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A GUIDE TO  
**ECONOMIC  
SUPPORT**

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FAMILY FRIENDLY  
NEW MEXICO  
**BUSINESS  
TOOLKIT**

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## What does research tell us about employer-offered economic support?

Researchers, including the Economic Policy Institute claim that wage stagnation is our country's key economic challenge (EPI Briefing Paper #391, March 2015). Despite GDP growth of 149% over the past three decades, wages have stagnated or declined over that same period. Companies can play a critical role in changing this trajectory by offering employees economic support benefits. Employees are more likely to be loyal to the company and stay employed longer, reducing costs associated with staff turnover, and employee morale tends to be higher which increases productivity and profit.

Family Friendly New Mexico recognizes four Economic Support Policies	
POLICY TYPE	DEFINITION
<b>Higher than average wages</b>	Employers volunteer to pay their employees higher wages than the agreed upon <i>standard</i> for their industry.
<b>Subsidized training / educational assistance</b>	Employers provide scholarships, direct tuition payments, or stipends to employees to further their education and training.
<b>Retirement / asset building</b>	Employers provide financial contributions or support for retirement savings plans (401ks and IRAs), and other asset-building options for employees.
<b>Subsidized, on-site, or near-site child care or dependent care</b>	Voluntary employer-sponsored programs that help employees take care of their families. Dependent care policies aid in childcare or dependent care by providing on-site or near-site care.

## What are the benefits of offering economic support?

Initiating economic support benefits usually has a tax-deduction, and sponsoring benefits is generally a good method for recruiting and retaining valuable employees. Four methods recognized by Family Friendly New Mexico include offering higher than average wages for your industry, subsidized training or educational assistance, retirement/asset building, and subsidized child/dependent care.

### **WHAT ARE THE BENEFITS OF OFFERING HIGHER THAN AVERAGE WAGES?**

Offering higher wages than other companies in your field is a big recruitment draw for new employees and it helps retain employees. Small businesses that may not be able to offer comprehensive health benefit packages might be able to provide a higher salary/wage to help employees offset the cost of their own health insurance or other expenses. It can be an effective way to bring on the staff that is needed to grow the business as well. Better pay is a huge determinate of job satisfaction too. A study by the Harvard Business Review (2006) comparing Costco and Sam's Club business practices, found that Costco, who pays employees 72% more than Sam's Club employees, had much lower turnover (17% compared with 44%).

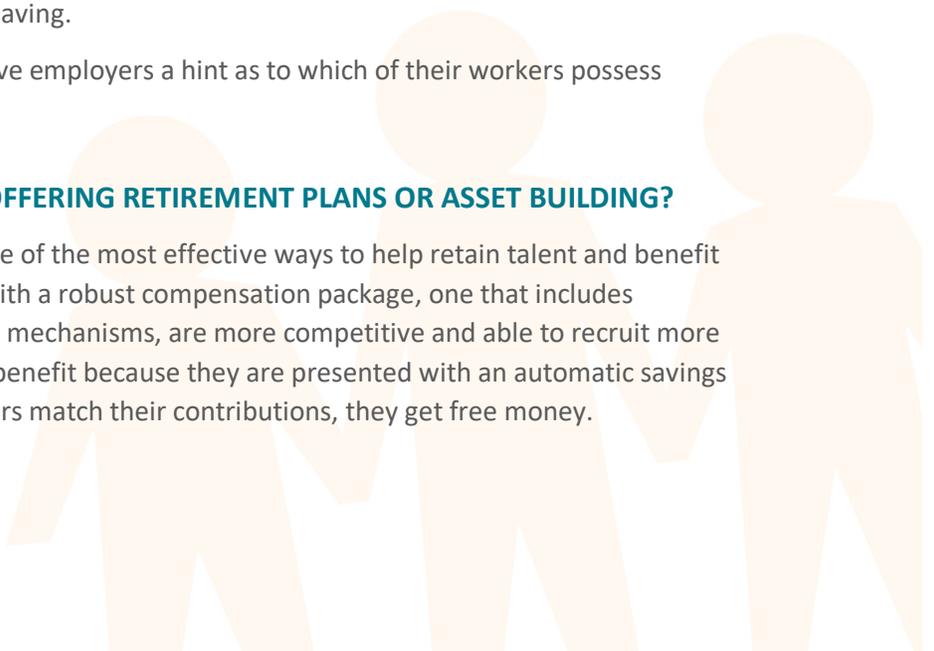
### **WHAT ARE THE BENEFITS OF OFFERING EDUCATION ASSISTANCE?**

Why do so many companies provide tuition assistance for their employees who pursue post-secondary education? College courses give employees new "general skills" that increase the ability of these workers to qualify for higher pay – their market wage – and may enable them to more easily jump to another job in another firm. General skills, such as communications and analytic ability, are not necessarily aimed at the specific tasks of employees. But even occupationally specialized post-secondary programs, such as nursing or computer programming, are valuable to a great many employers. The employer costs of such education are not trivial and are often quite generous. Yet they enable employees to obtain degrees or other readily identifiable credentials that make them more marketable to other firms (National Bureau of Economic research, Cappelli, 2002).

- Tuition assistance tempts employees to stay longer with the company as they make use of the benefit, spending their evenings and weekends working through a schedule of college courses towards a degree – a part-time process that could last many years.
- Lower turnover saves employers on the substantial costs of searching for and hiring new employees to replace those leaving.
- Tuition assistance also may give employers a hint as to which of their workers possess superior ability.

### **WHAT ARE THE BENEFITS OF OFFERING RETIREMENT PLANS OR ASSET BUILDING?**

A workplace retirement plan is one of the most effective ways to help retain talent and benefit employees' futures. Companies with a robust compensation package, one that includes retirement or other asset building mechanisms, are more competitive and able to recruit more desirable employees. Employees benefit because they are presented with an automatic savings device, tax breaks, and if employers match their contributions, they get free money.



- Recruiting quality employees is easier when companies can offer retirement plans as a benefit.
- Tax benefits are gained by both the employee and the employer through asset building policies.
- More money is saved through 401(k)s than individual retirement accounts (IRAs).
- Loyalty is encouraged because offering retirement shows the company values its employees.

### **WHAT ARE THE BENEFITS OF OFFERING SUBSIDIZED CHILD/DEPENDENT CARE?**

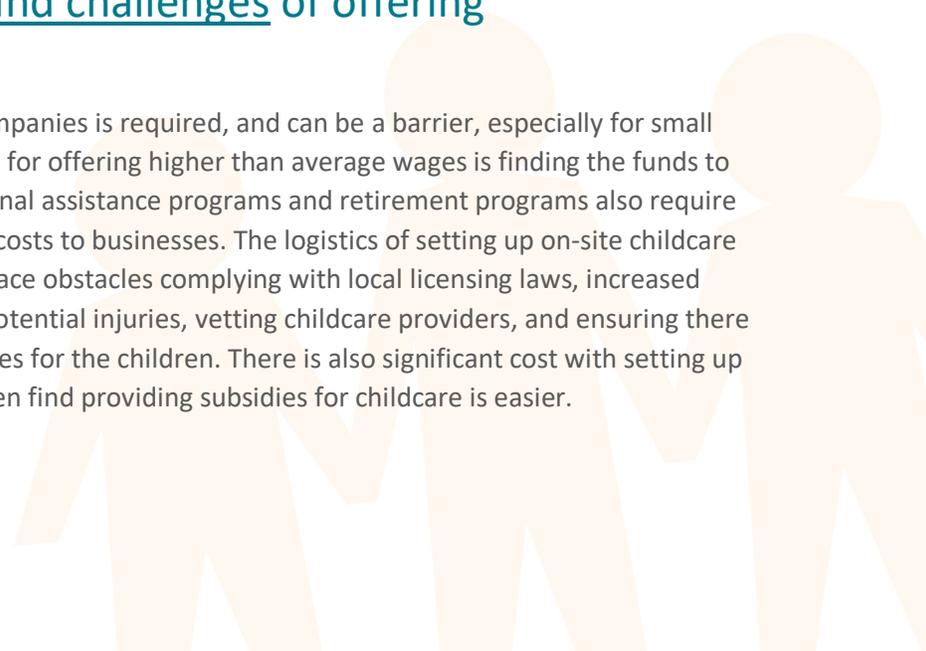
It is in a company's best interest to keep working parents present, productive, and engaged in their jobs. Subsidized, on-site, or near-site child care is an option for supporting parents and employees caring for older family members as well.

- Companies can claim a tax credit up to 25% of the facility expenditures, plus 10% of any resource and referral expenditures (up to \$150,000 per year).
- Employee performance has been shown to be higher and absenteeism lower among employees using on-site child care than employees using off-site care or who had no children (*Journal of Managerial Psychology*, 2004).
- Nearly 70% of working parents say the cost of child care affects their careers. This means changing jobs to find better benefits or taking on a second job to cover costs, and worrying about their child while at work, which all take away from worker productivity and contributes to absenteeism (*Care.com Cost of Care Survey*, 2015).
- Improving access to child care could unlock women's unrealized potential in the workplace.

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## **What are the costs and challenges of offering economic support?**

Some up-front investment by companies is required, and can be a barrier, especially for small organizations. The only challenge for offering higher than average wages is finding the funds to cover the higher wages. Educational assistance programs and retirement programs also require monetary and/or administrative costs to businesses. The logistics of setting up on-site childcare can be burdensome. Employers face obstacles complying with local licensing laws, increased liability and insurance costs for potential injuries, vetting childcare providers, and ensuring there is sufficient space, toys and utilities for the children. There is also significant cost with setting up an on-site facility, companies often find providing subsidies for childcare is easier.



## PROS AND CONS OF OFFERING ECONOMIC SUPPORT

Employers	
PROS	CONS
Tax advantages and deductions for providing retirement benefits to employees	Setting up and administering a retirement plan can be time-consuming, complicated and costly
If the plan is based on profits, the plan may enhance employee motivation and productivity	Providing a plan will most likely require professional assistance, which can be expensive
Retirement benefits may give you a recruiting advantage	Up-front costs of education/tuition can be difficult and there is no guarantee the employee will stay with the company after gaining the education
New options can make 401(k)s more feasible for small businesses too (Captain401, ROTH, SEP or SIMPLE IRAs)	Logistics for setting up on-site child care are extensive and challenging
Employee retention is higher among companies that provide benefits to their employees	
Family friendly policies reduce work-to-family conflict which translates to improved attitudes and performance	
Individuals	
PROS	CONS
Income generated in a 401(k) is not subject to income tax until it is withdrawn from the account	Employees receive less take-home pay per paycheck when contributing to a retirement plan
Businesses often match employee contributions to retirement plans, which increases revenue for the employee	
Starting to save early will maximize earning over a lifetime and bolster Social Security or other revenues set aside for retirement	
Education advancement is helpful beyond the current position and can be used to further the employee's career and advance their position within the company	
Provides employees additional financial stability with growing uncertainty of Social Security resources	

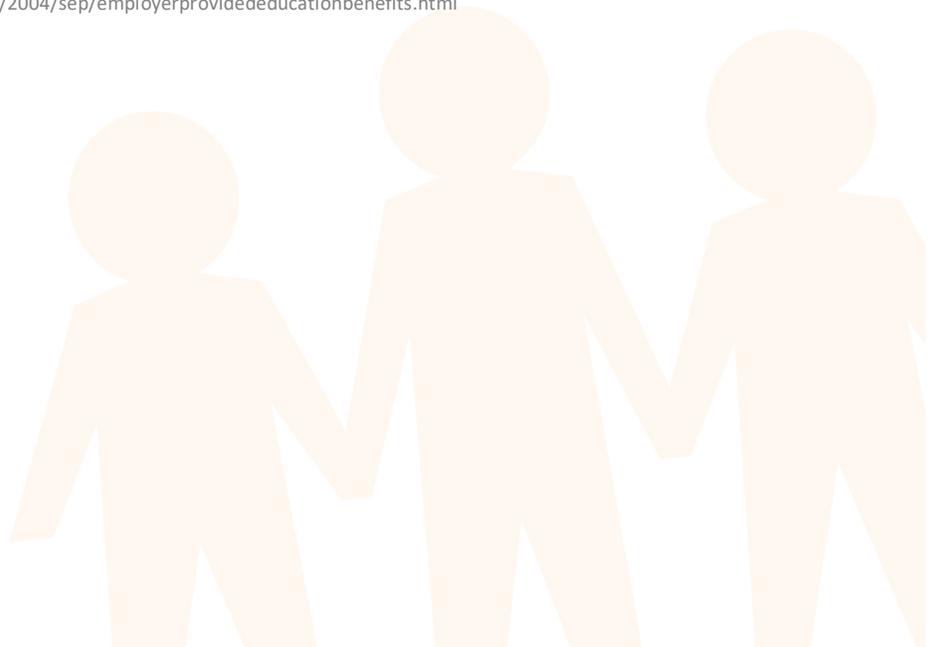
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## What does the law say about providing educational assistance?

Many employers offer tax-free education benefits. The two most common are scholarships and grants (IRC Section 117) and education-assistance programs (IRC Section 127).

- **Scholarships under section 117(a) are tax-free** if the recipient is a degree candidate at a qualified education institution and uses the funds for tuition, fees, books, supplies and equipment required for instruction. If the scholarships represent payments for past, present or future employment services, the employee must include them in income.
- **Section 127 allows employers to offer** up to \$5,250 annually per employee in tax-free education help if the benefits are provided by reason of their employment relationship. This benefit covers graduate as well as undergraduate education but requires a formal written plan that must be open to everyone. These plans can be costly and burdensome for employers to administer.
- **Under section 132(d) employers can offer** a tax-free working condition fringe benefit for any expense employees can deduct on their own tax returns under IRC section 162. This typically includes travel, meals and professional dues but also can include education that maintains or improves job skills or meets requirements for the employee to remain in his or her current position.
- **Providing education benefits under section 132(d)** is attractive to employers because no written plan is required and there is no dollar limit on benefits. It is possible for employers to provide benefits under several different code sections at the same time. In general, though, section 132(d) is the most flexible alternative.

SOURCE: Journal of Accountancy: Employer-Provided Education benefits (2004)  
<http://www.journalofaccountancy.com/issues/2004/sep/employerprovidededucationbenefits.html>



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## How can our organization implement economic support policies?

### HOW CAN ORGANIZATIONS IMPLEMENT RETIREMENT OR ASSET BUILDING?

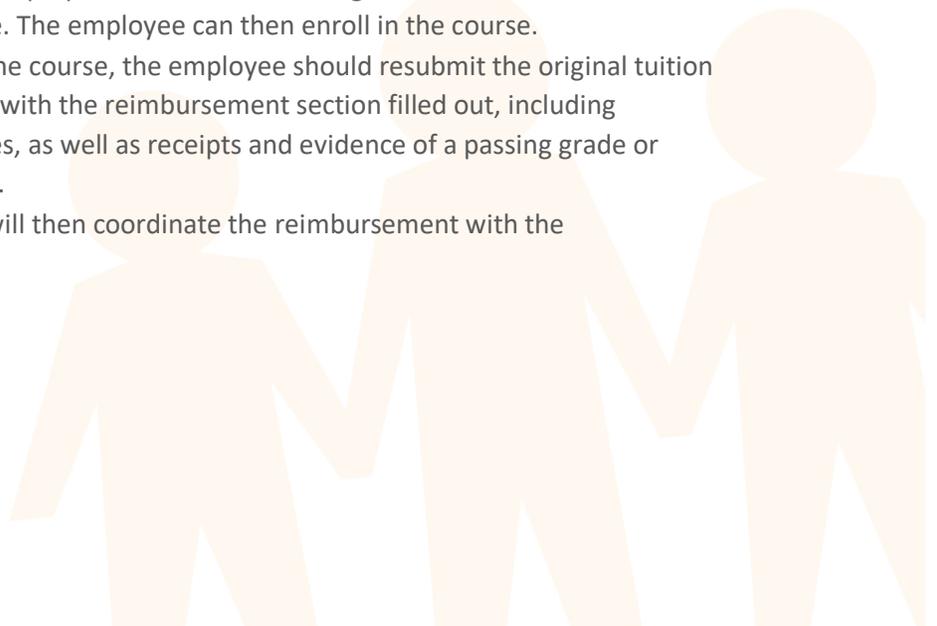
Retirement benefits can be a valuable tool for recruiting and retaining employees, but those benefits must be balanced with the cost to the employer of providing the benefits. Programs must be tailored to the employer's specific needs. Organizations should consider the following steps when developing a policy:

- Types of defined contribution plans.
- Employer contribution amounts.
- Vesting of employer contributions.
- Employee contributions.
- Investment of participants' accounts.
- Loans and in-service withdrawals.

### HOW CAN ORGANIZATIONS IMPLEMENT EDUCATIONAL ASSISTANCE PROGRAMS?

To receive tuition reimbursement, employees should follow the procedures listed here:

- The employee must provide his or her manager with information about the course for which he or she would like to receive reimbursement.
- The pre-approval section of the tuition reimbursement form should be completed, and all the appropriate signatures obtained prior to enrolling.
- The employee must then take the form to HR, and a copy will be added to the employee's file. The employee will maintain the original until he or she has completed the course. The employee can then enroll in the course.
- After completion of the course, the employee should resubmit the original tuition reimbursement form with the reimbursement section filled out, including appropriate signatures, as well as receipts and evidence of a passing grade or certification attached.
- The HR department will then coordinate the reimbursement with the payroll department.



## HOW CAN ORGANIZATIONS IMPLEMENT SUBSIDIZED CHILD/DEPENDENT CARE PROGRAMS?

- Perhaps the easiest place for employers to start is to set up Dependent Care Assistance Programs (DCAPs). This allows employees to deduct dependent care expenses from their paychecks on a pre-tax basis and provides reimbursements for up to \$2,500 per year. However, the burden still falls on the employee and the reimbursement amount is quite low and would likely only cover a couple of months of care for one child.
- Childcare resource and referral services can help link employees with the appropriate care services they need. Companies can provide background information and maybe references from employees who used the same services and a referral from an established company can sometimes help increase the chances of children being accepted and/or give them preference over other applicants.
- Childcare subsidies help employees balance work-life priorities. It is a fairly easy benefit for employers to set up but is still pretty rare. Employers are eight times more likely to offer scholarships or tuition assistance than they are to offer child care subsidies (Families and Work Institute, 2014 National Study of Employers).
- Back-up child care assistance is a great service to cover child care when schools are closed, when the regular nanny is sick, or other circumstances do not allow the employees to use their regular child care provider. This provides a big stress relief and helps employees get to work even when other parts of their life are chaotic.

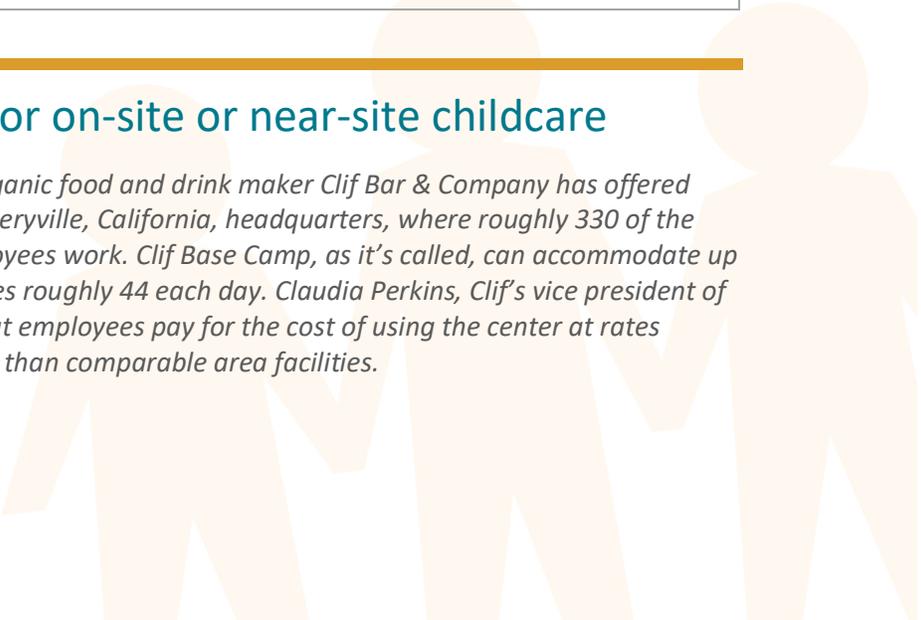
### CHILDCARE POLICY RESOURCE LINKS

- [http://dayofequity.org/wp-content/uploads/2016/04/Childcare-for-All\\_FinalMCF.pdf](http://dayofequity.org/wp-content/uploads/2016/04/Childcare-for-All_FinalMCF.pdf)
- Early Childhood Development Toolkit for Employers:
- <http://www.epicemployertoolkit.org/developing-child-friendly-policies.html>
- [http://www.epicemployertoolkit.org/helping-employees-afford-child-care\\_1.html](http://www.epicemployertoolkit.org/helping-employees-afford-child-care_1.html)
- <http://www.brighthub.com/office/entrepreneurs/articles/87154.aspx>

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## Business Testimony for on-site or near-site childcare

*Since September 2010, organic food and drink maker Clif Bar & Company has offered on-site child care at its Emeryville, California, headquarters, where roughly 330 of the company's 400-plus employees work. Clif Base Camp, as it's called, can accommodate up to 64 children and averages roughly 44 each day. Claudia Perkins, Clif's vice president of human resources, says that employees pay for the cost of using the center at rates "roughly 15% to 20% less" than comparable area facilities.*



*Clif partners with child care services provider Children’s Creative Learning Centers (CCLC). The center has 13 teachers and assistants and serves children aged 6 weeks to 6 years. CCLC handles operations and compliance issues. Perkins says that Clif Base Camp helps working parents, especially those who are returning from leave—Clif gives up to 26 weeks for the primary caregiver, and up to 16 for secondary care givers—and shows that the company is serious about its family-friendly culture.*

*Having on-site day care saves employees time and is ranked highly as a benefit among employees, the majority of whom are aged between 30 and 40, and who have trouble finding affordable child care in the Bay Area, she says. Such benefits contribute to the company’s low 5% turnover rate. However, to be successful, on-site child care has to be a benefit that your employees want and will use, she says.*

*“Companies considering offering on-site child care should survey parents to understand their needs and wishes,” she says.*

SOURCE: Fast Company, February 2, 2016. *What will it take for employer to offer on-site day care*

SAMPLE ECONOMIC SUPPORT POLICIES	
<b>Educational Assistance</b>	<ul style="list-style-type: none"> <li>• Society for Human Resource Management: <a href="https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms_020371.aspx">https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms_020371.aspx</a></li> <li>• <a href="https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms_005063.aspx">https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms_005063.aspx</a></li> <li>• <a href="http://www.workforce.com/2000/05/04/sample-tuition-reimbursement-policy/">http://www.workforce.com/2000/05/04/sample-tuition-reimbursement-policy/</a></li> </ul>
<b>Retirement / Asset Building</b>	<ul style="list-style-type: none"> <li>• Society for Human Resource Management <a href="https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms_016294.aspx">https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/cms_016294.aspx</a></li> </ul>
<b>Subsidized Child or Dependent Care</b>	<ul style="list-style-type: none"> <li>• National Women’s Law Center: State by State Fact Sheets: Child Care Assistance Policies: <a href="https://nwlc.org/resources/state-state-fact-sheets-child-care-assistance-policies-2013/">https://nwlc.org/resources/state-state-fact-sheets-child-care-assistance-policies-2013/</a></li> <li>• New Mexico: <a href="https://nwlc.org/sites/default/files/pdfs/ccsubsidy2013/new_mexico-childcare-subsidy2013.pdf">https://nwlc.org/sites/default/files/pdfs/ccsubsidy2013/new_mexico-childcare-subsidy2013.pdf</a></li> <li>• DCAP <a href="https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/managingworklifefitdependentcare.aspx">https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/managingworklifefitdependentcare.aspx</a></li> </ul>



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