

Access to dependent care reimbursement accounts and workplace-funded childcare

By *Eli R. Stoltzfus*

The U.S. labor force includes many working mothers and working fathers with dependents and children in their care. These families often enlist help, such as daycare or eldercare, to balance family and work responsibilities. But many families find it challenging to pay for the high costs of care for dependents and children. That's where benefits such as dependent care reimbursement accounts and workplace-funded childcare can prove helpful to working families.

This issue of **Beyond the Numbers** takes a look at dependent care reimbursement accounts and workplace-funded childcare, and the rate of worker access to each of these benefits. The data show the employee access rates in 2014 for selected occupational and establishment characteristics for state and local government workers and for private industry workers.¹



Dependent care and childcare benefits

According to the Current Population Survey, in 2013 there were more than 30 million working families with dependents and children in the United States. About 13 million families with one or both parents working had children under 6 years old; 17 million families with one or both parents employed had children between the ages of 6 and 17.²

Most employers offer a choice of benefits to their employees, and some employers' benefits packages include dependent care reimbursement accounts and workplace-funded childcare. A dependent care reimbursement account allows employees to direct some of their pretax salary to a flexible spending account (FSA), which employees use to pay for dependent care. Workplace-funded childcare is a workplace program that provides for the full or partial cost of caring for an employee's children in a nursery, day care center, or by a childcare worker.

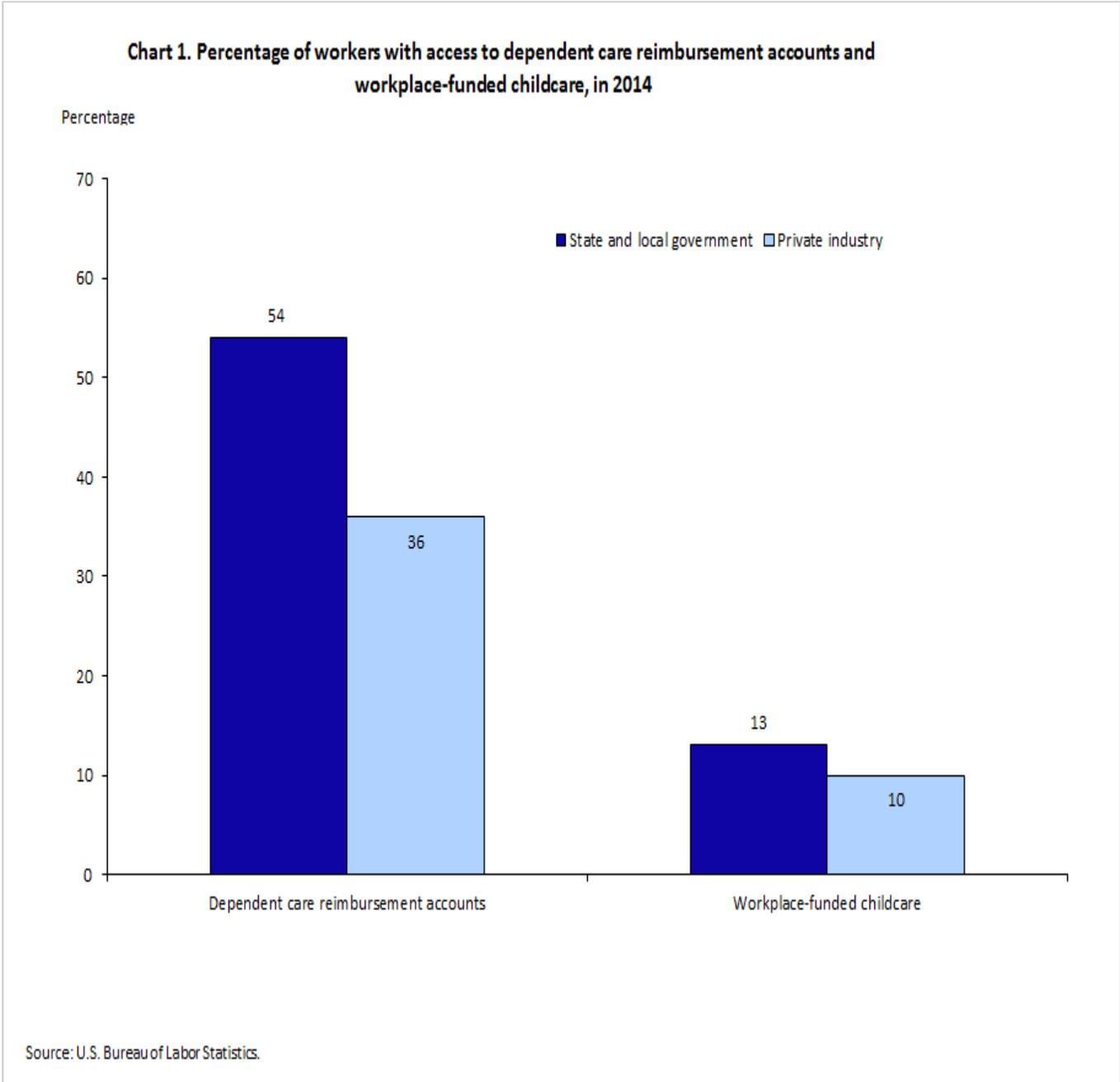
Dependent care reimbursement accounts and workplace-funded childcare are valuable benefits for workers and employers. These benefits help working families with the challenges of taking care of dependents and children while holding down a job. Employers who offer these benefits to their employees do so to help their recruitment and retention efforts, ease work-family conflicts, reduce tardiness and absenteeism in the workplace, and increase employee morale and productivity.³

In 2014, 39 percent of civilian workers had access (available for their use) to employer-sponsored dependent care reimbursement accounts and 11 percent of civilian workers had access to workplace-funded childcare.⁴

In the United States, employers voluntarily provide dependent care reimbursement accounts and workplace-funded childcare benefits. The government does not require employers to offer these benefits, but does provide tax-savings incentives to help with the costs of dependent care and childcare. Employers, for example, who provide direct childcare assistance to their employees can deduct the costs as ordinary business expenses from their federal taxable income. Some of these tax savings also extend to employees.⁵

Dependent care reimbursement accounts

A dependent care reimbursement account allows employees to set aside some pretax income (up to \$5,000 in 2014) for the express purpose of paying for dependent care expenses, including childcare, eldercare, or care for a disabled dependent. (Paying no tax on the contribution saves employees money.) A dependent care reimbursement account also can be funded with employer contributions. National Compensation Survey (NCS) data show that worker access to dependent care reimbursement accounts has not changed much in the past 5 years.⁶ In 2014, 54 percent of state and local government workers and 36 percent of private industry workers had access to the benefit. (See chart 1.)



Employee-access rates to dependent care reimbursement accounts vary among some worker groups. For example, management, professional, and related occupations generally offer greater access to benefits than do service occupations. In 2014, 58 percent of private industry workers in management, professional, and related occupations had

access to dependent care reimbursement accounts, a relatively high rate. By comparison, 18 percent of private industry workers in service occupations had access. (See table 1.)

Table 1. Percentage of workers with access to dependent care reimbursement accounts and workplace-funded childcare, in 2014

Characteristics	Dependent care reimbursement accounts		Workplace-funded childcare	
	State and local government	Private industry	State and local government	Private industry
All workers	54	36	13	10
Occupational characteristics				
Management, professional, and related	56	58	14	18
Service	51	18	11	8
Protective service	58	26	12	10
Sales and office	55	35	15	9
Full-time	59	42	14	12
Part-time	30	18	8	5
Union	57	44	16	15
Nonunion	52	35	11	10
Average wage in the 1st to 25th percentiles	44	16	9	5
Average wage in the 26th to 50th percentiles	59	32	16	7
Average wage in the 51st to 75th percentiles	58	41	15	11
Average wage in the 76th to 100th percentiles	57	61	13	19
Establishment characteristics				
Service-providing industries	54	36	13	11
Educational services	54	55	13	18
Junior colleges, 4-year colleges, and universities	64	78	27	27
Healthcare and social assistance	55	45	15	15
State government	72	--	27	--
Local government	48	--	8	--

Note: Dash indicates data not available or not applicable

Access rates differ among state and local government workers and private industry workers. For example, 55 percent of state and local government workers in sales and office occupations had access to dependent care reimbursement accounts, and 35 percent of private industry workers in sales and office occupations had access.⁷

Lower wage earners had lower access rates to dependent care reimbursement accounts. Private industry workers earning an average wage in the 1st to 25th percentiles, for example, have an access rate of 16 percent; those earning an average wage in the 76th to 100th percentiles had a significantly higher access rate of 61 percent.⁸

Workplace-funded childcare

Workplace-funded childcare provides workers with ease of access to childcare and helps pay some or all costs of childcare. Employers can provide childcare in facilities on their property or off-site. NCS collects data only on workplace childcare benefit plans that provide assistance in the form of funds. NCS does not collect data on benefit plans that only provide childcare referral services.

In the past 5 years, access to workplace-funded childcare has remained relatively unchanged. In 2014, 13 percent of state and local government workers had access to the benefit and 10 percent of private industry workers had access to the benefit.

Access rates to workplace-funded childcare vary significantly among some worker groups. Union workers, for example, have higher rates of access than do nonunion workers. In 2014, 15 percent of private industry union workers had access to workplace-funded childcare, compared with 10 percent of nonunion workers with access.

Some other notable statistics stood out in 2014. Of workers employed by junior colleges, 4-year colleges, and universities, 27 percent of state and local government workers and 27 percent of private industry workers had access to workplace-funded childcare. Of all workers employed by state governments, 27 percent had access to workplace-funded childcare, a significantly higher ratio than the 8 percent of their local government counterparts with access.

Conclusion

Dependent care reimbursement accounts and workplace-funded childcare are valuable employee benefits for working families. The percentage of workers with access to these benefits has not changed significantly in recent years. In 2014, 39 percent of civilian workers had access to employer-sponsored dependent care reimbursement accounts and 11 percent had access to workplace-funded childcare. Workers in state and local government sometimes have higher rates of access than private industry workers. Access rates differ significantly by some worker groups.

Glossary

Access to a benefit. An employee has access to a benefit if the employee is in an occupation that is offered the benefit. By definition, either all employees in an occupation in a company have access to a benefit or none has access.

Family. The Current Population Survey defines a working family as a group of two or more persons who are related by birth, marriage, or adoption, and who reside together. This includes both single-parent families and married-couple families.

Flexible Spending Account. A type of savings account that provides employees with specific tax advantages: employees participating in these accounts allocate a declared pretax amount, up to a set limit, for qualified out-of-pocket healthcare and dependent care expenses. A flexible spending account benefit usually is part of a Section 125 Cafeteria (Flexible Benefits) Plan and is subject to section 125 of the Internal Revenue Code. Flexible spending accounts are set up by employers for their employees.

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NOTES

¹ The estimates are from the *National Compensation Survey: Employee Benefits in the United States, March 2014*, Bulletin 2779, (U.S. Bureau of Labor Statistics, September 2014), <http://www.bls.gov/ncs/ebs/benefits/2014/home.htm>.

² *Employment Characteristics of Families – 2013*, USDL-14-0658, (U.S. Bureau of Labor Statistics, April 25, 2014), table 4, <http://www.bls.gov/news.release/famee.nr0.htm>.

³ Employee Benefits Research Institute, *EBRI's Fundamentals of Employee Benefit Programs*, (Washington, D.C., Employee Benefits Research Institute, 2009), p. 331, <http://www.ebri.org/publications/books/?fa=fundamentals>.

⁴ *National Compensation Survey: Employee Benefits in the United States, March 2014*, Bulletin 2779 (U.S. Bureau of Labor Statistics, September 2014). For dependent care reimbursement account access rates, see Table 41, <http://www.bls.gov/ncs/ebs/benefits/2014/ownership/civilian/table41a.htm>, and for workplace-funded childcare access rates see Table 40, <http://www.bls.gov/ncs/ebs/benefits/2014/ownership/civilian/table40a.htm>

⁵ The Tax Reform Act of 1986, 26 U.S.C. § 21 (2007), § 125 (2010), § 129 (2004), and § 162 (2011) at <http://www.law.cornell.edu/uscode/text/26>.

⁶ For historical data see National Compensation Survey Publications list at <http://www.bls.gov/ncs/ncspubs.htm>.

⁷ Caution is advised when comparing employee access rates to benefits in state and local government with private industry. Sales occupations, for example, are uncommon in state and local government but make up a large part of private industry work activities. On the other hand, office and administrative support and professional occupations (including teachers) comprise two-thirds of state and local government workers, compared with one-half of private industry.

⁸ Average Wage Percentiles are wage estimates that show what percentage of workers in an occupation earn less than a given wage and what percentage earn more. The percentile breakouts are based on the average hourly wage for each occupation published in *Employer Costs for Employee Compensation, March 2014*, USDL-14-1075, (U.S. Bureau of Labor Statistics, June 2014), http://www.bls.gov/schedule/archives/ecec_nr.htm.

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