/L benefits may not be a panacea, according to Peter Esteve of Abbott Laboratories and the American Collaboration for Quality Dependent Care (ACQDC). "We keep creating a greater and greater divide between the 'haves' and the 'have-nots,' he told attendees at the 2000 conference "Bringing Business to the Table: Involving Business in Systemic Child Care Solutions" held in Pasadena, Calif. "Are we improving the lives of the children whose parents work for the companies we [the ACQDC] represent? Probably. Has it trickled down to everyone else? I don't know."

Too much of a good thing — that seems to be the way Thomas F. Coleman, executive director of the group Unmarried America, views the spread of W/L benefits. Says Coleman, "Many employers, especially large companies, went overboard in creating and implementing 'family friendly' programs in the late 1980s and during the 1990s" and overlooked "significant problems."

One of those problems may be that many employees do not have dependents. Coleman says approximately 40 percent of the U.S. workforce is not married and around 35 percent have children younger than age 18. The Jim Harris Group, an organization that conducts research and provides advice to businesses on best practices, reports that there are 83 million workers without children under age 18.

What is the result of offering benefits that seem to favor one group over another? Resentment, say some. The Federal Reserve Bank of Boston in its 2000 report, "Childcare on Board: The Growth of Work-site Daycare" said "Potential resentment may also arise from childless employees — or those who prefer other childcare arrangements — to the subsidization of a childcare center at all." The bank is on to something, according to Coleman. He says that benefits programs that favor employees with children "contribute to anger and resentment."

So how common is backlash among nonparents? Coleman says his group has received

A Sampling of Employers Offering On-site Child Care

According to the Federal Reserve Bank of Boston, approximately 200 U.S. employers offered on-site child care in 1982; 20 years later 40 times as many do. Among them:

- Lancaster Laboratories, based in Lancaster, Penn., established an on-site child care center in the late 1980s.
- Northern Trust Company, a Chicago-based banking and financial services company with 9,500 employees did so in the early 1990s.
- Morristown, N.J.-based AlliedSignal, which manufactures aerospace, automotive, and machinery materials, followed suit in 1995.
- Burlington Northern and Sante Fe Railway Co. opened one at its Fort Worth, Texas site in 1999.

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"many complaints" from unmarried employees, especially those without children.

The Jim Harris Group says that an increasing number of childless employees complain that W/L initiatives are unfair, since they can cause those without children to do more work on weekends, off-hours, and holidays than co-workers with families.

Alliance for Work-Life Progress (AWLP) Executive Director Stephanie Trapp isn't so sure the problem is a big one, however. "I think that undercurrent exists, but I believe it's exploited by the media and some groups." The data she has seen "does not suggest that it's widespread." For good measure, Trapp has found it to be "rare [for an employer] to not offer other options for non-parents."

AWLP Executive Director Stephanie Trapp admits W/L backlash exists, but questions the notion that it is widespread.

Trapp's view echoes a 1996 Gallup poll showing that 60 percent of employers would be willing to contribute a portion of their income to on-site child care and 54 percent of childless employees would do so.

A Matter of Equity?

Many employees and employers want to provide broader equity in the work place. "We should remember that benefits cost money, and giving benefits which only some employees can use (without a corresponding benefit for the others) is going to create imbalance in employee compensation," says Coleman.

Coleman and Trapp agree, after a fashion, that the issue of equality is central to the debate. Coleman says "If the overall benefits program gives $6,000 worth of benefits per year to some workers, while others who are doing the same job and in the same pay scale are only receiving $3,000 per year in benefits, the principle of 'equal pay for equal work' has been violated," which he thinks can cause envy and resentment. However, while Coleman claims W/L benefits bring inequity, Trapp does not necessarily think so and suggests that equity does not mean "everything must be equal all the time."

Indeed, it may not be legitimate to argue that it is discriminatory to provide W/L benefits that are of greater assistance to some employees than others, suggests *Handbook* Contributing Editor David Fuller. "That's a dangerous road to go down," said Fuller, noting that one could argue against foes of "family-friendly" benefits: Rather than having more disposable income due to higher compensation, employees with dependents have *less* disposable income since their expenses are higher.

Further, Fuller says if one argues that it is discriminatory to provide benefits that assist employees with children, one could also argue that many employers provide greater compensation to elderly employees, since in general their health care needs are greater than those of other employees and they are therefore more likely to take full advantage of health care benefits than other employees.

Janine Cook, like Fuller a partner at McDermott, Will & Emery's Washington, D.C. office, points out that there are many benefits employers provide that are governed by statute and/or regulation that benefit specific groups but not all employees, e.g., retiree benefits and relocation assistance. In addition, not all de minimis benefits are provided to all employees.

The Families and Work Institute (FWI) goes even farther in disputing the alleged inequity of providing W/L benefits to employees with children. In "The National Study of the Changing Workforce," a study FWI conducted in 2002, FWI found that women were more likely to assume primary responsibility for family care than men, and that women's average annual earnings were much less than that of men: $36,716 and $52,908, respectively. In addition, FWI reports that employees who have greater responsibility for the care of their children earned less — regardless of gender.

Backlash: What of it?

Despite backlash, proponents of benefits targeted toward employees with dependents argue that offering them is good for morale,

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retention and profits. And Visiting Associate Professor at the Temple University School of Law Rachel Arnow-Richman warned that a government mandate that employers must provide accommodations for employees with children could backfire and that backlash among other employees could limit the effectiveness of those benefits.

Retention: an important gauge

One measure of the effects of offering a benefit is how it influences an employer's ability to retain employees. An employer must ask if the benefit enhances retention or drives more employees away than it encourages to stay.

> *Considering how many, and which, employees are retained is useful in evaluating the effects of offering W/L benefits.*

Are W/L benefits a retention enhancer? Trapp thinks so, and a variety of reports back her up. (See box.)

Some have been explicit in saying that W/L benefits are good for business. "Why are employers doing this? Clearly it is a matter of enlightened self-interest. Businesses adopt these programs because they are have a positive impact on employee retention, productivity and morale," Mary Ellen Gorlick of the Association of Work/Life Professionals (the previous name for the AWLP) said at the 2000 Pasadena conference.

Employers are under the gun to offer W/L benefits, concluded a small group discussion at that conference. "Peer pressure has motivated many businesses to establish work/life policies to keep up with their competitors and to attract and retain employees. The '100 Best' lists and 'Best Places to Work' lists have had tremendous impact on business leaders who see the list and say, 'We need to be on that list.'"

Despite these statistics, Coleman sees the reverse happening:

"Imbalances in benefits programs or other workplace policies, which favor married workers and workers with children and disadvantage unmarried employees and those without kids, ultimately will harm an employer. Employee

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W/L Benefits and Increased Retention

- As early as 1987, a study of the 1,200-employee Union Bank operations center in Monterey, Calif. found a 2.2 percent turnover rate among employees who used the center's on-site day care center and a 9.5 percent rate among other employees with children who used other day care sources.
- Simmons College found in its 1997 study, "Benefits of Work-Site Child Care" almost all respondents — 93 percent — said work-site child care was an important factor in considering a job change. Forty-two percent of parents told Simmons College researchers that child care was an important factor in deciding to work for their current employer.
- The U.S. Treasury Department reported such a result in "Investing in Child Care: Challenges Facing Working Parents and the Private Sector Response," a 1998 study. The report said that employers such as Johnson & Johnson, First Tennessee Bank, and Lancaster Laboratories reduced employee turnover by offering W/L benefits that helped employees with children (see *Current Developments*, January 2002, p. 8).
- Bright Horizons, an organization that helps employers design benefits packages, in 2002 found that 85 percent of employees said if their employer offered on-site child care it would affect whether they stayed with their employer and 31 percent said they considered leaving their employers due to child care issues.
- Ohio State University (OSU) in its 2003 study of the faculty work environment and W/L quality found a correlation between faculty members' ability to integrate work and personal life and the intention to stay at OSU.
- Baylor University in its 2003 survey of work environment and work/life said that ability to balance work and family was a critical factor in retention of faculty members.
- In an August 2003 survey by *Human Resource Executive* magazine and ERC Dataplus, 87 percent of employers said that W/L benefits were somewhat or very important in retaining employees (48 and 39 percent responded that they were somewhat or very important, respectively).

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morale is affected. Retention is hindered. Bad morale and lack of retention of good employees will ultimately have a negative effect on the bottom line — profits."

But who is retained?

The number of employees who stay or go because an employer offers W/L benefits are only part of the story — and perhaps not the most important thing to consider when looking at retention. More important is the question of *who* stays.

It is possible that because an employer offers W/L benefits, many employees may leave but the best employees stay; it is also possible that many employees may remain but the best employees leave. In either case, the raw figures are not as relevant as the matter of who stayed.

Work/life backlash may not be inevitable.

OSU's study suggests there may not be a distinction. It found that faculty members who were highly productive and those who were not had similar W/L profiles and concerns. In other words, some who do not benefit from W/L arrangements could nonetheless be productive while others who do benefit under W/L may not be so productive. OSU concludes that this means that in practice enabling employees to achieve W/L integration does not necessarily mean those employees will be very productive; it also means that employees who achieve greater W/L intergration will not automatically be productive. At OSU at least, the implementation of W/L benefits has had little net effect on the loss or retention of the best faculty members.

Jim Harris' group does not have any information on who an employer may lose or retain when it implements W/L benefits; he attributes that to his finding that employers that successfully implement W/L benefits usually do so only as part of a larger retention program. Unmarried America does not have information on who is retained or lost, either, according to Coleman.

What to Do?

Is a backlash inevitable? OSU's study indicates it may not be. Since OSU found retention did not seem to be affected by whether or not faculty members took advantage of W/L benefits, its study suggests that an employer that institutes W/L benefits may not necessarily sow the seeds of backlash among those who do not use them — or if it does, that backlash may not have too extensive an effect on that employer.

Intel's experience also suggests backlash is not necessarily automatic, but from a different standpoint. Smith says that Intel had no such result because "We take a broad, holistic view of W/L effectiveness and make as many pieces [of W/L benefits] available to as many employees as possible. Intel's W/L philosophy supports employees at all stages of their career and life," such as employees with children and those with eldercare responsibilities.

That's the kind of approach Susan Seitel, president of Work & Family Connection, Inc., advocates. "[Employers] must send the message that each of us is a whole human being with important personal responsibilities. We might want to attend school part-time, volunteer in the community, sing in the church choir, etc. Somewhere between a third and half of us will be raising children at any given time, and about a fourth of us will be responsible for older adults." An employer should respect these responsibilities and commitments and do whatever it can to support employees in addressing them — and then, of course, actually do so, she said.

Surprisingly, Coleman and Trapp take a similar tack. Coleman: "It is in the employer's best interest to create and implement workplace policies and programs which are fair to everyone, whether they are married or not, whether they have children or not, whether they have a domestic partner or extended family or are solo singles who live alone." And AWLP's Trapp recently told *Handbook* editors that employers should consider the impact on their company as a whole when they are deciding whether to offer W/L benefits.

To head off backlash, Coleman says some employers replace work-family programs with

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work-life programs, in recognition that all employees have a life outside of work, regardless of marital status or family configuration. "[Employers that] want to go the extra mile in terms of fairness create and implement cafeteria style benefits plans and then give each worker the same credits to be used on various benefits. One employee may want to use all his or her credits on a preferred health plan for spouse and kids, while another might choose an HMO plan and use the leftover credits to be applied toward a retirement plan, while another might get health benefits on her husband's plan with another employer and so she uses all her credits on child care."

The context in which employers provide help to employees with dependents is particularly important.

Seitel thinks employers should effectively communicate what they are offering and why — and that if they don't, they are to blame for any backlash that may result. "I think backlash is always going to be a problem if companies single out employees with dependents, particularly children, as needing special help (which of course they do) and give them that help without creating a context for it. It is only human to look around to see if someone is getting something we're not getting, particularly if, as may be the case with parents, it means we perceive ourselves as doing more work or getting less money because of it. That's why the context in which the help is presented is particularly important."

"I would say that in the grand scheme of things, lack of trust is currently the *most* important issue to be addressed by employers. Backlash is just another symptom of that lack, and the answer is probably simple respect for the individual, training for managers to help them see that, and honest communication with all employees," Seitel added.

Will business take care of the matter by itself? ACQDC's Peter Esteve isn't sure. At the Pasadena conference he expressed doubt that private sector employers were doing an adequate job of making sure W/L benefits reached as broad a portion of the employee spectrum as possible. But Temple University's Arnow-Richman warns that private employers should find a way to do it, because in her view federal government involvement may be a worse alternative. A law requiring employers to provide work-family accommodations could exacerbate negative reactions to W/L benefits, according to Arnow-Richman. "Such efforts are likely to encourage backlash in the workplace." ◆

Reporting and Recordkeeping

New Medicare Law Eases Information Reporting Requirements

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, enacted on Dec. 8, has relaxed information reporting requirements for use of electronic cards to pay for health care through flexible spending accounts (FSAs) and health reimbursement arrangements (HRAs). The information reporting provision is effective for payments made after Dec. 31, 2002. (See related story on page 1; also see *Current Developments*, December 2003, p. 5. See ¶601 and ¶380 of the *Handbook* for more on FSAs and HRAs, respectively.)

Rev. Rul. 2003-43, issued on May 6, said that credit or debit cards could be used to reimburse employees for eligible medical expenses under qualifying health care reimbursement arrangements (see *Current Developments*, June 2003, p. 1 and Appendix C). Rev. Rul. 2003-43 said employers must report payments made to medical service providers through the use of such cards on Form 1099-MISC. The guidance said employers must report payments of $600 or more made to any single medical service provider. It did allow some exceptions, however, as in the case of

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