

# Unfair to Singles?

*Singles without children may be shortchanged on benefits*

by Jack Milligan

From 1991 to 2001 the percentage of single employees in the work force without dependents ticked upward from 36.4 percent to 37.9 percent, according to the U.S. Bureau of Labor Statistics.



**Jackie Jackson, managing director of Watson Wyatt in Richmond, says single workers tend to shift jobs more often.**

**B**e family friendly. In recent years that has been the mantra in employee benefits departments in companies across Virginia and the nation. It resounded in part because so many workers were baby boomers, at the peak of their child-bearing years. Hot, new benefits for working parents ranged from flex-time to working around grade-school schedules to day care and cheaper medical and dental coverage for families.

But as more single workers come into the workplace, a new concern is evolving: do single, childless employees get the short end of the stick when it comes to benefits? One believer that they do is Thomas F. Coleman, executive director at the American Association for Single People, a three-year-old public advocacy group based in Glendale, Calif. He argues that married workers receive additional "compensation" in the form of medical coverage for their dependents while employees without dependents receive nothing to offset



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this "marriage bonus." Says Coleman: "It doesn't feel right and creates resentment."

There's no conclusive evidence that the group's concerns are spreading dramatically among companies in Virginia and the U.S. One reason is that marital status is not given the same legal consideration as race, age or gender, so employers probably are not discriminating against single employees when they establish benefits plans. "At this juncture, I do not believe there are any legal barriers preventing an employer from designing the premium structure of its medical plan, as between single and married employees, however it wants to," says attorney Mark Dray, a

**Single workers may be asked to subsidize married ones on benefits such as health care and also may end up working odd hours.**

labor law expert at Hunton & Williams in Richmond. "There just aren't any rules."

Still, employers had better beware: Demographic trends could give this issue legs in coming years. From 1991 to 2001 the percentage of single employees in the work force without dependents ticked upward from 36.4 percent to 37.9 percent, according to the U.S. Bureau of Labor Statistics. Over the same period, the percentage of employees with dependents dropped from 37.6 percent to 36.6 percent. Fewer Americans are getting married and having families, and the work force is mirroring this subtle-but-important demographic shift. The so-called marriage bonus might not be illegal, but it could still cause resentment in a labor force where childless employees are gaining in numbers.

Already there are signs among singles of a growing disenchantment with their benefits situation. Some single workers contend that they are stuck paying for such benefits as health care for their married colleagues. Singles also are more likely than married workers to take on extra, odd-hour work on short notice. A recent study by the Conference Board, a global management organization based in New York, reported that about 25 percent of 300 professionals surveyed believed they were having to shoulder more work with less to show for it than married workers.

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So, do most corporate health insurance plans unfairly give less to unmarried-without-children employees? "As a large employer, if you have the economic means to provide a health care subsidy, by definition the subsidy is going to be larger for employees with families," says Roxanne Horning, vice president of employee benefits at McLean-based Gannett Co., publisher of USA Today. Part of the reason for the disparity is that benefit plans became popular at a time when a greater percentage of American employees had spouses and children. "That's just what companies did," says David Hoff, vice president of employee benefits at Dimension Data, a Reston IT services company. "They provided [medical insurance] to their employees, and that was extended when the employee had dependents."

**Companies can respond to singles' concerns by being more flexible on benefits. Capital One Financial Corp., for instance, lets workers choose who can be the recipient in a dependent care program.**

Employers have been slow to rectify the disparity in part because of a lingering bias that single, childless employees are less committed to their companies. "There's still a perception that single employees are less likely to stay than married employees, who are locked into the job," says Jackie Jackson, managing partner of the Richmond office at benefits consultant Watson Wyatt. Single workers, for example, often are in their 20s and are just starting their careers, although there is more evidence that older workers end up in single lifestyles by choice or otherwise.

Let's say a company requires its employees to pick up 15 percent of the cost of providing them with group medical insurance. For employees with dependents, the assessment will be higher in actual dollars because the cost to the employer of providing dependent coverage is higher than single coverage. But on a proportional basis, employees with dependent coverage stand to recover much more depending on the circumstances.

  
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<b>February</b> <i>Deadline:</i> <i>December 27</i>	•Economic Development •State of the State - <i>Rating</i> <i>Virginia's Performance</i>	•Virginia's List of Leaders		•Private Schools	•Buying Collectables
<b>March</b> <i>Deadline:</i> <i>January 24</i>	•Banking/Finance •Architects and Engineers (CCIM)	•Technology in Virginia	•Richmond Area	•Golf	•Golf Equipment
<b>April</b> <i>Deadline:</i> <i>February 21</i>	•Corporate Expansion	•Business Law	•Danville/Pittsylvania County	•Vacations/Resorts	•Gardening/ Landscaping
<b>May</b> <i>Deadline:</i> <i>March 28</i>	•Health Care	•Fantastic Fifty - <i>Fastest</i> <i>Growing Virginia Companies</i>	•Hampton Roads	•Insurance Brokers	•Outdoor Grilling
<b>June</b> <i>Deadline:</i> <i>April 25</i>	•100 Wealthiest Virginians •Commercial Real Estate •Executive Homes	•Technology in Virginia	•Virginia's Region 2000	•Engineering/IT Schools •Realtor's Directory	•Sport Fishing
<b>July</b> <i>Deadline:</i> <i>May 23</i>	•Telecommunications •Directory of CEO Performance		•Fairfax	•Richmond Statistical Digest •Executive Education	•Unique Office Furniture
<b>August</b> <i>Deadline:</i> <i>June 27</i>	•Manufacturing •Retirement Living			•World Trade •Site Selection Guide	•Classic Wing Shooting
<b>September</b> <i>Deadline:</i> <i>July 25</i>	•Banking/Finance •Construction	•HMOs •Technology in Virginia	•Eastern Shore	•Hampton Roads Statistical Digest	•High-end Automobiles
<b>October</b> <i>Deadline:</i> <i>August 29</i>	•Employee Benefits •Highest Paid Executives	•Construction	•Roanoke & New River Valley	•Meeting & Conference Planner	•Executive Fashion
<b>November</b> <i>Deadline:</i> <i>September 26</i>	•Telecommunications •Agriculture	•Virginia Hospitals •Super CPAs	•Isle of Wight/Franklin/ Southampton County	•ru ready? - <i>Life After</i> <i>High School</i>	•Luxury Accessories
<b>December</b> <i>Deadline:</i> <i>October 24</i>	•Commercial Insurance •Commercial Real Estate	•Legal Elite •Technology in Virginia	•Charlottesville Area	•Golden Egg - <i>Virginia's</i> <i>Technology Directory</i>	•Fine Wines

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"Employees with dependent coverage, on average, stand to gain more value from the plan," agrees Mac McCarthy, an actuary at Mercer Human Resource Consulting.

**Most large companies have added a variety of peripheral benefits that are potentially useful to many of their employees.**

Most large employers try to make their benefit plan as attractive as possible because it's an important recruiting tool, especially in a tight labor market. And the Virginia companies polled by Virginia Business say they recognize the increasing diversity of their employee base. "We want a diverse work force that reflects the diversity of the communities in which we operate," says Horning at Gannett. "And we try to design a benefit package in such a way that it is attractive to all our employees."

In addition to heavily subsidized health insurance, most large companies have added a

variety of peripheral benefits that are potentially useful to many of their employees. In addition to its core offerings of medical coverage and a 401(k) retirement plan, Gannett also provides an employee assistance program which helps employees when they are struggling with personal problems such as drug or alcohol addiction, and a tuition assistance plan for employees who want to continue their education. "When you add everything up, we think [the company's benefit offerings] provide equally for single and married employees," says Horning.

Falls Church-based Capital One Financial Corp. offers a dependent care program that can be applied to family care needs including children, ailing or disabled spouses and elderly parents. Employees fund their family care accounts in pre-tax dollars (which lowers their taxable income) and Capital One matches 50 percent of their contribution. The giant credit card company even subsidizes employee memberships at YMCAs around the state. "We try to be all-encompassing rather than

**"There's still a perception that single employees are less likely to stay than married employees, who are locked into the job."**

— Jackie Jackson, managing director of Watson Wyatt, a consulting firm

promote something for a single [class] of employees," says Capital One spokesman Hamilton Holloway.

Few Virginia companies can match the generosity of Federal Home Loan Mortgage (Freddie Mac), a McLean-based company that purchases and securitizes home mortgages. In addition to its core benefit offerings — which are as expansive as any employer in the country — Freddie Mac allows its employees to buy and sell vacation days; it sponsors on-site support groups for employees who are dealing with common problems such as caring for an elderly parent with Alzheimer's disease; and it provides an on-site fitness center, dry cleaning and film drop off, gift shop and Starbucks coffee shop.

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But are fitness centers, coffee shops and dependent care programs enough? True, they are designed to appeal to as many employees as possible, but do they do much to redress the unfairness that some single employees without dependents believe they experience in their health insurance plans? Not surprisingly, Coleman at the AASP says no. By his reckoning, company-subsidized options such as health, dental and eye care plans that provide for dependent coverage must be viewed as part of an employee's total compensation. "We have now reached the point where more than 30 percent of an employee's compensation is delivered

in the form of benefits," Coleman says.

One strategy that does address the discrimination issue is a cafeteria-style benefit plan of the type that Freddie Mac adopted several years ago, where all employees are given an equal number of "credits" that they can apply to a menu of options including dependent coverage. Employees that don't have dependents can spend their credits on other benefit options, or cash in their unused credits and receive additional taxable income. One disadvantage of the plans is that they cost more to administer, which puts them out of the reach of most small companies. Even so, Freddie

Mac's Director of Human Resources Laurie Dalton says the extra cost is worth it. "Freddie Mac certainly thinks so," she says.

Coleman likes this approach since it is "the easiest way to ensure that everyone is treated equally." Unfortunately, cafeteria-style plans saw their heyday in the late 1980s and early 1990s when they were seen as a way of controlling double-digit increases in health care costs. Few large companies seem to be looking at them now, even though medical costs are again showing double-digit increases. "I have not seen a real interest in [new cafeteria plans] because I think the companies that would adopt them already have," says Jackson at Watson Wyatt.

Coleman's prescription for medical insurance inequality is to consider medical insurance as part of an employee's total compensation, and to provide employees that don't select dependent coverage with an offsetting economic benefit — such as extra cash in their pay check or an additional contribution to their 401(k) plan. Employers would never be allowed to provide unequal benefits packages to different racial or gender groups, Coleman adds, so why should they be permitted to offer something less to a third class — single employees that don't have families?

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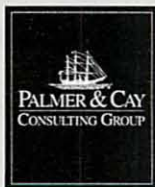
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With U.S. corporations trying to recoup after a recession, and with health costs threatening to rise as much as 22 percent this year according to one estimate, now is not the time when most employers will listen sympathetically to Coleman's talk about discrimination against yet another class of employees. But the labor force is changing and, as Coleman puts it, a growing number of Americans no longer fit the Ozzie and Harriet mold of the '50s and '60s. "It's time to become aware of that and wake up," Coleman says. And that might mean paying up as well. ■