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

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Dependent care reimbursement accounts</th>
<th>Workplace-funded childcare</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State and local government</td>
<td>Private industry</td>
</tr>
<tr>
<td>All workers</td>
<td>54</td>
<td>36</td>
</tr>
<tr>
<td>Occupational characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management, professional, and related</td>
<td>56</td>
<td>58</td>
</tr>
<tr>
<td>Service</td>
<td>51</td>
<td>18</td>
</tr>
<tr>
<td>Protective service</td>
<td>58</td>
<td>26</td>
</tr>
<tr>
<td>Sales and office</td>
<td>55</td>
<td>35</td>
</tr>
<tr>
<td>Full-time</td>
<td>59</td>
<td>42</td>
</tr>
</tbody>
</table>

See footnotes at end of table.
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


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.


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