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The rising child population, the changing demographics of the American family, and the increasing participation of mothers in the labor force have led policymakers to call child care “the employee benefit of the 1990s.”
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Child Care Programs and Developments

By 1990, a projected 10.4 million children under age six will have working mothers—many needing child care services. Few employers, however, have embraced child care programs as an employee benefit. The costs and potential liabilities associated with *on-site* day care are concerns to employers. Another concern is that utilization rates of child care programs among an employer's work force appear to be low, ranging from 4 to 10 percent of employees at any given time.

The changing composition of the American family and work force, however, suggests that child care may become the “employee benefit of the 1990s.” Nearly 60 percent of married mothers with children age five or younger are now in the labor force, compared to 37 percent in 1970. The rise in rates of separation, divorce, and single parenthood has resulted in a steady growth of single-headed households. More than six million families with children were maintained by the mother alone in 1984, and they accounted for one-fifth of all families with children. In 1970, there were fewer than half as many such families, and they constituted only one-tenth of the families with children. If these trends continue, the number of young children reared by two employed parents or by a single employed parent will increase, while the number living with two parents—only one of whom is in the labor force—could actually decline. These demographic changes could have major implications for the provision of child care.

Among the relatively few employers who maintain child care programs, the advantages include a decrease in the rate of employee turnover and absenteeism, heightened morale and motivation in the work place, and the increased ability to attract employees.

As with other employee benefits, however, public policymakers are scrutinizing the favorable tax treatment of employer-sponsored child care. The 1986 budget projects federal revenue losses from the exclusion of employer-provided child care at \$20 million for 1986. Several congressional tax reform proposals would repeal this exclusion.

◆ Introduction

Private-sector provisions for child care in the United States originated during the Civil War and were reestablished in World War I, when nurseries were set up to enable women to work in hospitals and war-related industries. During World War II, approximately 4,000 federally funded child care pro-

participation of women with children in the work force, child care is emerging as a valuable employee benefit offered by a relatively small, but growing, number of employers.

This *Issue Brief* discusses the changing demographics of the family and the work force, the range of employer-provided child care services, and legislative and public policy developments that could affect child care and related benefits.

◆ The Changing Composition of the American Family

The traditional married-couple, one-earner (husband) family is rapidly changing. Several factors have contributed to this change. Increasing rates of separation, divorce, and single parenthood have doubled the number of single-headed households since 1970. According to data compiled by the House Select Committee on Children, Youth, and Families, the population of children under age ten living in single-parent households is expected to rise 48 percent—from 6 million to 8.9 million—between 1980 and 1990. This increase means that nearly one in four children under age ten will live in a single-parent household at the end of this decade.

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As a result of the rising population of children under six, the changing composition of the family, and the increasing participation of women with children in the work force, child care is emerging as a valuable employee benefit offered by a relatively small, but growing, number of employers.
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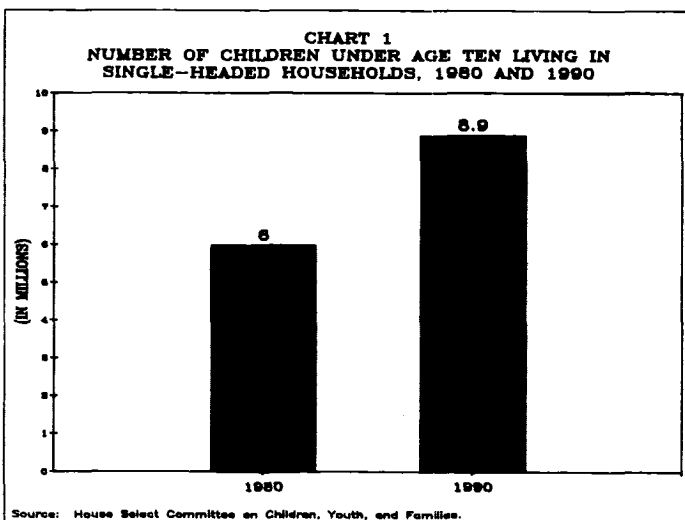
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grams were established under the Lanham Act of 1942. This legislation allowed mothers the opportunity to help in the war effort. However, most of these child care centers were terminated at the end of the war.

Interest in employer-sponsored child care centers was displayed in the mid-1960s and early 1970s when several U.S. businesses established on-site day care centers. Most of these, however, closed due to management problems and insufficient use by employees. Today there is renewed interest in child care on the part of government and private employers. As a result of the rising population of children under age six, the changing composition of the family, and the increasing

Perhaps most significant to the changing demographics of the American household is the growth of women in the work force. In 1970, women comprised 38 percent of the labor force. Today, they comprise just under 44 percent. By 1990, the Department of Labor (DOL) estimates that 66 percent of new entrants into the labor force will be women, and by the year 2000, women will be participating in the labor force in the same percentage as men.

The most dramatic increase in female labor force participation has been among women with children. According to DOL, nearly 60 percent of married mothers with children five years old were in the work force in 1984.¹ Current esti-



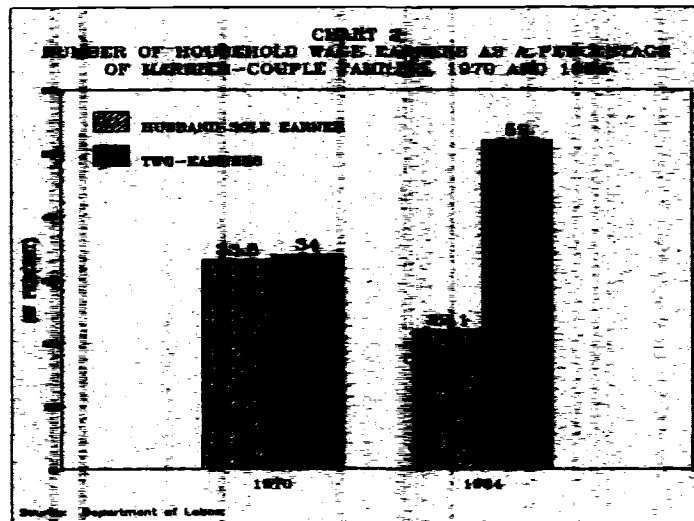
¹ Howard Hayge, "Working Mothers Reach Record Number in 1984," *Monthly Labor Review* (December 1984): 31.

mates show that 80 percent of women in the work force are child-bearing age and that 93 percent will become pregnant at some time during their careers.² By 1990, a projected 10.4 million children under age six will have working mothers.³

More and more families are relying on women's earned incomes. DOL estimated that in 1984, the husband was the sole earner in only 22.1 percent of married-couple families, down from 33.3 percent in 1970. At the same time, the number of husband and wife two-earner couples has grown from 34 percent of all married-couple families in 1970 to 52 percent in 1984.⁴

The convergence of these demographic factors has significant implications for the provision of child care.

Since the need for child care in all the above groups is growing, employers providing child care benefits may have an advantage in attracting young professionals.



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◆ Child Care Arrangements

Child care is usually provided through one of these options: (1) in-home care—where someone other than the parent comes into the child's home for care; (2) family care—where a child is cared for in the home of another adult; or (3) child

² U.S., Congress, House, Select Committee on Children, Youth, and Families, *Families and Child Care: Improving the Options*, Committee Print, 98th Cong., 2nd Sess., 1984, p. v.

³ Dana E. Friedman, "Employer-Supported Child Care: How Does It Answer The Needs and Expectations of Workers?" *Vital Issues*, vol. XXXII, no. 10 (The Center for Information on America, 1983): 2.

⁴ U.S., Department of Labor, Bureau of Labor Statistics, *Labor Force Statistics Derived from the Current Population Survey: A Databook Volume 1, Bulletin 2096*, (Washington, DC: U.S. Government Printing Office, September 1982), p. 722, and Hayge, *Monthly Labor Review*, p. 33.

care centers—where the child attends a group care facility with other children. Child care provided in the parents' home or in another adult's home is the most prevalent type of child care arrangement. According to a 1982 Census Bureau study of working mothers, nearly 80 percent of employed mothers surveyed used in-home child care or family care for their youngest child under age five. Child care centers were used by only 20 percent of the mothers.⁵ Waiting lists for child care centers are common, and care for disabled or ill children is inadequate.

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BankAmerica Foundation recently introduced the California Child Care Initiative, the largest commitment ever undertaken by the private sector to address child care needs state-wide. In the San Francisco Bay Area, according to BankAmerica, licensed child care centers and family day care homes in the Bay Area are sufficient to reach only 60 percent of the children up to age nine who need care while their parents work.

⁵ U.S., Department of Commerce, Bureau of the Census, *Current Population Reports, Child Care Arrangements of Working Mothers: June 1982*, series P-23, no. 129, (Washington, DC: U.S. Government Printing Office, 1983), p. 5.

BankAmerica, along with Chevron USA Inc., the Clorox Company Foundation, Mervyn's, McKesson, and Pacific Gas and Electric Company have contributed \$375,000 to the program, which is designed to recruit and train new child care providers. They hope to collect \$700,000 from other sources.

Relatives play an important role as child care providers in noninstitutional care arrangements. In the same study, 29 percent of total child care for the youngest preschool-age child was provided by relatives. Relative care accounted for 40 percent of child care arrangements used by single women and 27 percent used by married women.⁶



Employer-supported child care has grown rapidly in the United States—tripling since 1982. Nevertheless, only 1,800 out of six million employers offer some type of child care service, ranging from company-owned and operated day care centers to indirect services, such as information and referral services, financial assistance programs and contributions to local child care programs.



In-home child care is unregulated and generally unlicensed, whereas child care centers are regulated by state and local laws. Regulations vary from state to state, but often cover health and safety standards, cooking facilities, admissions procedures, nutritional requirements, and building space.

◆ Child Care and the Employer

Employer-supported child care has grown rapidly in the United States—tripling since 1982. Nevertheless, only 1,800 out of six million employers offer some type of child care service, ranging from company-owned and operated day care centers to indirect services, such as information and referral services, financial assistance programs, and contributions to local child care programs. The Work and Family Information Center of the Conference Board (a nonprofit, New York-based research organization) reports the following breakdown of services (see table 1).

In addition, the Conference Board estimates that between 500 and 1,000 companies offer parent education seminars;

⁶ Ibid, p. 9.

Table 1

Types of Assistance	Number of Companies
On-site or near-site child care centers	
Corporate	120
Hospitals	400
Public agencies	30
Family day care support	30
After-school child care	50
Sick child care initiatives	20
Information and referral	300
Financial assistance	
Vouchers	25
Discounts	300
Flexible spending accounts/ salary reduction	500

and between 500 and 1,000 make corporate contributions to community child care services.



Relatives play an important role as child care providers in noninstitutional care arrangements.



There are many possible reasons why more employers do not offer child care services. Some employers may be unaware of the growing need for, and the available options in, child care. The potential liabilities and administrative burdens involved in offering *on-site* child care may be a disincentive. On-site centers seem to be the exception rather than the rule, except among hospitals, where on-site child care has been widely embraced. In the hospital industry—where the need to retain skilled nursing personnel with irregular work schedules and where support services of the institution are readily available—on-site child care has become a popular employee benefit.

Employers also might be reluctant to offer child care services because utilization appears to be low. One estimate suggests

that in the average work force of a large company, less than 10 percent of employees will be able to use a child care program at any given time.⁷ Other data report utilization rates of lower than 4 percent.⁸

Moreover, among those employees who have the need for child care services, demand for employer-sponsored programs is low. One reason for this under-utilization may be that employers commonly require that licensed care be purchased under the plan. Day care, other than group child care centers,



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as noted before, is generally unlicensed. Parents seem to dislike, all else being equal, institutional day care. At the same time, employers understandably fear liability for substandard care that might occur under unlicensed providers.

The advantages of child care benefits to the employer, however, may be substantial. Surveys measuring the benefits of child care programs reach similar conclusions. Employers cite as positive effects of child care benefits a decreased rate of employee turnover and absenteeism, heightened morale and motivation in the work place, and the increased ability to attract employees.⁹

⁷ Peter L. Hutchings, "Managing Salary Reduction Dependent Care Benefits," *Benefits News Analysis* 6, no. 9 (October 1984): 24.

⁸ Bureau of National Affairs, *Employers and Child Care: Development of a New Employee Benefit* (Washington, DC: BNA Inc., 1983) p. 8.

⁹ Ibid, pp. 6, 7.

Employer-Supported Child Care Centers

Employer-sponsored centers can be administered by the company or an outside service. Centers are not always located at the work site, and admission can be limited to include only employees' children (if the child care center is nonprofit).

Some firms support community child care programs. When the employer chooses to finance community day care centers rather than create an on-site child care service for employees, the employees of the participating company may receive preferential admission, reduced rates or a reserved space in the day care center in exchange for the employer's financial support to the center. In this way, the employer avoids the administrative and legal responsibilities but still offers support services.

Information and Referral Services

Information and referral services can help parents obtain information on child care and, in many cases, refer them to the most appropriate form of child care in their community. Most companies contract with an existing referral agency in the community; others have an in-house hotline capacity. A growing number of employers sponsor educational seminars on parenting issues. These forms of assistance help the employer estimate the potential demand for child care services before investing in other forms of child care support.



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Flexible Personnel Policies

Flexible personnel policies often reduce the need for extensive child care. Some examples of the options available to employees are flextime (flexible work schedules), job sharing, part-time work, work at home, and flexible leave policies. From 1965 to 1983, the number of women in part-time jobs rose faster than those in full-time jobs. The number of part-time employed women increased 87 percent, and the number of full-time employed women increased 64 percent.¹⁰

¹⁰ American Council of Life Insurance, *Women and Money, DataTrack 13* (September 1984), p. 26.

Flexible Benefit Plans

Flexible benefit, or “cafeteria” plans, are another way for employers to offer child care assistance. Flexible benefit plans allow employees to choose among a variety of benefit options paid for by employer contributions. Employers can include child care (and care for elderly parents and handicapped dependents) in a cafeteria plan if they offer a qualified Dependent Care Assistance Plan (DCAP). When child care is offered in a cafeteria plan, employees may, for example, elect child care benefits in lieu of other benefits of equal value. By allowing choice among different benefits, cafeteria plans allow employees flexibility to meet household needs and avoid duplicate benefit coverage.

Flexible Spending Accounts

Flexible spending accounts, also known as reimbursement accounts, are a way of funding child care and other benefits, often within a cafeteria plan. These accounts, in turn, may be funded by salary reduction, employer dollars or both. Under a salary reduction arrangement, the employee contributes a portion of pretax (gross) salary to his or her flexible spending account to help fund the benefit, in this case, child care. The employee pays no federal income tax on the contribution.

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A flexible spending account must meet Internal Revenue Service (IRS) requirements if plan benefits are to be nontaxable to the employee. If the account is funded through a salary reduction arrangement, the employee must decide how much money to put into the account before the beginning of the year. According to IRS regulations, the employee would be required to “use or lose” these funds. This means that if any money remains in the account at year’s end, the remaining dollars would be forfeited to the employer, unless there is a change in employment or family status.

Flexible spending accounts and flexible benefit plans are becoming increasingly popular as a means to provide child care benefits. Those employees want to take advantage of employer-assisted child care may do so; other employees may select different benefits instead.

◆ The Federal Role

Federal support for child care is provided through a variety of programs. The dependent care income tax credit is the largest segment of federal support. The Joint Tax Committee estimates that \$1.8 billion in dependent care credits were claimed in 1984. The largest direct federal spending for child care is provided through the Human Services Block Grant (HSBG)—formerly referred to as Title XX of the Social Security Act—which provides social services, including child care, to low-income families. No funds are earmarked for child care services; the states determine the specific allocation of funds. Among the variety of services provided under the HSBG, child care is the only service that does not have

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an alternative funding source. Limited federal funds for extremely low-income families are provided through programs such as Head Start, the Child Care Food Program, Job Training Partnership Act, and Aid to Families with Dependent Children (AFDC).

As an employer, the government provides subsidized day care to employees of some agencies. In February 1984, the U.S. Senate opened a nonprofit child care facility for its employees. Start-up funds were appropriated by the Senate, and tuitions are based on a sliding scale depending on parental income. The House of Representatives is presently considering a measure (H.Res.21) that would establish an on-site child care center for the children of its employees. The military also provides day care services. The U.S. Air Force, for example, provides a wide range of services to 24,000 children (age six weeks to ten years) seven days a week.¹¹

◆ Current Tax Treatment

Individual Income Tax Credit

A federal income tax credit is available for qualified child care expenses to families with children under age fifteen

¹¹ U.S., Congress, House, *Families and Child Care*, pp. 49–50.

when both spouses work full-time or when one spouse works part-time or is a student.¹² The amount of qualified expenses eligible for the credit is subject to both a dollar limit and an earned income credit.

Qualified expenses are limited to \$2,400 for one child and \$4,800 for two or more children, but generally cannot exceed the earned income of the individual, if single, or, for married couples, the earned income of the spouse with the lower earnings. A credit equal to 30 percent of eligible expenses is available to individuals with adjusted gross incomes of \$10,000 or less, with the credit reduced by one percentage



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point for each \$2,000 of income between \$10,000 and \$28,000. For individuals with adjusted gross incomes above \$28,000, the credit is limited to 20 percent of qualified expenses.

The federal tax credit has become the largest source of child care support. Reports indicate, however, that the credit may not benefit those with very low incomes. Estimates show that in 1981, only 7 percent of the 4.6 million families claiming the dependent care tax credit had incomes below \$10,000.¹³ The fiscal year 1986 federal budget proposes to increase the tax credit to 40 percent of qualifying expenses for individuals with adjusted gross incomes of \$10,000 or less. The credit

¹² A credit is also allowed for other "qualifying individuals," which include a dependent of the individual who is physically or mentally incapable of taking care of himself or herself, or a spouse of the individual if the spouse is physically or mentally incapable of taking care of himself or herself. Expenses must be employment-related; they must be incurred to enable the taxpayer to work and must be for the care of qualifying individuals. Expenses may include household services to the extent that such services are performed for the qualifying child or dependent.

¹³ U.S., Congress, House, *Families and Child Care*, p. 83.

would be reduced on a sliding scale for persons above that level and eventually eliminated for those with adjusted gross incomes of \$60,000 or more.

Employer-Provided Child Care

Child care benefits under a qualified Dependent Care Assistance Program maintained by an employer may be excluded from the employee's taxable income if the program meets certain eligibility requirements under section 129 of the Internal Revenue Code. Child care became a nontaxable employee benefit in January 1982 as a result of the 1981 Economic Recovery Tax Act (ERTA).

Deductible amounts are limited to those, which, if paid for by the employee, would be expenses eligible for the federal tax credit. The program provided by the employer must be available to all employees and cannot discriminate in favor of highly compensated employees. Dependent care benefits provided by the employer are not eligible for the individual income tax credit for child care.

◆ Tax Reform Proposals

Along with other employee benefits, child care has come under scrutiny by government policymakers. President Reagan's fiscal year 1986 budget projects the revenue loss attributable to the favorable tax treatment of employer-provided child care at \$20 million for 1986 and \$2.5 billion for the child care tax credit.



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Many of the congressional tax reform proposals repeal the current exclusion of employer-provided child care benefits from income, and some eliminate the child care tax credit (Bradley-Gephardt changes the credit to a deduction). President Reagan's tax reform proposal, released May 29, would convert the child care tax credit to a deduction from gross income with the same caps as the current credit. The proposal estimates that approximately 5 million, or 65.5 percent of all families, would claim deductions for dependent care expenses. Roughly 61 percent of the deductions would be claimed by families with incomes under \$50,000, according to the proposal.

Converting the child care tax credit to a deduction retains the fundamental benefit but changes its income distribution. A credit is more advantageous to lower-income taxpayers than a deduction because lower-income taxpayers are less likely to itemize deductions. The president's proposal suggests that tax relief for low-income taxpayers is provided best through adjustments in tax rates or in the threshold level of income for the imposition of tax.

The Reagan proposal does not, however, repeal the exclusion for employer-provided child care, as the Treasury Department recommended in November 1984.

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◆ Parental Leave Policies

Maternity Leave

A separate benefit from child care, but one related to it, is maternity leave. Under the Pregnancy Discrimination Act of 1978 (PDA), which amended Title VII of the 1964 Civil Rights Act, employer short-term disability plans must treat disability due to pregnancy and childbirth in the same way as any other disability. Employers must, therefore, offer short-term disability benefits for maternity leave if they provide a short-term disability plan to their employees.

Federal law, however, does not require employers to provide disability plans. If the employer does not offer such a plan, then the employer is not required to provide maternity leave. In addition, small employers with fifteen employees or less do not have to extend short-term disability benefits for maternity-related disabilities unless state or local laws provide otherwise. Only five states have mandated short-term disability policies: New York, New Jersey, California, Rhode Island, Hawaii, and the territory of Puerto Rico. Maternity leave, therefore, is up to the discretion of the employer, if the employer does not operate in a state that requires short-term disability and does not offer short-term disability as a benefit. A recent survey of the Fortune 1500 companies reported that 95 percent of responding companies had a short-term disability

policy.¹⁴ Smaller firms, however, may not be as likely to offer short-term disability benefits.

Some states require that job guarantees be extended to employees upon return from disability or maternity leave, but a recent California court ruling questioned the constitutionality of such a law. In *California Federal Savings & Loan Association v. Guerra*, the federal district court overturned a six-year-old state law that required employers to offer a woman returning from maternity leave the same or similar job upon return to the company. The court ruled that the law discriminated against men who received no similar guarantees when they went on disability leave. The U.S. Court of Appeals for the Ninth Circuit, however, reversed the lower court's ruling. In a decision handed down April 16, the appellate court maintained that the district court's conclusion that the California law discriminates against men on the basis of pregnancy "defies common sense, misinterprets case law, and flouts Title VII and the PDA." California Federal Savings and Loan and other plaintiffs have petitioned for a rehearing.

In an attempt to address the state-wide variations in parental leave policies and job guarantees on a national level, Rep.

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Patricia Schroeder (D-CO) has introduced legislation (H.R. 2020) that would require a minimum period of disability leave for any employee who becomes temporarily disabled and the same minimum leave for any employee—male or female—upon the birth or adoption of a child. The bill would also require an employer to extend job guarantees for a minimum period to employees upon return from disability or maternity leave. Finally, the bill would authorize a study to determine ways of providing salary replacement for employees who take parental and disability leaves.

The cost of such legislation has not yet been determined. A careful evaluation of employer costs in those five states that require employers to offer short-term disability leave, how-

¹⁴ Catalyst, *Preliminary Report on a Nationwide Survey of Maternity/Parental Leaves*, Perspective #17, (New York: June 1984), p. 3.

ever, may provide Congress with a general estimate of the costs of such legislation.

The possibility of a national parental leave policy is under review by the Yale Bush Center Advisory Committee. The committee is financed by the Department of Health and Human Services and the Bush Foundation of St. Paul. The panel will analyze the results of child care surveys, conduct a state-by-state analysis of standards for infant care, and study infant care leave in foreign countries. The Committee will also study the cost of child care and examine policies that might be implemented by the private sector and the government.

Paid Leave—Paid leave, other than for disability, may be offered to parents by some employers. The amount of financial assistance given to the employee is left to the discretion of the employer. Short-term disability cash benefits, paid vacation, and sick leave are taxable to the employee.

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Rep. Patricia Schroeder (D-CO) has introduced legislation that would require a minimum period of disability leave for any employee who becomes temporarily disabled and the same minimum leave for any employee—male or female—upon the birth or adoption of a child.

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Unpaid Leave—Unpaid leave can be granted alone or in conjunction with disability benefits and paid leave. According to a recent Bureau of National Affairs (BNA) survey of 253 employers, 90 percent of firms make unpaid maternity leave available to employees. Although one-fourth of employers responding said they had no maximum limit on unpaid maternity leave, the most common length of employee leave taken was six months. Eighty-six percent of employers guaranteed the employee the same or comparable job upon return from leave. Approximately two-fifths of employers had no length of service requirement for granting leave to management personnel, and roughly one-third had no minimum requirement for plant or office personnel. Less than one-fourth of these employers required more than six months of service before granting any maternity leave. Manufacturing firms had slightly shorter requirements than nonmanufacturing firms.¹⁵

¹⁵ Bureau of National Affairs, *Policies on Leave From Work*, PPF Survey No. 136 (Washington, DC: BNA Inc., 1983), p. 21–25.

The Fortune 1500 survey yielded different results. Of companies responding, 45.4 percent reported the average maternity leave taken by managerial women to be three to eight weeks, 32.2 percent reported average leave as nine to twelve weeks, 14.7 percent reported thirteen to twenty weeks, and 7.7 percent reported over twenty weeks of leave taken. Similar statistics were cited for nonmanagerial women.

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Paternity Leave

Child care has become an important concern for men as well as for women. It is estimated that 60 percent of men in the work force today have working spouses.¹⁶ Nevertheless, fewer firms provide child care leave for male employees than for female employees. According to the BNA survey, approximately two-fifths of the 253 firms questioned allowed men to take leave from work for child care. Forty-seven percent extended paid vacation leave for use as paternity leave to hourly, nonoffice employees. Forty-nine percent offered the same leave to office or clerical workers and to management. Thirty-two percent offered sick-leave pay for use as paternity leave to hourly, nonoffice employees; 40 percent offered it to clerical and office workers and 37 percent to management employees. Twenty percent of these firms offered no unpaid paternity leave to the above employee groups.

The number of employers providing paternity leave appears to be rising. The Fortune 1500 survey reported that in 1984, 36.8 percent of companies offered some unpaid leave, up from 8.6 percent in 1980.

Adoption Leave

Fewer employers offer adoption leave than maternity and paternity leave. One-fourth of participants in the BNA survey

¹⁶ Dana E. Friedman, "Improving Child Care Services: What Can Be Done?" testimony presented before the House Select Committee on Children, Youth, and Families, August 2, 1984, p. 3.

have a leave policy for adoption of a child, generally in the form of unpaid leave. Adoption leave has become a controversial issue because many adoption agencies require that the parents arrange to take a specified amount of leave from their jobs to care for the new baby. Rep. Schroeder's legislation would require employers to allow leave not only for a newborn, but for a newly adopted child.

According to the National Committee For Adoption, more than 100 companies allow their employees to use accrued leave time to acclimate their newly adopted child to unfamiliar surroundings. Some employers also provide cash adoption benefits, which may include reimbursement for agency placement fees, court costs, legal fees, and temporary foster child care. Forty U.S. firms, three times the number since 1980, pay \$150 to \$2,500 in adoption expenses, reports the Committee.

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◆ **Future Outlook**

The number of employer-sponsored child care services is limited. Benefits could be greatly expanded in the future, but the extent of their role remains uncertain. On the one hand, because of the changes in the composition of the U.S. work force and the need for employers to attract and retain employees, employer-assisted child care is emerging as a valuable employee benefit. Indeed, in the next decade it may become a commonly offered benefit. On the other hand, the government is carefully scrutinizing the favorable tax treatment of child care expenditures.

As the child care industry grows and more information is available on it, marketing of these services may become more sophisticated and pervasive. Employers may become more interested as the work force continues to change and child care needs become more prominent. The role of government will also need to be more clearly defined to meet the changing face of the work force. Legislation introduced this year would require employers to have a mandatory parental leave policy. This action may be a precursor of broader congressional initiative to establish a national policy regarding parental leave.

◆ **Conclusion**

The demand for child care services is growing as a result of a combination of factors, including the increase in the child population, in two-wage earner families, and in single-headed households. Although some employers are providing child

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Although some employers are providing child care benefits, individuals still provide most of the child care services in this country. As the needs of employees change, and as employers try to satisfy these needs, both the private sector and the federal government may choose to take an expanded role in the provision of child care benefits.

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care benefits, individuals still provide most of the child care services in this country. The federal government is presently exploring new roles in child care. As the needs of employees change, and as employers try to satisfy these needs, both the private sector and the federal government may choose to take an expanded role in the provision of child care benefits.

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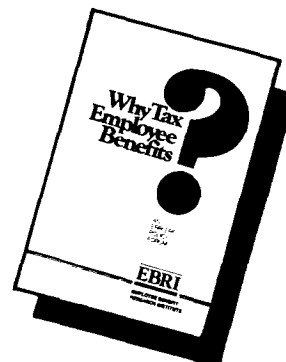


**Employer-Provided Health Benefits:
Coverage, Provisions and Policy Issues**

examines and evaluates the scope, conditions, areas and levels of coverage offered through employer-sponsored group plans. It spotlights some of the key health-care cost containment plans being proposed, and looks at the types of employers they would affect. Taxing employer contributions to health insurance, requiring employers to offer multiple insurance options, and modifying public insurance coverage are among the proposals examined. This book is of vital interest for anyone directly or indirectly affected by employer-provided health benefits.

Topics include: • Private and public sources of health insurance coverage • Provisions of employer group health insurance coverage • Controlling the cost of employer group plans • Classifying changes in benefit design • Changing incentives to use health care • Recent changes in employer plan benefits • Effectiveness of plan redesign • Tax laws affecting health insurance expenditures • Growth of employer contributions to health insurance • The effect of tax preferences • Proposals to reform tax preferences for health insurance • Effectiveness of tax policy in containing health care costs • Procompetition proposals • Reimbursement reform • And more.

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Why Tax Employee Benefits?

With federal deficits skyrocketing, Washington is seriously considering taxing employee benefits. EBRI's pioneering tax policy forum contains pointed advice and insights on this mounting issue from leading experts in the fields of benefits and tax policy. This book is an important source for anyone with a stake in the future of tax-favored employee benefits.

Topics include:
• Description of tax-favored employee benefits • Proposals to reform tax preferences for health insurance • Revision of regulations and threatened termination of plans • Why do employers provide benefits? • What changes can we expect in the future? • Why not let employees provide their own benefits? • Who pays the high cost of benefits? • The implications of proposed changes • Reasons for special provisions in the U.S. tax code • Some radical solutions • Tax incentives or exemptions vs. government loans and grants • The need for fundamental tax reform • The flexible approach to taxable and non-taxable compensation • Premiums vs. reimbursements • In defense of cafeteria plans • Reduced comprehensiveness of employer-paid health insurance • Increased cost sharing • Effects of tax on rates of coverage • Medicaid's approach to containing costs • Potential changes in use of HMOs • Taxing Medicare benefits • And much more

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