

Flexible benefits in the workplace

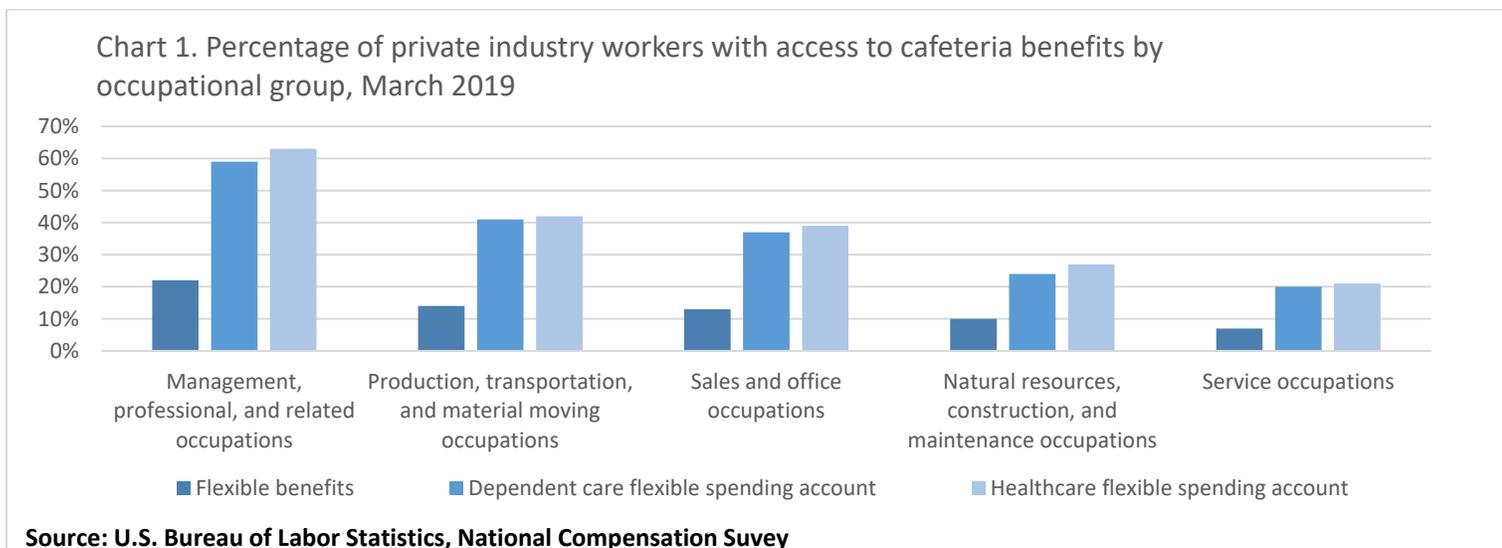
Understanding your compensation package can be daunting. The more options, plans, and features available the more challenging it can be to navigate them. BLS is here to help!

This factsheet summarizes coverage and features of flexible benefits, dependent care flexible spending accounts, and healthcare flexible spending accounts. These benefits are referred to as cafeteria benefits and provide employee benefit choices and flexibility. Similar to picking out an entrée, salad, dessert, and beverage in a lunchroom, cafeteria benefits allow employees to select healthcare, dependent care, and other benefit coverage.

Cafeteria plans provide employees the ability to convert a taxable cash benefit into a nontaxable benefit. Similar to a prepaid card, the employer determines the dollar amount or credits available and the employee can select to spend some, all, or none on a variety of benefits. A la carte benefits.

Cafeteria benefits are deducted from wages and salaries before taxes (pre-tax), so instead of using after tax wages and salaries to pay for these benefits, employees can purchase these benefits or contribute to savings and may save money.¹

The BLS publishes the percentage of workers with access² to cafeteria benefits by various worker³ and establishment⁴ characteristics. Chart 1 provide a summary of the percentage of workers with access to individual cafeteria benefits by occupational group and the sections below explain the features of each benefit.



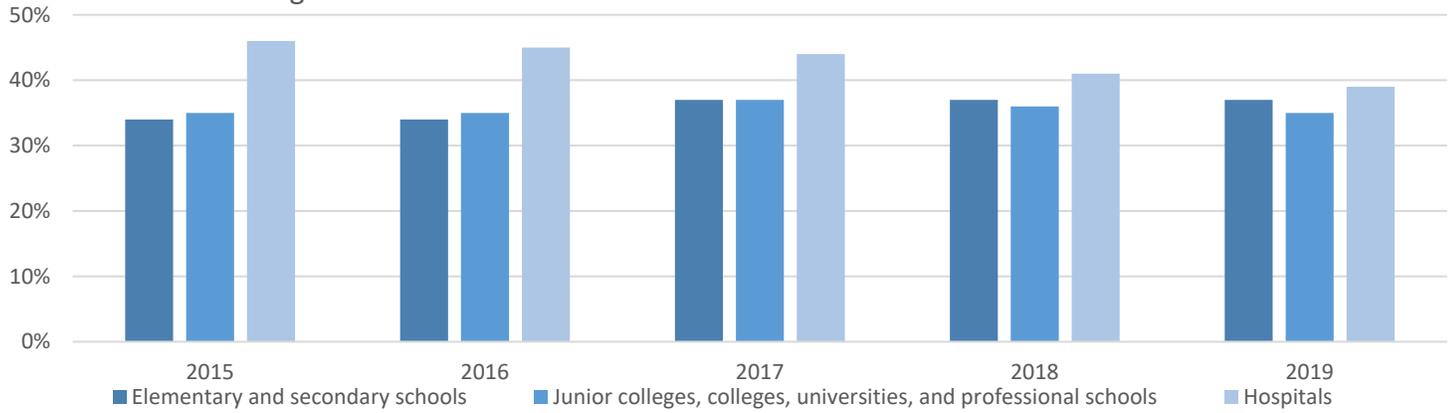
Flexible benefits

In March 2019, 17 percent of civilian workers⁵ had access to flexible benefits, where 14 percent of private industry workers had access and 37 percent of state and local government had access to this benefit. Within the education and health care industry, 35 percent of workers in junior colleges, colleges, and universities had access to flexible benefits, 37 percent of elementary and secondary school workers, and 39 percent of hospital industry workers had access. (See chart 2.)

In a flexible benefits plan, employers provide workers with “benefits credits.” These credits may equal a fixed dollar amount for each worker, or an amount that varies according to the employee’s earnings, length of service, size of family, or other characteristics. The employee then chooses from various benefits and benefit levels, using credits to purchase the desired benefits. If the credits do not pay for the benefit, employees may be able to fund the difference with pretax dollars.

Several options are usually available in flexible benefits plans, including various levels of coverage for life insurance, dental care, medical care, or long-term disability insurance. Employees covered by flexible benefits plans may receive cash in place of benefits or deposit unused credits into reimbursement accounts (such as dependent care or flexible spending account). Or they may purchase short-term disability coverage, deposit credits into a retirement plan, or buy and sell vacation days. Participants are often required to purchase minimum levels of coverage, such as a basic level of life insurance.

Chart 2. Percentage of civilian workers with access to flexible benefits



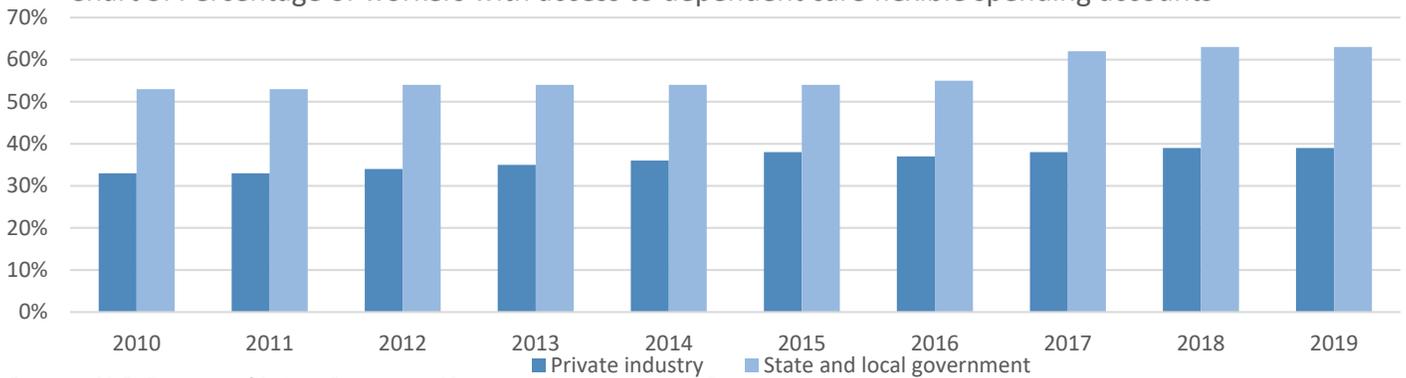
Source: U.S. Bureau of Labor Statistics, National Compensation Survey

Dependent care flexible spending accounts

Forty-two percent of civilian workers had access to dependent care flexible spending accounts in 2019. Within private industry occupational groups, access to dependent care benefits ranged from 20 percent for workers in service occupations to 59 percent for workers in management, professional, and related occupations. In 2010, 33 percent of private industry workers had access to this benefit and 39 percent had access in 2019. (See chart 3.)

Employees can use these pre-tax benefits to pay for dependent care services for child care and for elderly or disabled relatives. This benefit provides workers with flexibility to pay for dependent care programs such as preschool, summer day camp, before and after school programs, and child or adult daycare. The expenses of these dependent programs can be a significant financial commitment for employees, and employees can take advantage of the tax benefits to reduce the burden.

Chart 3. Percentage of workers with access to dependent care flexible spending accounts



Source: U.S. Bureau of Labor Statistics, National Compensation Survey

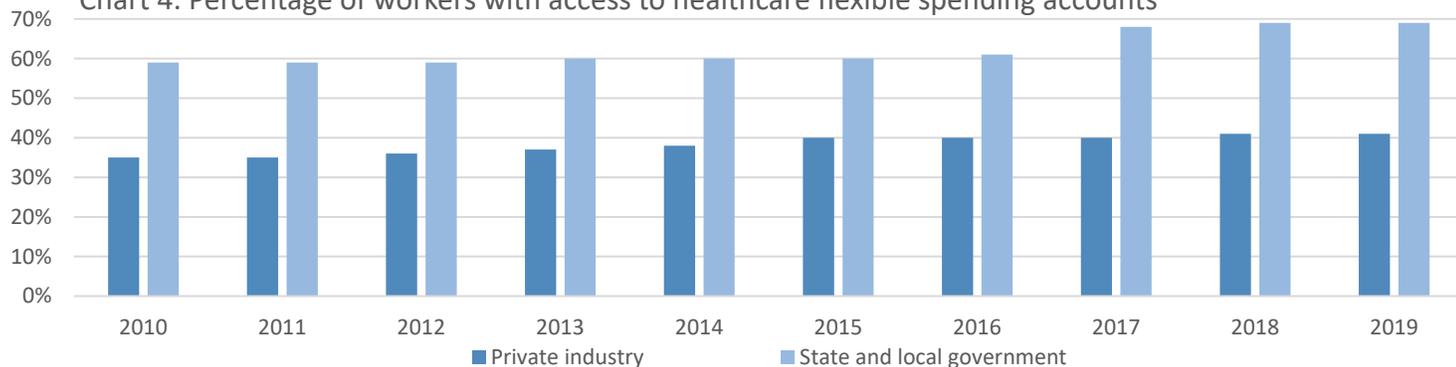
Healthcare flexible spending accounts

The percentage of private industry workers with access to healthcare flexible spending accounts in 2010 was 35 percent and 41 percent in 2019. Sixty-nine percent of state and local government workers had access in 2019. (See chart 4.)

Healthcare flexible spending accounts allow workers to contribute a set pre-tax amount per year to pay for eligible medical, dental, and vision care expenses not covered by his or her health insurance plan. Examples of eligible costs include: deductibles, copayments, prescription drugs, premiums, and coinsurance. A worker may contribute to this plan to treat an illness, pay for surgery (such as laser eye surgery, medically necessary cosmetic surgery), and buy medical equipment such as hearing aids, braces, compression clothing. Healthcare flexible spending accounts do not cover costs for elective cosmetic procedures, such as tattoo removal, facelifts, and teeth whitening.

Regardless of the reason, the ability to plan segmenting income into a healthcare flexible spending account can be a financially beneficial decision for individuals requiring healthcare.

Chart 4. Percentage of workers with access to healthcare flexible spending accounts



Source: U.S. Bureau of Labor Statistics, National Compensation Survey

Conclusion

Most employees participating in flexible benefits plans, dependent spending accounts, or healthcare spending accounts are required to contribute toward the cost of their benefits, or may contribute to obtain additional benefits. These contributions are usually made as a salary reduction, which results in lower income tax liabilities. This factsheet summarized availability of flexible benefits and basic features. While conversations about benefits may center on healthcare and retirement, flexible benefits provide workers with additional discussion items with their human resources professionals, financial advisors, or planning for the next steps in life.

Additional resources

Fact sheets:

- [Flexible work schedule and student loan repayment](#)
- [What data does the BLS publish on family leave?](#)
- [Holiday profiles](#)
- [Access to paid personal leave](#)
- [Unmarried domestic partner benefits](#)

The [glossary of employee benefit terms](#) provides definitions for plans, provisions, coverage, and related terms. The [National Compensation Measures Handbook of Methods](#) provides information on the survey design, calculations, weighting, and imputation methods used to produce compensation estimates. The [calculation section](#) includes information on the measures of reliability available for each estimate.

Historical data

Estimates on the cost, coverage, and provisions of employer–sponsored benefit plans from 2010 to 2019 are available through the [Excel dataset](#), and [public database](#). Historical information back to 1979 are available on the [publications](#) page. Benefit estimates are not a time series and users are advised to consider changes in survey design, survey scope, estimation methods, weighting, and sample rotation when analyzing the data.

Comparing private and public sector estimates

Estimate differences between private industry and state and local government stem from several factors such as variation in work activities and occupational structures. Manufacturing and sales, for example, comprise a large portion of private industry work activities but are rare in state and local government. Professional and administrative support occupations (including teachers) account for two–thirds of the state and local government workforce, compared with one–half of private industry.

Endnotes

¹ Stolzfus, Eli “[Pretax Benefits: Access to Section 125 Cafeteria Benefits and Health Savings Accounts in the United States, Private Industry](#)” March 28, 2007, Compensation and Working Conditions.

² Employees are considered to have access to a benefit plan if it is available for their use. For example, if an employee is permitted to participate in a medical plan offered by the employer, but the employee declines to do so, he or she is placed in a category with those having access to medical care benefits.

³ Worker characteristics includes work status (full- and part-time), bargaining status (union and nonunion), average wage within percentile categories, and occupational group.

⁴ Establishment characteristics includes industry group, size class, and geographic location.

⁵ Civilian workers includes private industry as well as state and local government workers.