

Which staff benefits are right for my business?



If you have staff, this resource will help you decide what benefits are right for your business and team.

Choosing whether to offer staff benefits such as paid time off, health insurance, retirement plans, tuition assistance, etc., can be a hard decision. Often, cost and affordability are primary factors. While compensation is likely the number one factor in an employee's choice to enter and stay in a job, benefits are also a critical piece of their decision. Certainly, the cost of employee benefits adds another expense to your balance sheet; however, you must not minimize the cost savings and value offered benefits bring to your business.

There are many ways to implement benefits for your staff. When exploring the possibilities for adding benefits to your compensation packages, enter with an open mind and assurance that you can find the right combination within your budget to meet your needs.

Why should I offer benefits?

As a child care provider, there are many reasons why you should offer benefits, and here are a few of them:

- Staff feel more satisfied and more valued.
- You retain staff more easily.
- You become more competitive in a tight labor market.

Providing benefits does not have to be an all-or-nothing concept. Different benefits can be offered, with varying price points (some may be little to no cost, some may be more significant) and even small increases in offerings can make a difference in a tight labor market. You may be wondering where to start and what your options are. Most importantly, you want to be sure that regardless of what benefits are offered, your employees can:

1. See the value in them.
2. Easily understand them.
3. Easily access them.

What are some common benefits?

Depending on your company size and whether individual employees meet certain requirements, there may be some benefits that are legally required of you (workers' compensation, Family and Medical Leave Act (FMLA), and even medical insurance). Other benefits are not required but are common amongst employers and are a critical decision-making factor when choosing a place of work. While this is not a complete list, here are some of the common benefits that a company can offer employees:

Paid Time Off. Paid time off (PTO) is one of the most common benefits and is widely appreciated among staff. This can include holidays, vacation leave, and sick days. Having the opportunity to access PTO can improve staff's overall well-being which can help reduce stress and burnout, especially in a job as demanding as child care. There's no hard and fast rule on how many PTO days should be offered, and the amount of time offered can gradually increase with more time on the job.

Health Insurance. Health insurance is usually one of the first things that come to mind when someone thinks of the term "benefits" and is highly sought after by employees and job candidates. As such, if there is any one benefit worth offering to your employees, health insurance is the one to consider. In addition to medical coverage, this benefit can include dental, vision, and prescription coverage. Options within this offering range from full insurance to telehealth to discount programs. Typically, you would find a benefits provider and offer your employees certain benefits from that provider. You could cover a portion of the cost and the employee would pay a set amount per pay period toward the cost of their plan. Alternatively, another option is to simply coordinate the health plan coverage for your staff, offering coverage without financially contributing to the employee's elected coverage.

Blue Cross Blue Shield and Aetna are two private insurance companies that were frequently named by child care providers across various states when asked what companies they used.

Small businesses can also help their staff sign up for the [Affordable Care Act \(ACA\)](#). The ACA is a comprehensive health care reform law that provides affordable insurance for individuals. This law addresses health insurance coverage, health care costs, and preventative care. Health insurance premiums continue to decrease in 2022 and are based on family size and income.

Retirement. Retirement plans allow employees to build financial savings to help them meet their personal long-term financial goals. While employees who opt-in will need to contribute their desired amount of salary per pay period, the benefits that are provided by these plans are 1) individual tax savings and 2) the ability to receive a set amount, or a match to

their contribution, by their employer. This will allow their contributions to grow faster, setting them up for higher earnings during their retirement. There are several types of retirement plans, each with its own requirements and advantages. Here's a quick summary of the plans:

Plan	Employees	Tax Advantages	Advantages	Disadvantages
Simple IRA or Simple 401(k) Learn more.	1 to 100 (including self-employed or sole proprietor)	Employer contributions are deductible for the business. Employee contributions are pre-tax.	<ul style="list-style-type: none"> • Easy to set up • Employer and employee can make contributions • No tax filing requirements 	<ul style="list-style-type: none"> • Contribution match required • Lower contribution limits • Immediate vesting
SEP IRA Learn more.	Just you or you and employees	Employer contributions are deductible for the business.	<ul style="list-style-type: none"> • Easy to set up and manage • Contributions are deductible • Large contributions allowed • Contributions can vary by year • No tax filing requirements 	<ul style="list-style-type: none"> • 100% employer funded • Immediate vesting • No catch-up contributions
Individual or Solo 401(k) Learn more.	1 (self-employed or sole proprietor)	Employer contributions are deductible for the business. Employee contributions are pre-tax.	<ul style="list-style-type: none"> • Contribute as an employee and employer • Potential to borrow from the plan • Early withdrawal possible 	<ul style="list-style-type: none"> • More administration and management • Annual tax filing
401(k) Plan Learn more.	All sizes of companies with employees	Employer contributions are deductible for the business. Employee contributions are pre-tax.	<ul style="list-style-type: none"> • Contributions are deductible • Tax credits may be available • Potential to borrow from the plan • Vesting schedule available 	<ul style="list-style-type: none"> • More administration and management • Annual tax filing

Supplemental Insurance. Supplemental insurance programs include coverage such as short or long-term disability, accidental injury or death, and other plans to cover unexpected critical health events. Employee Assistance Programs are another example of supplemental insurance which could give them access to programs to address mental health and other well-being supports. These are typically more affordable than offering medical insurance, however, they do not replace it.

Tuition Assistance and Staff Development. Staff professional development is an integral part of the child care business model. Not only are there requirements around staff trainings, but the more knowledge your staff have in child development, the better the experience will be for the children in care. Many providers find they can provide these benefits for staff through participating in programs such as the [T. E. A. C. H. Early Childhood scholarship program](#).

Child Care. Offering discounted child care to your staff's own children is a great benefit that most child care programs find easy to implement. Not only will this benefit give staff peace of mind, but it can also help them to afford the expense of child care which otherwise would be a larger line item in their personal budget.

Bonuses. The ability to receive bonuses is a benefit that many employees value, especially during these times as staff have had to work harder, longer hours, and under challenging circumstances. There is an opportunity to reward hard-working employees for this additional effort through temporary pay increases and bonuses.

I'm ready to offer benefits, now what?

First, you should understand what benefits you would like to offer based on your organization's budget and goals as well as your employees' needs, then think through the types of benefit providers that will help you to make it a reality. Here are some benefit providers that you may come across:

Private insurance (these are the traditional insurance providers like Blue Cross Blue Shield or Aetna). The most common type is a group plan purchased by the employer that covers employees, and possibly their family members. These plans may cost less than an individual seeking their own plan however could still have a price tag that may be too costly for the average child care provider's budget. You can set how much of the costs you would cover vs. what the employee would pay. You can buy these plans directly from an insurance provider, a broker, or your state's health insurance exchange.

Outside of offering company-sponsored health insurance, you can still support your employees on an individual basis in accessing low-cost or free health insurance through the Affordable Care Act marketplace. You can help ensure that employees are aware of

what they may qualify for and facilitate a connection for them to work with a free Health Care Navigator who can walk them through their options.

To learn more about affordable healthcare options, click [here](#).

Existing Payroll companies and online services (like Gusto, Paychex, Zenefits, and others). Employers may be able to purchase group insurance and supplemental plans through their payroll provider. They can act as a broker streamlining the process and helping you find plans that fit your needs.

Professional Employer Organizations (PEOs) offer a way to outsource the human resources (HR) functions of your business and they cover things like payroll, employee handbooks, benefits, etc. PEOs serve as professional employers of their client's employees. PEOs allow for small businesses to offer benefits that are usually associated with larger companies as they're able to leverage their large network of employees to offer more affordable rates for insurance and benefits.

A shared services network or other platforms for collaboration (e.g., Chamber of Commerce). By participating in these networks, you can receive discounts on certain benefits through companies that partner with the network (such as medical, telehealth, dental, and vision). You could also have access to money and time-saving services like insurance brokers and enrollment specialists to guide you through the process of setting up a benefits plan. Typically, membership fees to join these networks are low or no cost.

Determine what you can afford

Some benefits can be offered at little cost! Remember, there may be invisible costs that offering benefits can help mitigate. Costs associated with employee turnover, such as recruiting, interviewing, training, and onboarding, and vacancies in classrooms can be potentially offset by offering benefits. Talk with a child care business coach to understand just how much employee turnover is costing you and to explore planning your budget and cash flow to begin offering benefits. Below are some key considerations for health insurance and tax credits that can offset the cost of implementing certain benefits.

Health insurance

Health insurance offerings are incredibly varied. Costs are based on:

- Number of employees covered,
- Location,
- Ages of employees and their dependents, and
- What percentage of the health insurance premium you would like to cover.

You can choose:

NO OR LOW COST: To arrange a group insurance plan for your staff without paying any premiums. This places 100% of the plan cost upon the employee.

HIGHER COST: To cover a portion of the insurance premium for your employees. Typically, this portion begins at 50%. This places the remaining portion of the plan cost upon the employee. Employees can add family members to the plan at their own expense.

HIGHEST COST: To cover a portion of the insurance premium for the employee plus dependent(s) (typically a spouse or dependent).

Tax savings alert! Small businesses can benefit from a tax credit that will reimburse you for half of your contributions toward your employee's premiums as long as you cover at least 50% or more per employee. There are other guidelines that you must meet, which in most cases a typical small-to-midsize child care business would. For example, if an employee's monthly premium is \$235.00 and you pay 50% of that, you would be eligible for a tax credit of \$58.75. That translates to annual costs of \$1,410.00 for you however you would receive back \$705.00 when you file your return.

For more information, visit the [Small Business Health Care Tax Credit](#). There, they give an example of starting costs for health care insurance plans. Remember:

1. These figures do not include dependents. If you choose to cover dependents' premiums as well, these costs will rise.
2. Costs can be much greater than those outlined in the table based on your circumstances and selections.

Retirement

Small businesses that start up a retirement plan can benefit from the Setting Every Community Up for Retirement Enhancement (SECURE) Act tax credit. Eligible employers may be able to claim a tax credit of up to \$5,000, for three years, for the setup and administrative fees associated with starting a SEP, SIMPLE IRA, or 401(k) plan. [Learn more here](#) and be sure to talk with your tax professional about this tax credit opportunity.

What should I look for when selecting a benefits provider?

Once you've thought through the criteria that an employee must meet to be eligible for benefits, you may next think about the cost, and how they will be administered, monitored, and tracked within your system.

Here are some questions that you should be sure to have answered as you decide on benefits to offer:

1. Is this benefit affordable for the long term? What will be the return on my investment?
2. Does it fit the unique needs of my employees? Will they find value in it? If I want to increase staff retention, for example, will this benefit help?
3. What are the total costs including fees and time to administer the benefit?
4. What are the pros and cons of offering this benefit/selecting this benefit provider?

Final Thoughts

Many child care providers view offering staff benefits as a way to improve their operations by boosting morale, decreasing staff turnover, and investing in the longevity of their most important asset – their staff. However, providing benefits can also offer financial benefits through tax deductions, credits, and time savings. Once you decide to offer benefits, be sure to document your policies, and update them as things change. While you are not required to offer certain benefits, you are required to follow the benefit policies that you have set forth. We recommend updating your policies and reviewing benefit offerings at least annually. This will help you stay on top of your needs and your employees' needs as they change.

Additional Information

For more information, visit the Child Care Collaborative of Iowa website at <http://www.midsioux.org/ccci> or email fmc@midsioux.org.

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