

The Economics of Serving Low-Income Employees at Tax Time: Implications for Credit Unions

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Progress is the constant replacing of the best there is with something still better!

— ***Edward A. Filene***

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process.

The Filene Research Institute is a 501(c)(3) not-for-profit research organization dedicated to scientific and thoughtful analysis about issues affecting the future of consumer finance. Through independent research and innovation programs the Institute examines issues vital to the future of credit unions.

Ideas grow through thoughtful and scientific analysis of top-priority consumer, public policy, and credit union competitive issues. Researchers are given considerable latitude in their exploration and studies of these high-priority issues.

The Institute is governed by an Administrative Board made up of the credit union industry's top leaders. Research topics and priorities are set by the Research Council, a select group of credit union CEOs, and the Filene Research Fellows, a blue ribbon panel of academic experts. Innovation programs are developed in part by Filene i³, an assembly of credit union executives screened for entrepreneurial competencies.

The name of the Institute honors Edward A. Filene, the “father of the U.S. credit union movement.” Filene was an innovative leader who relied on insightful research and analysis when encouraging credit union development.

Since its founding in 1989, the Institute has worked with over one hundred academic institutions and published hundreds of research studies. The entire research library is available online at www.filene.org.

Without the help of the following people, this project could not have been completed: Dan Baker, Helaman Berrios, Harvey Black, Mary Lou Black, Lisa Blasdale, Maria Cancian, Colleen James, Jim Connelly, Frank Cumberbatch, Marc Ferguson, Ellen Galinsky, Don Graves, Kathy Harms, Harriett Hentges, Robert Hoel, Shelley Hoffmire, George Hofheimer, Joe Hotz, Bonnie Howard, Susan Hoyt, Len Janeski, Nancy Lazgin, Scott McBride, Peter McNamee, Mark Meyer, Helen Neuborne, Mark Nixon, Marvin Owens, Ed Rodriguez, Danny Schneider, Karl Scholz, Josey Siegenthaler, Peter Stuart, Joey Terrazas, John Thompson, Peter Tufano, Bob Twomey, Bernie Wilson, Craig Wilson, Arthur Whittaker, and Michelle Zadrozny. We are also grateful for the assistance and deep involvement of the following institutions:

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- H&R Block—For their partnership and sponsorship in providing cost-free services in the first year of the Tax Break program and highly discounted services in the second.
- Nets to Ladders—For their innovative solutions and time-saving systems.
- Filene Research Institute—For their sponsorship of this research; without their funding, these findings would not have been possible.

While the people and companies listed above deserve the credit for anything good about this report, the authors take full responsibility for any mistakes.

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By George A. Hofheimer,
Chief Research Officer

Navel gazing is a well-established hobby in most industries. Credit unions are no exception. Chances are you read a lot of credit union publications, go to a lot of credit union conferences, and hang out with a lot of credit union executives at credit union conferences talking about things you read about in credit union publications. In short, we pay a lot of attention to what is going on in our own little sandbox.

Occasionally, it is important to lift our heads up and take note of the practices of a completely different group of businesses. We sometimes find inspiration and ideas in the oddest places. In this research study we examine the nexus of tax preparation services, an office supply giant, and nonprofit organizations. Over the past several years, Progress Through Business, a nonprofit organization focused on poverty alleviation issues, partnered with H&R Block to offer discounted tax preparation to low-income employees of Staples, Inc., through a pilot program called Tax Break. What made Tax Break unique was the inclusion of opportunities for enrollment in both public¹ and private² benefits programs in the tax preparation process.

The results of this pilot program provide valuable insights into the economics of offering these types of services to low-income consumers. We study tax-time activities for low-income employees in the workplace for a few reasons. First, for most consumers, especially low-income consumers, income tax filing is the single biggest financial event of the year. Second, credit unions and policymakers are continually examining tactics to better serve underserved populations. Third, the workplace is often overlooked as a delivery channel for financial services.

What Did the Researchers Discover?

The Tax Break program was first rolled out in January 2007 and was run again in January 2008. In each tax year more than 400 Staples employees took advantage of tax preparation and benefits enrollment services. The analysis shows that there were immediate financial benefits for participating employees in the form of higher tax credits or refunds and other tax advantages. Additionally, the combination of tax preparation and public and private benefits enrollment had the effect of significantly increasing employee participation in such employer-sponsored plans as employee stock purchase plans, 401(k) retirement plans, and tuition reimbursement programs. Enrollment in public benefits also increased, with higher incidences of the Earned Income Tax Credit, child care credits, renters credits, education credits, and various advantages that are available to but

sometimes not accessed by eligible low-income taxpayers. In short, participants accessed significant public and private benefits as a result of this pilot program.

The program's big advantage for Staples was a reduction in employee turnover. After one full year of tracking, it was found that those who participated in the program during the 2007 tax season showed a 32% improvement in retention over those who did not participate. This improvement in retention more than covered the costs incurred by Staples. According to the authors of the study, "For each employee who participated in this program at a cost of \$75, the company saved \$480."

Practical Implications

It is important to note that this report examines something very different from what many credit unions may be used to in the tax preparation field. In short, we are not reporting on a modest tweak to the mainstream Volunteer Income Tax Assistance (VITA) programs. This study is about providing tax preparation and public/private benefits enrollment to low- and modest-income employee groups for a fee. Previous work by the Filene Research Institute (see Appendix 4) confirmed the efficacy of "at-work" financial service programs, and according to this report, replicating aspects of the Staples program at credit unions could have "dramatic" implications. Several areas of opportunity include tax preparation and public/private benefits programs enrollment for:

- Credit union employees, especially in larger credit unions with many hundreds of employees.
- Members (and non-members) residing in densely populated, low-income, or underserved areas.
- Employees at large companies, especially those that have a single sponsor or have a tightly connected SEG relationship with a credit union.

Pulling our heads out of the credit union sandbox and examining promising innovations in related sectors can yield positive results. As credit unions continue to seek out creative ways to better serve all segments of the population, this study may offer unique tactics. And, since very few of us have rock-hard abs these days, it is much more fun to gaze at something other than our bellies!



John Hoffmire, PhD

John Hoffmire is the director of the Center on Business and Poverty at the University of Wisconsin-Madison School of Business, and faculty associate at the Puelicher Center for Banking Education. Before starting the Center on Business and Poverty in 2004, John had a 20-year career in equity investing, venture capital, consulting, and investment banking. His work has had a particular focus on employee stock ownership plans (ESOPs). As founder and CEO of his own investment banking firm, he helped employees buy and manage approximately \$2.2 billion (B) worth of ESOP stock. He sold his firm to American Capital, which then went public. John left American Capital as senior investment officer when the company reached \$1B in assets. After leaving American Capital, John was vice president at Ampersand Ventures, formerly Paine Webber's private equity group. After he finished his PhD at Stanford University, he was a consultant at Bain & Company. John is also chairman of Progress Through Business, an organization that he founded with others interested in economic development tools that can be used by companies to assist low-income individuals and communities.



Thomas Harms

Thomas Harms is the treasurer of Progress Through Business, a business-based nonprofit dedicated to helping businesses with the economic development of their low-income employees and the communities they serve. Prior to joining Progress Through Business, Tom was vice president of Human Resources Administration at Staples, Inc., the world's largest office products company. Before joining Staples in 1998, Tom worked for CVS Drug Stores for nine years as a vice president in Human Resources. Prior to CVS, Tom spent his career in department stores as a human resources manager/director working for Marshall Field's in Chicago for 2 years and Target Corporation (Dayton's and Hudson's divisions) in Detroit and Minneapolis for 20 years.

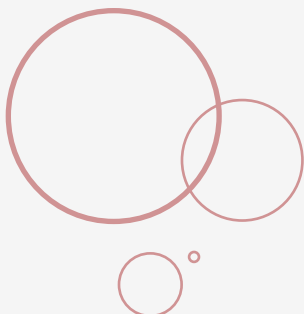


CHAPTER 1

Overview and Development of the Tax Break Pilot



The Tax Break program illustrates how companies can reduce turnover and increase productivity by enhancing the lives of their low-income employees. The program was first rolled out in January 2007, when 3,080 employees were offered the program, and run again in January 2008. The implications of trying to replicate aspects of the Staples program at credit unions could be dramatic.





The Tax Break program illustrates how companies can reduce turnover and increase productivity by enhancing the lives of their low-income employees. It was one of the first programs set up after the founding of the Center on Business and Poverty—an initiative of the University of Wisconsin-Madison School of Business to support and disseminate high-quality research into ways in which businesses can help improve the long-term economic stability and well-being of their low-income employees—and Progress Through Business, a non-profit dedicated to helping businesses with the economic development of their low-income employees and the communities they serve.

With the guidance of Staples' then-chairman, Tom Stemberg, it was decided that the number-one priority in the effort to assist low-income employees in 2004 was to help them complete their taxes and encourage them to put their refunds toward savings in programs like the Staples 401(k) and the Employee Stock Purchase Plan (ESPP). The program started in 2005 at a small call center located at the Staples home office in Framingham, Massachusetts, where volunteers from Bentley College were recruited to prepare the employees' tax returns. In 2006 the program expanded to include a fulfillment center located in Putnam, Connecticut. The results were good, but it became clear that the program was not scalable because of the tremendous effort it would take to recruit and schedule tax preparation volunteers for the many different Staples locations.

That was when Progress Through Business contacted H&R Block, a leading provider of tax, accounting, and related financial products and services, and Nets to Ladders, a provider of software solutions for public and private organizations designed to lift low-wage citizens above their social and financial challenges. It was agreed that Staples would select the sites, develop the communication materials, and communicate the program to employees. H&R Block would determine which of their offices would be used for the program and train their tax preparers on Staples benefits. Nets to Ladders would develop a software program that would allow individuals to go online and register to have their taxes done and to be prescreened for benefits.

THE KEY PLAYERS

PROGRESS THROUGH BUSINESS

The mission of Progress Through Business is to sustain and enhance underserved communities through initiatives, research, networking, and strategic partnerships to empower people and improve the economic, environmental, and social conditions of the communities it serves. Progress works at two levels. On the ground, they are staffed by a group of well-connected business professionals in California, Illinois, New York, Ohio, Wisconsin, Michigan, Arizona, Florida, Utah, and Washington, D.C. In addition, they have boards of advisors in California, Massachusetts, and Texas that support the staff members' work.

STAPLES

Staples invented the office products superstore concept by opening their first office products store in Brighton, Massachusetts, in 1986 to serve the needs of small businesses. With 93,000 talented associates, the company is committed to making it easy to buy a wide range of office products, including supplies, technology, furniture, and business services. With sales of \$27 billion (B), Staples serves consumers and businesses ranging from home-based businesses to Fortune 500 companies in 27 countries throughout North and South America, Europe, Asia, and Australia. Headquartered outside of Boston, Staples operates more than 2,000 office superstores and also serves its customers through mail-order catalog, e-commerce, and contract businesses.

H&R BLOCK

H&R Block, Inc. is a leading provider of tax, accounting, and related financial products and services. Headquartered in

Kansas City, Missouri, H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries reported revenues of \$4B and net income from continuing operations of \$374.3 million in fiscal year 2007. The company has continuing operations in three principal business segments: Tax Services (income tax return preparation and related services and products via in-office, online, and software solutions), Business Services (accounting, tax, and business consulting services primarily for midsized companies), and Consumer Financial Services (tax-related banking services along with brokerage services, investment planning, and related financial advice).

NETS TO LADDERS

The mission of Nets to Ladders is to strengthen today's human service safety nets so that organizations can lift more low- and moderate-income citizens above their social and financial challenges—and help them climb the ladders of self-sufficiency toward more rewarding futures. To achieve this mission, Nets to Ladders provides a complete range of Business Process Innovation solutions, including process automation technology and services that accelerate the adoption of efficient technologies and business processes. Central to Nets to Ladders' service offering is the Benefits Enrollment Network (BEN), a Web-based software platform for benefits enrollment and asset building. Through BEN, Nets to Ladders currently offers organizations and businesses two high-impact solutions to speed up and improve their work with low-wage citizens—Benefits Enrollment and SavingsPoint.

Next, Staples agreed to develop and initiate a comprehensive communications program to communicate details of the pilot to Staples associates at the selected locations. The internal staff communication program would be designed to include flyers, newsletters, and on-site table tents, along with posters and other commonly used methods of internal communication.

H&R Block agreed to strongly discourage Staples associates from taking out refund anticipation loans (RALs). Both Staples and Progress Through Business did not want loans offered at all, but H&R Block explained that most individuals are aware of the availability of the loans, and that if an associate requested one, they would be obligated to grant the request. So, it was agreed that associates would be informed on at least two occasions during their tax interviews with an H&R Block tax professional that RALs were not the best financial vehicle for the associate. Furthermore, H&R Block offered the associates a depository account in conjunction with a debit card, called the Emerald Card, that would pay interest on savings the associates held in the account. Tax refunds could be loaded right onto these debit cards if associates wished, and withdrawals could be made within several days after the tax forms were filed, giving Staples associates fairly quick access to their refund dollars.³

Staples also agreed to offer all their U.S. associates who were not involved in this pilot a 20% discount on H&R Block tax services. The discount would be offered through Staples' Real Life Perks Web site, an intranet site for employees looking for discounts on products or services that Staples sponsors. The cost of setting up the discount plan through Real Life Perks would be split by Staples and H&R Block. Staples also agreed to promote the discount through newsletters and other communications with associates.

Staples and H&R Block agreed on 19 locations in eight states around the country. Two distribution centers, five fulfillment centers, one call center, and eleven stores were selected. They also agreed on five key Staples benefits that H&R Block tax professionals would discuss with Staples employees:

- The Staples 401(k) plan.
- The ESPP.
- The employee health insurance plans.
- Flexible spending accounts (FSAs).
- The Staples scholarship program.

In addition, two public benefits, providing child care and energy assistance, were included. And, finally, screening for the Earned Income Tax Credit (EITC) program was also included as a key part of the program.

The Tax Break program was first rolled out in January 2007; 3,080 employees were offered the program. It was agreed that the first 500 employees would receive free tax service (in the months of January, March, and April) and an opportunity to be screened for and potentially enrolled in various company and public benefits. After 500 employees participated, any remaining interested employees would pay \$30 for the service. H&R Block agreed to pick up the cost of the tax preparation, and Staples promoted the program with posters and promotional materials using their “That was easy” brand theme. Associates made 493 appointments, and 426 showed up to have their taxes completed. Of the 426 tax preparations, 101 benefits cases were opened, and out of those cases, 26 enrollments for Staples benefits were generated and three more were completed for the public benefits. The number of tax preparations was right on the original estimate of 15%–20% of employees participating; however, the number of benefits enrollments was lower than expected. Overall, however, the Tax Break program was a huge success in the locations where it was offered. Feedback from employees at those locations indicated that they thought the tax program was a major benefit enhancement, whether or not they had actually participated in the program. They felt it sent a clear message that Staples truly cared about the financial stability of its employees.

The pilot was run again in January of 2008. There were a few changes due to the fact that H&R Block had gone through a management reorganization and most of the executives who had sponsored the program were no longer there. They agreed to continue the pilot at all but one location, providing that both Staples and its employees would pay for a portion of the services. It was agreed that the employees would pay \$50 for the service and that Staples would fund an additional \$50 per employee served. This made sense, as Staples understood that H&R Block would not be able to continue to provide ongoing free tax services. Also, H&R Block was no longer partnering with Nets to Ladders, so the up-front screening program was not used and public benefits were not offered. Staples offered the program to 2,662 employees at 18 of the original locations. Out of those, 483 associates redeemed coupons and showed up to have their taxes completed. This represents a proportional 30% increase in participation among those who were eligible, a remarkable result given that H&R Block was charging \$50 for the service, while the program had been free the prior year.

The analysis shows that there were clearly two immediate financial benefits for employees who had their taxes prepared. First, the average amount an employee received in found credits or other tax advantages was \$522. Second, the discounted tax service was worth at least \$100 to each employee served in 2008. Therefore, the average

benefit to an employee was \$311 (the weighted average of \$522 and \$100). The \$311 represents a 2% increase to a full-time employee earning \$8 an hour, and an even greater increase for part-timers.

The research shows a somewhat smaller advantage to low-income employees than many professional tax preparation firms advertise. An average of the figures cited by such firms is \$800. It is difficult to document the research regarding these figures. One of the difficulties is that if an individual does his or her own taxes one year and then uses a professional or a good Volunteer Income Tax Assistance (VITA) site the next year, from a statistical perspective, the individual only receives the benefit of improved tax service for one year, on a year-by-year comparison basis. That is, the improvement is largely limited to the first year of tax return assistance; the second year rarely yields an improvement of \$522 (or more) over the first year. Those first-year improvements are usually gained by capturing the EITC, child care credits, renters credits, education credits, and various other advantages that are available to but sometimes not accessed by low-income taxpayers.

Then there are the advantages to both employees and Staples in terms of the benefits enrollments. The employees screened for benefits in 2007 showed a 16% increase in ESPP enrollment, a 29% increase in 401(k) plan enrollment, and a 42% increase in

KEY BENEFITS OFFERED TO STAPLES EMPLOYEES

The Tax Break implementation team agreed on five key Staples benefits that H&R Block tax professionals would encourage participants to enroll in:

- The Staples 401(k) plan for retirement savings.
- The ESPP, which provided a 15% discount on the purchase of company stock.
- The employee health insurance plans for financial protection.
- FSAs, which provided pretax savings on health care or child care.
- The Staples scholarship program for continuing education.

In addition, two public benefits were included:

- Child care—A benefit provided by most states, sometimes referred to as subsidized child care.
- Energy assistance—Another state benefit, often referred to as the Low Income Home Energy Assistance Program.

It was also agreed that employees would be screened for the EITC program and the Advance EITC program, which allows individuals with at least one qualifying child to incrementally receive their EITC in their paycheck throughout the year.

scholarship program enrollment. The employees clearly benefited in terms of stock ownership, with an immediate 15% gain at the time the employee received the stock. They benefited by accumulating retirement savings, including a 50% match by Staples on the first 6% an employee contributed. And finally, they gained by obtaining some funding to continue their education. The company gained in terms of increased participation in their benefits plans, which clearly leads to reduced turnover and higher employee morale. A Staples study analyzing the correlation between their attitude survey, their customer service scores, and sales found that higher morale correlates closely with better service, and better service results in higher sales.

Participant satisfaction with the Tax Break program was exceptional. Out of four survey questions, 100% of program participants marked the highest possible answer in terms of satisfaction with the program for two years in a row. A 30% increase in participation among those eligible was achieved in 2008, even though the employees were charged \$50 per return instead of receiving the service for free.

Clearly, the big advantage to Staples is the reduction in turnover that this program produces. After one full year of tracking those who participated in the program during the 2007 tax season versus those who did not, a 32% improvement in retention was found among

those who participated. This improvement in retention drives the company's ability to absorb the program's cost of approximately \$75 per employee, including communication and administrative costs (about

One hundred percent of program participants marked the highest possible answer in terms of satisfaction with the program for two years in a row.

\$25). The return on this investment is a 5.4 times multiple, or, put another way, for each employee who participated in this program at a cost of \$75, the company saved \$480. So, this certainly seems to be a win-win for companies and the low-income employees who participate.

The implications of trying to replicate aspects of the Staples program at credit unions could be dramatic. Several areas of potential value include the possibilities that credit unions could create: (1) tax and benefits programs for their own employees, (2) tax and private/public benefits programs for their members, and (3) tax and benefits programs for corporations and other employers where credit unions are or could be based. Each of these is addressed in the following paragraphs.

Many credit union employees could benefit from a Staples-like program. Since many credit union employees are not highly compensated, even some of the public benefits programs could be

helpful. Special emphasis could be placed on encouraging enrollment in 401(k) and other retirement plans. Increased enrollment in these plans could be especially advantageous at a credit union, since employees who sign up might then be better able to educate members and cross-sell retirement accounts and other products.

Members, especially in low-income areas and at companies with large numbers of low-income employees, would particularly benefit from on-site tax preparation programs at credit unions. Credit unions

THE PROCESS

Implementation of the Tax Break program began in October 2006. The program went live during the third week of January 2007.

WEB SITE DEVELOPED

Nets to Ladders developed a Web site for Staples that allowed associates to analyze the benefits available and make an appointment with an H&R block tax professional. Using the benefits analysis tool, associates could enter their personal financial information and see a customized analysis, modeling the various benefits and showing how each one would impact their own financial situation in both the short and long term. All personal information entered was completely confidential and was deleted at the end of the session.

H&R BLOCK TAX PROFESSIONALS TRAINED ON STAPLES BENEFITS

Thirty-six H&R Block tax professionals across eight states were trained on Staples benefits and enrollment procedures to prepare them for the benefits screenings. Training was implemented face to face in January 2007. Trainers included representatives from H&R Block, Staples, and Nets to Ladders. A 72-page presentation was prepared by Nets to Ladders, and training

Figure 1: The Process



binders were distributed detailing Staples benefits and the Advance EITC program.

PROGRAM COMMUNICATED TO ASSOCIATES

Staples developed the communications materials to inform all the associates at the sites selected. They chose the name “Tax Break” to communicate the new benefit and developed the communications around Staples’ popular “That was easy” campaign. Newsletters were prepared describing the Tax Break program, table tents were produced, and posters were printed.

in Ithaca, New York, and in the North Chicago area successfully integrate tax preparation programs into their normal operations. In addition, programs around public and private benefits plans could be offered to members. Furthermore, these programs could be used to attract and retain new members.

Another benefit to credit unions is that existing and new members would potentially have more resources to put into credit union accounts and other products if tax services and benefits enrollments that improved member cash flow were made available.

THE PROCESS (CONTINUED)

APPOINTMENTS SCHEDULED AND CONFIRMED

Associates scheduled their tax preparation appointments online through the Web site developed by Nets to Ladders. The associate filled in the date, the best time for an appointment, and his or her phone number. An e-mail was sent to the associate confirming the appointment and providing the coupon for free tax preparation. At the bottom it showed where the designated H&R Block office was, along with the phone number.

TAX PREPARATION VISITS TAKE PLACE

Actual tax preparation appointments began taking place in late January. Most meetings were held by appointment; however, H&R Block did accommodate approximately 17 walk-in meetings. All the meetings were conducted at local H&R Block offices.

ASSOCIATES ELECT TO ALLOW RESEARCH ON INDIVIDUAL DATA

Since Progress Through Business planned to study the results of this pilot, each associate who participated was asked for permission to use his or her data in the research. It was explained to the associate that the individual data would be kept

More information on developing the Web site and sample marketing materials is available in the online appendix at filene.org/publications/detail/hoffmire.

confidential, but that Progress would like to use aggregate data collected to calculate and report results. Progress was notified of each associate who agreed to let his or her data be used.

ASSOCIATES SCREENED FOR BENEFITS

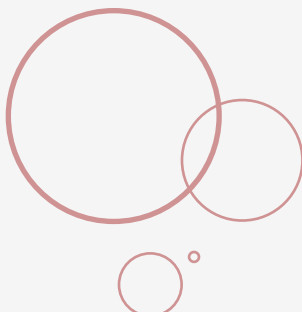
Following the preparation of an associate's taxes, the H&R Block tax professional was expected to ask the associate if he or she would like to be screened for benefits (i.e., asked if interested in participating in the Staples 401(k) plan, the ESPP, the employee health insurance plans, the FSAs, or the scholarship program). If the associate was interested in enrolling, the H&R Block specialist completed the short enrollment form and forwarded it to Staples for processing. If the state-administered public benefits of child care or energy assistance were available, the associate was asked if he or she would be interested in applying for those as well.



CHAPTER 2

General Overview of the 2007 and 2008 Tax Break Results

The analysis includes 357 Staples employees. The researchers find that in that group, turnover was significantly lower, benefits participation was much higher, and employee length of service was longer.





Most of the analysis was done on the first group of associates, who had their taxes prepared in the spring of 2007. This is the group that Staples was able to periodically report on to see what changes were taking place. Of those associates who had their taxes prepared, 85% (364 out of 426) granted permission to use their individual data for research and reporting. Three different categories of data were analyzed:

- Tracking data—Data collected by location of associates who signed up for tax services.
- Client data—Data collected on the individual clients who had their taxes prepared.
- Comparison data—Data generated comparing those who had their taxes prepared to those who decided not to participate in the Tax Break program.

As Figure 2 shows, Staples offered this program to 3,080 employees across 19 locations (11 stores were in the Cincinnati and Cold Spring groupings). Four hundred ninety-three associates made appointments, representing 16% of those eligible. Of the appointments made, 409 (83%) were kept, and 17 walk-ins took place, for a total of 426 tax preparations.

Of the 426 tax preparations, 101 associates (approximately 24%) were screened for potential benefits enrollment. This was disappointing, as all associates were supposed to be screened. Part of the problem was a systems issue: The preparers were not prompted to ask about benefits. Also, it was later discovered that many of the tax preparers simply were not aggressive about, or comfortable with, discussing benefits. The fulfillment center in Chambersburg, Pennsylvania, had the highest percentage of associates screened for benefits, achieving a 55.17% take-up level.

The distribution center in Hagerstown, Maryland, had the largest number of associates eligible (693); however, the fulfillment center in Putnam, Connecticut, achieved the highest number (116) and percentage (46.96%) of appointments made. Putnam was one of the

Figure 2: Tracking Data

					Coupon redemption		Benefits data	
		# of Staples assoc. on 1/15/07	Appt. made	% of appts. made	Coupons redeemed (appt. kept)	% coupons redeemed	Assoc. screened for benefits	% screened for benefits
Hagerstown, MD	D.C.	693	83	11.98%	70	84.34%	28	40.00%
Terre Haute, IN	D.C.	327	43	13.15%	31	72.09%	8	25.81%
Putnam, CT	F.C.	247	116	46.96%	106	91.38%	14	13.21%
Dayville, CT	F.C.	314	83	26.43%	79	95.18%	7	8.86%
Beloit, WI	F.C.	211	40	18.96%	28	70.00%	11	39.29%
Edwardsville, KS	F.C.	113	8	7.08%	7	87.50%	5	71.43%
Chambersburg, PA	F.C.	339	35	10.32%	29	82.86%	16	55.17%
Florence, KY	C.C.	356	58	16.29%	43	74.14%	8	18.60%
Cincinnati, OH	Stores	360	22	6.11%	13	59.09%	3	23.08%
Cold Spring, KY	Stores	120	5	4.17%	3	60.00%	1	33.33%
		3,080	493	16.01%	409	82.96%	101	23.70%
				Walk-ins	17			
				Total	426			

C.C. = call center
D.C. = distribution center
F.C. = fulfillment center

locations that had piloted the idea of providing tax services to associates by using volunteers, and our researchers believe that is why their participation was so high in 2007. Once associates try the service, they spread the word about it, and participation increases in future offerings, as indicated by the increased participation at Putnam and by the 30% proportional increase in the participation of eligible employees in the 2008 pilot versus 2007, even though H&R Block charged for the service in 2008.

Figure 3 shows the percentage of total associates in each location; the percentage of the total appointments kept by location; the number of associates screened for benefits; the number of associates enrolled in company benefits, public benefits, the 401(k) plan, the ESPP, a medical plan, and a scholarship program; and, finally, the total number of associates enrolled in company or public benefits.

Again, this figure shows that Putnam had the highest rate of participation, with close to 26% of the total tax preparations but with only 8% of the eligible population. Dayville, Connecticut, also achieved a higher percentage of tax preparations than percentage of the total population.

In terms of benefits enrollments, out of 101 benefit screenings, there were 29 actual enrollments. Enrollments in Staples benefits accounted for 26 of the 29, and there were 3 enrollments in public benefits. Of the 26 enrollments in Staples benefits, 11 were for the

Figure 3: Tracking Data on Benefits Offered

	% total assoc. by location	% appts. kept by location	# of assoc. screened for benefits	Staples benefits applied for	Public benefits applied for	401(k) enrolls	ESPP enrolls	Medical plan enrolls	Scholarship enrolls	Enroll totals
Hagerstown, MD	22%	17.11%	28	6	2	3	2	0	1	8
Terre Haute, IN	11%	7.58%	8	2	0	1	0	1	0	2
Putnam, CT	8%	25.92%	14	2	0	0	0	0	0	0
Dayville, CT	10%	19.32%	7	0	0	1	1	0	0	2
Beloit, WI	7%	6.85%	11	4	0	3	1	0	1	5
Edwardsville, KS	3%	1.71%	5	1	0	1	0	0	0	1
Chambersburg, PA	11%	7.09%	16	4	0	1	1	1	1	4
Florence, KY	12%	10.51%	8	6	0	1	1	1	2	5
Cincinnati, OH	12%	3.18%	3	1	1	0	0	0	1	2
Gold Spring, KY	4%	0.73%	1	0	0	0	0	0	0	0
Total	100%	100.00%	101	26	3	11	6	3	6	29

401(k) plan, representing 42% of the Staples enrollments. Six associates enrolled in the ESPP, six in the scholarship program, and three in the medical plans.

Client Data

Approximately 60% of the tax clients had a family income of less than \$35,000. However, our researchers were surprised to learn that approximately 8% of clients had a family income in excess of \$75,000. Although Tax Break was clearly communicated as being a program for low-income associates, Staples did not prevent managers from signing up. As it turned out, those managers were extremely positive about the program and helped encourage associates to participate. It was therefore felt that the inclusion of a few higher-income employees in the program worked to Staples' advantage. It was also the case that a number of participating associates had spouses with higher incomes.

Overall, 92.43% of the associates who participated in the program received a refund. You can see from Figure 5 that there is a strong correlation between income level and the receipt of a refund, with those at higher income levels less likely to get a refund.

The overall average refund for the associates who participated was \$2,364, while the average refund in the United States for individual taxpayers in 2006 was \$2,199. The average refund by income level

Figure 4: Number of Clients by Income

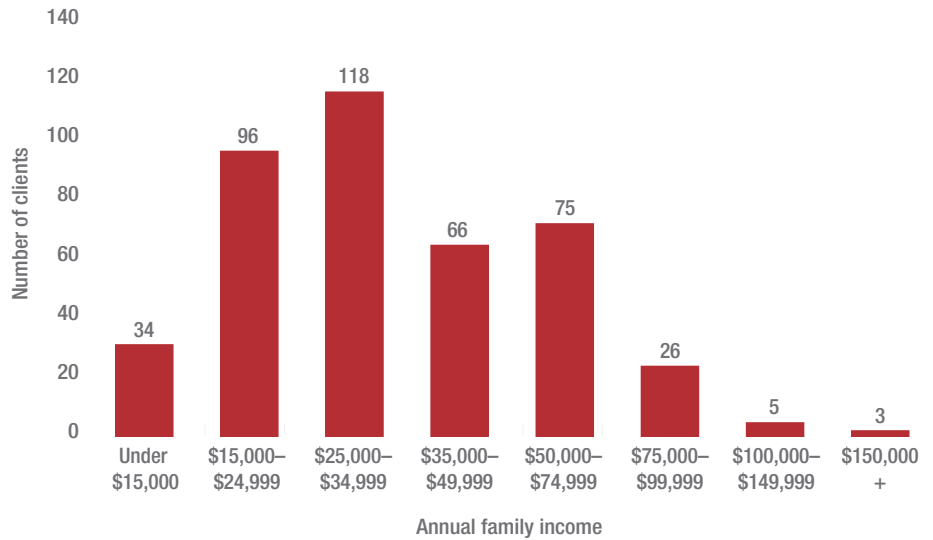
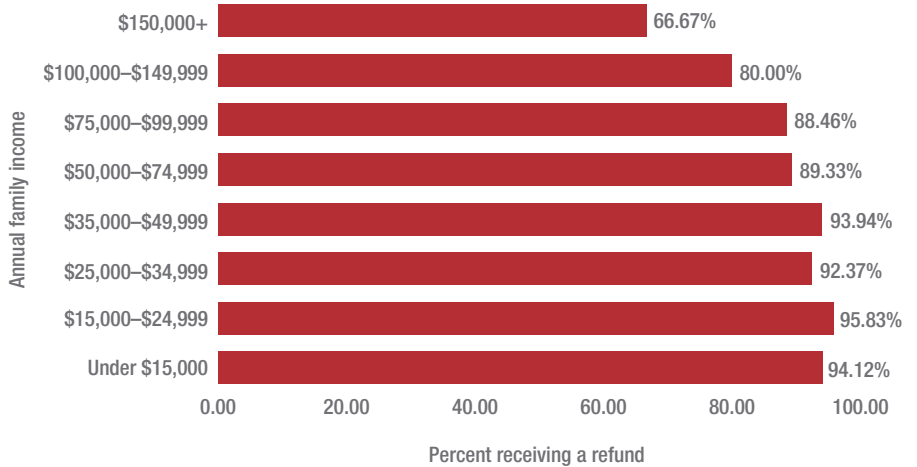


Figure 5: Percent with Refund



for associates actually remained fairly consistent from under \$15,000 to \$75,000.

The average percentage of those eligible who filed for the EITC was 33%.

Figure 8 lists some additional key metrics for the clients who had their taxes prepared as part of the Staples Tax Break program.

Figure 6: Average Refund, Overall and by Income

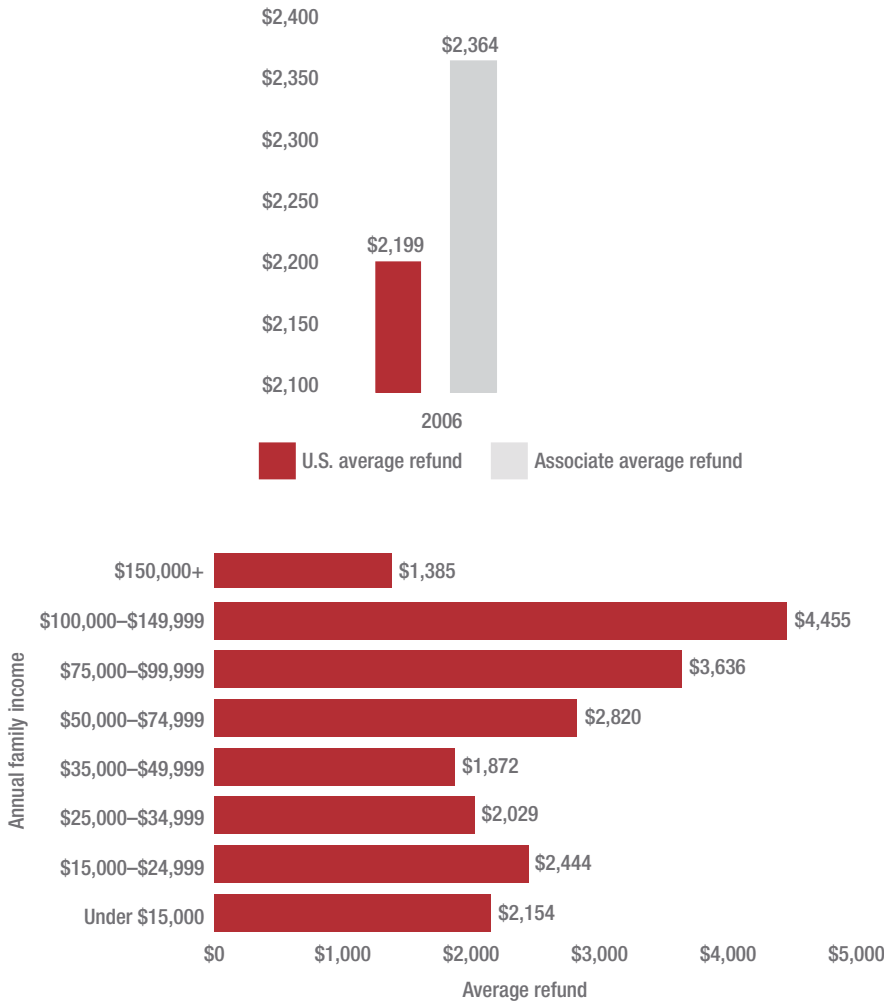


Figure 7: Percentage of EITC Filers

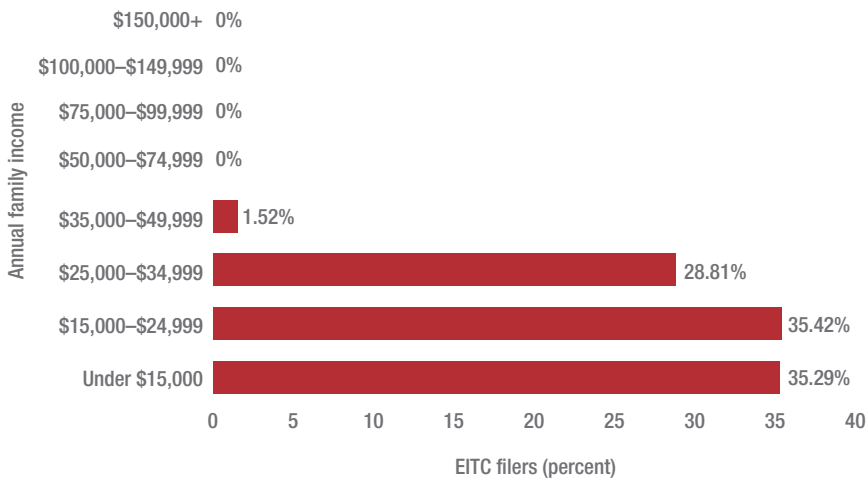


Figure 8: Client Metrics

Key metrics	Annual family income							
	Under \$15,000	\$15,000–\$24,999	\$25,000–\$34,999	\$35,000–\$49,999	\$50,000–\$74,999	\$75,000–\$99,999	\$100,000–\$149,999	\$150,000 +
Client distribution	8.04%	22.70%	27.90%	15.60%	17.73%	6.15%	1.18%	0.71%
Percent 1040A	88.24%	80.21%	61.02%	43.94%	21.33%	19.23%	20.00%	0%
Percent Easy IRA	0%	2.08%	0.85%	3.03%	0%	0%	0%	0%
Percent RAL	14.71%	23.96%	9.32%	7.58%	6.67%	7.69%	0%	0%
Percent RAC	2.94%	6.25%	4.24%	4.55%	4.00%	0%	0%	0%
Percent new clients	73.53%	52.08%	53.39%	59.09%	49.33%	38.46%	40.00%	33.33%
Average income	\$11,406	\$20,661	\$29,396	\$41,335	\$61,700	\$82,723	\$117,952	\$180,737
Average age	26	30	37	41	42	47	49	51
Percent with children	32.53%	35.42%	33.05%	42.42%	60.00%	53.85%	80.00%	0%
Average no. of children	1.73	1.44	1.56	4.46	1.84	2.29	1.50	0
Est. % home ownership	5.88%	13.54%	37.29%	45.45%	80.00%	96.15%	100%	0%
Avg. complexity 1–40	10.93	12.06	14.19	16.86	21.09	23.01	27.95	26.90

Comparison Data

In order to analyze the impact of the Staples Tax Break program, Staples was asked to track key data on the associates who participated in the first pilot of the program and on those who chose not to. The first group, the “impact group,” includes all the associates who participated in the program and gave Progress permission to use their data for research purposes. There were 426 associates who participated in the program, and of those, 364 gave Progress permission to use their data. The second group, the “control group,” consists of the associates who were offered the Tax Break program but elected not to participate. Staples had 364 associates who participated and granted permission to use their data, 62 who participated but did not give permission to use their data, and 2,654 who were offered the program but did not participate. These numbers total to the original 3,080 who were offered the Staples Tax Break program in January of 2007. Staples’ methodology for studying this type of employee benefit typifies how corporations look at these issues. Businesses might actually put more stock in Staples’ methodology than in the methods that many other researchers might have used.

The first pilot of the Staples Tax Break program ended on April 15, 2007 (the end of the 2007 tax season), and reports were generated at the end of three months (July 15, 2007), six months (October 15, 2007), and one year (April 15, 2008). Since the three-month and six-month reports (shown in Appendixes 2 and 3) are very similar to the

DEFINITION OF TERMS

Impact group	357 Staples associates who participated in the Tax Break program and gave permission to use their data for research, and for whom data were available.
Control group	2,643 Staples associates who were eligible for the Tax Break program but did not participate, and for whom data were available.
Turnover	Associates who terminated employment from Staples between April 15, 2007 and April 15, 2008 (includes all types of terminations).
Suspensions	Associates who were suspended from active employment between April 15, 2007 and April 15, 2008 who were not terminated.
FLSA status	Fair Labor Standards Act (FLSA) classification of exempt (salaried) or non-exempt (hourly)—data show percentage of associates who were promoted to salaried.
Full time/ Part time	Full time is 40 hours per week; part time is less than 40 hours per week. Data show number and percentage moved to full-time or part-time status.
Regular/ Temporary status	Regular status indicates a regularly scheduled associate; temporary status indicates an associate who is on call.
Medical plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
Dental plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
Vision plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
Supplemental life plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
Dependent life plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
Short-term disability plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.

one-year report, and since the one-year report allows for more time for change, the one-year report was used as the basis for this report.

It is interesting to note the following:

- Turnover was significantly lower in the impact group.
- Benefits participation was much higher in the impact group.

DEFINITION OF TERMS (CONTINUED)

Long-term disability plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
FSA—medical	Participation and those who joined and left the FSA between April 15, 2007 and April 15, 2008 in the impact and control groups.
FSA—daycare	Participation and those who joined and left the FSA between April 15, 2007 and April 15, 2008 in the impact and control groups.
ESPP	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
401(k) plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008 in the impact and control groups.
Scholarship plan	Participation and those who joined and left the plan between April 15, 2007 and April 15, 2008.
Sick pay	The percentage of associates who used sick time between April 15, 2007 and April 15, 2008 in both the impact and control groups.
Performance rating	The average performance score calculated for the associates who had scores.
Other notes	<p>The impact group had 26 salaried employees (7.3%) and 331 hourly employees (92.7%).</p> <p>The control group had 19 salaried employees (0.07%) and 2,624 hourly employees (99.3%).</p> <p>The impact group had 317 (88.8%) full-time and 40 (11.2%) part-time workers.</p> <p>The control group had 2,186 (82.8%) full-time and 457 (17.2%) part-time workers.</p>

Figure 9: Study Statistics (Data from April 15, 2007 to April 15, 2008)

Item	Impact group		Control group	
Participants	364 originally	357 with data	2,654 originally	2,643 with data
Turnover	63 terminations	17.6%	687 terminations	26.0%
Suspensions	1	0%	1	0%
FLSA status	0.56% to exempt	0 to hourly	0.72% to exempt	0 to hourly
Full time/Part time	2% to PT	1.7% to FT	13.5% to PT	14.0% to FT
Regular/ Temporary status	0 to temp.	0 to reg.	0.23% to temp.	0 to reg.
Medical plan participation	62% participated	38% did not	54% participated	46% did not
Medical plan	3.4% joined	12.6% left	7.0% joined	12.3% left
Dental plan participation	66% participated	34% did not	60% participated	40% did not
Dental plan	3.1% joined	14.0% left	8.1% joined	7.5% left
Vision plan participation	45% participated	55% did not	37% participated	63% did not
Vision plan	10.1% joined	10.6% left	10.3% joined	8.7% left
Supplemental life plan participation	32% participated	68% did not	25% participated	75% did not
Supplemental life plan	0.28% joined	5.0% left	1.1% joined	5.2% left
Dependent life plan participation	19% participated	81% did not	14% participated	86% did not
Dependent life plan	0.84% joined	3.9% left	0.87% joined	2.9% left
Short-term disability plan participation	76% participated	24% did not	67% participated	33% did not
Short-term disability plan	2.8% joined	15.4% left	5.2% joined	15.6% left
Long-term disability plan participation	48% participated	52% did not	41% participated	59% did not
Long-term disability plan	3.1% joined	7.8% left	4.0% joined	6.8% left
FSA—medical participation	18% participated	82% did not	9% participated	91% did not
FSA—medical	7.0% joined	3.1% left	4.2% joined	1.2% left
FSA—daycare participation	0.01% participated	99.9% did not	0.01% participated	99.9% did not
FSA—daycare	0 joined	0 left	0.04% joined	0.08% left
ESPP participation	36% participated	64% did not	30% participated	70% did not
ESPP	3.2% joined	9.8% left	7.7% joined	5.5% left
401(k) plan participation	64% participated	36% did not	51% participated	49% did not
401(k) plan	9.8% joined	8.7% left	9.3% joined	5.9% left

Figure 9: Study Statistics (Data from April 15, 2007 to April 15, 2008) (continued)

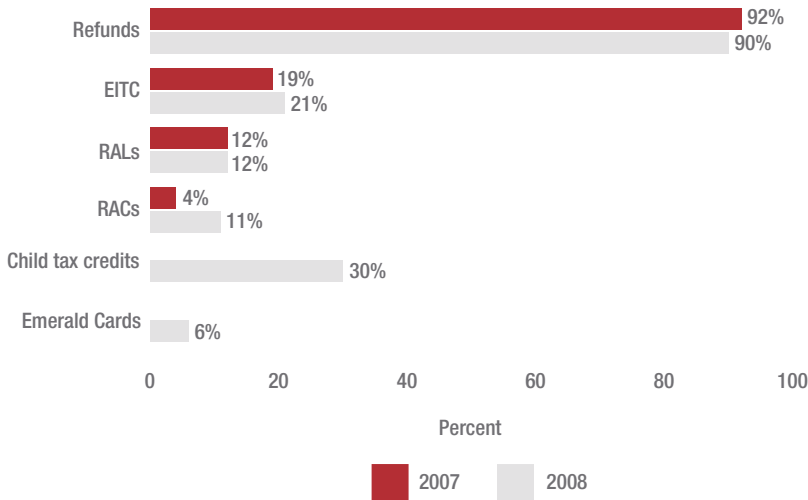
Item	Impact group		Control group	
Scholarship program	4.8% enrolled	17 associates	3.4% enrolled	90 associates
Sick pay	49% used sick	176 associates	52% used sick	1,361 associates
Staples performance rating (1–5 scale)	Avg. score: 2.58	39 assoc. rated (10.9%)	Avg. score: 2.90	199 assoc. rated (7.5%)
Age: under 40/40+	59% under 40	41% age 40+	59% under 40	41% age 40+
Male/Female	60% female	40% male	50% female	50% male
Service: Less than 5 years/5 years or more	50% less than 5 years	50% 5 years or more	63% less than 5 years	37% 5 years or more

- Generally the percentage of those joining a benefit plan was slightly lower in the impact group, except in the case of the 401(k) plan and the scholarship plan.
- The average performance score of those in the impact group was slightly lower than those scored in the control group. This would seem to indicate that the program attracted average performers, not necessarily top performers.
- The ages were very similar between groups.
- The impact group had more female associates than the control group.
- The impact group had a higher percentage of employees with longer service.

The 2008 Tax Break Pilot Results

In the fall of 2007, Progress, Staples, and H&R Block agreed to continue the pilot for the next tax season. H&R Block, which had recently gone through a major management reorganization, did not want to continue to provide free tax services. Both Progress and Staples understood that H&R Block could not provide free tax services on an ongoing basis. Therefore, it was agreed that each participant would be charged a nominal fee of \$50 for the service, and that Staples would contribute an additional \$50 per participant. It was also decided that the services would be offered at all the previous locations, with the exception of a fulfillment center in Kansas. Since H&R Block was no longer partnering with Nets to Ladders,

Figure 10: 2007-2008 Data



Note: 2007 data not available for child tax credits or Emerald Card openings.

the up-front screening program was not used, and no public benefits were offered.

The 2008 program was offered to 2,662 employees in 18 locations. The number of employees who actually had their taxes completed was 483. This represents a 30% proportional increase in the participation of eligible employees compared to the 2007 pilot. Obviously the \$50 fee did not negatively impact participation. Satisfaction with the program was again extremely high.

Of the 483 tax preparations, 433, or 90%, led to refunds being issued—about the same percentage seen in 2007. The number of EITCs generated was 101, 2% more than the year before. RALs, 60 of which were issued in 2008, remained at the same level as the year before, while the use of refund anticipation checks (RACs), 55 of which were issued in 2008, rose fairly dramatically from the previous year. On average, approximately 30% of H&R Block's clients take a RAL or a RAC. The percentage for Staples associates was 16% in 2007 and 23% in 2008.

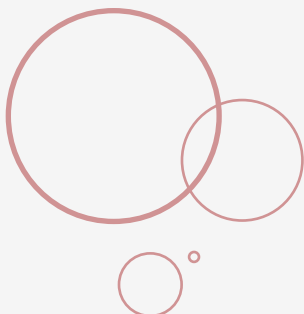


CHAPTER 3

Program Impacts



Offering an employee the opportunity to sign up for contributory benefits at tax time greatly increases the chance of uptake. Once an employee is able to start saving or improving his or her financial situation, both the company and the employee find benefits.





Does the Offering of Tax Assistance Impact Job Turnover?

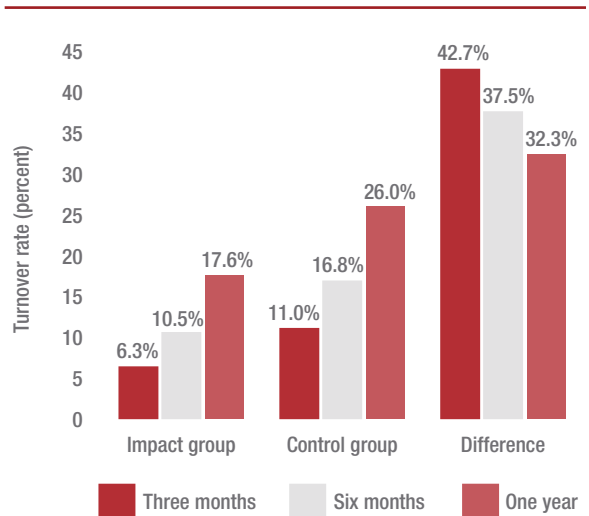
The impact on job turnover was clearly the most significant finding of the study. Turnover for those who participated in the Staples Tax Break program was 42.7% better than those who did not participate after three months, 37.5% better after six months, and 32.3% better after one year. Although it appears that the improvement in turnover seems to shrink slightly as time passes, a 32% delta after a year is truly a considerable difference. By offering the program annually, a credit union might be able to maintain this variance on a long-term basis.

This improvement in retention clearly drives the company's ability to absorb the cost of the program. Staples spent approximately \$75 per participating employee, including communication and administrative costs. It costs Staples more than \$1,500 in hiring and training costs to replace a terminated associate. The return on investment is calculated as follows:

- 1,000 employees \times 0.32 factor for retention improvement = 320 employees don't leave who would have.
- \$1,500 replacement cost per employee \times 320 employees = \$480,000 savings.
- Program offered to 1,000 employees \times \$75 per employee to provide tax and benefit bundling = \$75,000 on costs.
- Ratio of \$480,000/\$75,000 = 5.4 \times multiple as a return on investment.

The reduction in turnover applies not only to the impact group versus the control group, but also to the control group (those offered the program) versus the rest of the population, which was not offered the program. At Staples, the 2007 turn-

Figure 11: Turnover Improvement



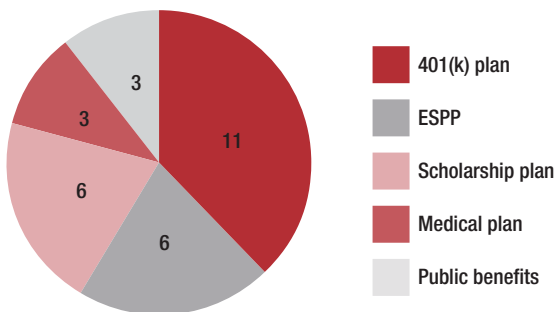
over rate for their non-exempt U.S. employees was 65%. The turnover rate for the control group was only 26%.

Does Linking the Offering of Benefits Add Value?

Linking the benefits offering to the tax preparation services clearly adds value for both the employee and the company. By offering an employee the opportunity to sign up for contributory benefits at a time when the employee can afford them (i.e., when the employee is about to receive a refund check and/or their withholding can be adjusted, which will give them additional net pay), the chances of success are greatly increased. Once an employee is able to start saving or improving his or her financial situation, both the company and the employee find benefits. Value to the employee is increased as follows:

- Long-term savings—An employee begins to save long-term through participation in a 401(k) plan. This is a major step in the financial stability of a low-income individual. Not only is the employee contributing, but the company is usually matching some portion of what is being deposited. Eleven employees enrolled in the 401(k) plan.
 - Short-term savings—The employee has an opportunity to establish some short-term savings through participation in the ESPP. With a six-month offering period and a 15% discount on top of the lowest price at either the beginning or the end of the offering period, the employee can sell stock right at the end for an immediate gain, or hold it for a longer term. Six employees enrolled in the ESPP.
 - Financial protection—The employee has an opportunity to obtain medical insurance at a low cost through a company group plan that is usually subsidized by the company. Staples pays 75% of the premium. Three employees enrolled in the medical plan.
- Increased net take-home pay—The employee can learn about and participate in an FSA, which allows the employee to pay for medical or child care expenses with pretax dollars. No employees enrolled in the flexible spending account.
- Continuing education—The employee can sign up for the company scholarship program and continue their education with the company covering some or all of the costs. Staples provides the program to both full- and part-time employees and reimburses

Figure 12: Benefit Enrollments



expenses based on length of service. Six employees enrolled in the scholarship program.

- Child care services—A state-provided public benefit that assists low-income individuals with child care. One employee enrolled in child care services.
- Energy assistance—A federally funded, state-administered public benefit that assists low-income individuals with energy costs. Two employees enrolled in energy assistance.

A company or credit union offering tax assistance with linkage to benefit enrollments will incur added value as follows:

- Reduced turnover—As employees begin to build savings and financial stability, they become very loyal to the company that helped them do it. They begin to realize that their job is helping them build a good, strong future. They begin to take a real interest in doing their job well and in the company as a whole.
- Improved morale—As loyalty increases, so does morale. The better employees feel about themselves, the better they feel about the company they work for, especially if that company has programs and benefits to assist them.
- Increased productivity—Productivity naturally increases with higher morale and lower turnover.
- Better customer service—Staples attitude survey studies clearly show a strong correlation between customer service and morale. A company that improves its morale will improve the interaction between employees and customers.
- Ability to attract good talent—One of the best ways to attract good talent is through the word of mouth of current employees, especially those who have improved themselves through their experience with the company and their benefits.

Benefits are extremely important to today's American workers. A white paper from Alliant Credit Union and the International Society of Certified Employee Benefit Specialists regarding American workers found that:

- American workers are struggling to get ahead financially and they're looking to their employers for help.
- Employer benefits such as health and retirement plans are seen as important, but primarily for future rather than present needs. Many employees have financial needs that require assistance in the "here and now."
- Employees with financial concerns spend significant work time dealing with personal financial matters.

- Although employees are generally pleased with their income levels, they can't seem to save money or get ahead financially. In fact, more than 50% describe themselves as living from paycheck to paycheck. Less than 20% consider themselves to be financially secure.
- More and more workers are financially strained by increasing credit card debt.
- Employees generally feel they lack knowledge about handling money.
- 81% do not feel financially secure.
- 88% carry monthly debt they must address.
- 75% express the need to save more money.
- 55% live paycheck to paycheck, with only the equivalent of one or less of their paychecks in the bank to handle any financial emergencies that may come their way. (Kane 2008)

Therefore, not only is it important to enroll employees in basic benefit plans like medical and dental insurance, pension or 401(k), and life insurance, but employers should also be adding some sort of financial planning program to assist employees with their financial issues. The Alliant study also indicates that while basic benefits plans are readily available, financial planning or assistance is practically nonexistent. A great way to move into the financial planning area is to begin assisting employees with their taxes. The Alliant study states that “employers who lack the types of programs that address their employees’ desire for financial services and education will see a reduction in employee productivity and engagement. A worker with financial problems spends 15 minutes per work day dealing with personal financial matters. This equates to 75 minutes per week, or 62.5 hours in a 50-week work year” (Kane 2008).

Correlation of Tax Assistance to Enrollment in Company Benefits

As Figure 13 shows, not only was there a higher rate of participation in the 401(k) and ESPP benefits among those who participated in the Tax Break program (the impact group) versus those who did not (the control group), employees who had their taxes prepared had a higher participation rate across all the benefit plans.

Figure 14 shows the percentage difference between the impact group and the control group. For example, the 401(k) plan had 64% participation in the impact group and 51% participation in the control group; the difference is 13%, which is 25% greater.

Figure 13: Benefits Participation

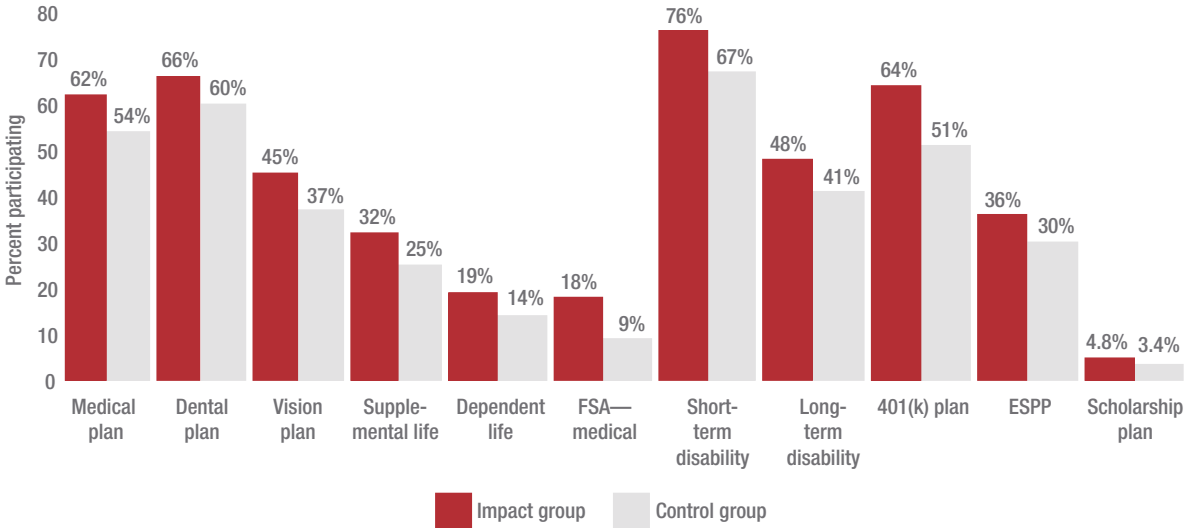
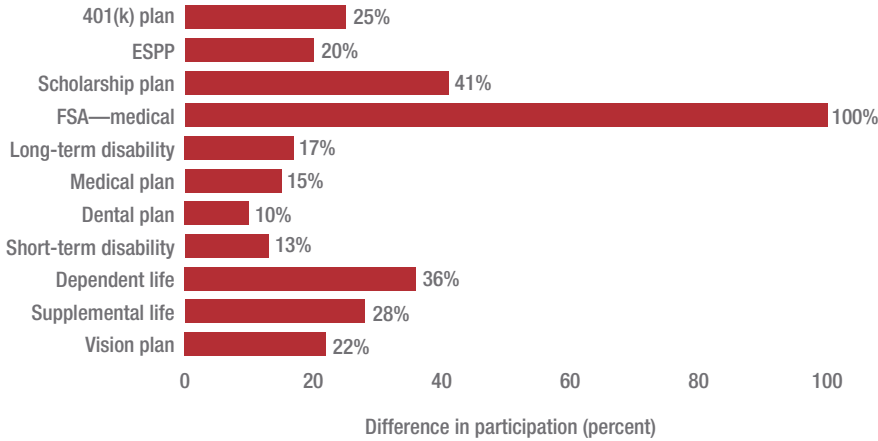


Figure 14: Percent Difference in Participation

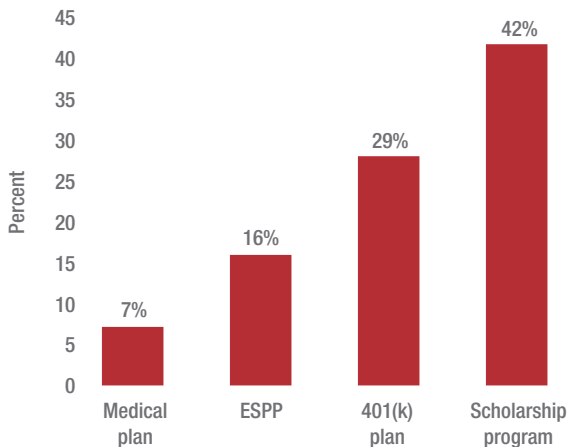


The medical FSA, which is the least understood plan, had the greatest percentage difference in participation, with the impact group showing a 100% improvement in participation.

The next largest percentage change was the scholarship plan, with the impact group showing a 41% improvement in participation.

Another way to portray the data is to simply show the change within the impact group. The increase in enrollments is significant versus

Figure 15: Increase in Enrollment



those already enrolled in the plans. Of the 101 individuals screened for benefits:

- 42 were already enrolled in the medical plan; 3 new enrollments equals a 7% increase.
- 36 were already enrolled in the ESPP; 6 new enrollments equals a 16% increase.
- 37 were already enrolled in the 401(k) plan; 11 new enrollments equals a 29% increase.
- 14 were already enrolled in the scholarship program; 6 new enrollments equals a 42% increase.

Does Linking the Establishment of Savings Accounts Impact

the Percentage of Low-Income Employees Who Sign Up for New Accounts?

While Progress was not able to test savings account openings at Staples, we know that as part of a project in Tennessee during the 2008 tax season, Nets to Ladders was able to open savings accounts for more than 7% of low-income participants in a tax preparation program. The component of this project that led to such success was the use of SavingsPoint, a product produced by Peter Tufano, Danny Schneider, and Doorway to Dreams (D2D) for use after people have their taxes completed and at other times.

When employees participated in the program, their participation in 401(k), medical flex spending, and scholarship plans increased. An additional component of the program enabled 7% of employees to open a savings account.

The normal process at a VITA center is to simply complete tax forms. In some cases, low-income participants are encouraged to go to a different table at a VITA site to open a savings account after they have completed their taxes. Our experience at these VITA sites is that approximately 1% of participants open an account as they move from table to table. Most simply leave the premises and show little interest in the accounts, even though a high percentage of the participants have no savings accounts.

On the other hand, when SavingsPoint is used, participants often stay at the same table or their information is transferred electronically to another table, where the process of opening an account can be simplified by the pre-population of account applications. When the participant's taxes are completed, the SavingsPoint software is employed. This process greatly simplifies the opening of accounts.

Does It Make Sense for a Credit Union to Provide At-Work Tax Assistance?

It makes a lot of sense for a credit union to offer a tax assistance program like Tax Break. First and foremost, from a cost standpoint, the program more than pays for itself when taking into consideration the savings from reduced turnover that the program can achieve. A very high (5.4 multiple) return on investment was achieved at Staples. In addition, Staples is convinced that the program improved morale, increased productivity, had a positive impact on customer service, and increased the company's ability to attract good talent. It also serves to differentiate Staples from its competition.

A 2002 colloquium at the University of Wisconsin-Madison titled "Financial Stress and Workplace Performance" (see Appendix 4) found that

Employee financial stress has a tremendous impact on employer profitability, affecting not just direct productivity levels but also internal dishonesty, absence, accidents, substance abuse, disability and worker compensation claims, and future legal liability. There is an enormous opportunity to improve employer bottom line results through credit union–employer relationships that reduce employee financial stress . . . Dollar cost to an employer for an employee who is stressed about money matters is \$400 annually, according to one award-winning study, primarily in work time wasted and absenteeism. Other studies show that 15% of employees are so stressed about money that it affects their productivity, and that percentage rises to 20%–30% for employers whose wages are below average . . . Credit unions are in a unique position to work with their sponsoring organizations to reduce employee financial stress and increase workplace performance . . . Credit unions offer products and services that can be effective in helping to alleviate financial stress. They also have the means to distribute these products to the people who need them. Member behaviors often change when they start to accumulate savings. Other Filene studies have found that savings is often a key factor in reducing financial stress, even for low-income households. (Garman and Fried 2008, 1–8)

By assisting employees with their taxes and encouraging them to invest their refunds into benefits or savings accounts, credit unions

can improve their own bottom line results and those of the employers they serve.

The advantage to an employee is also important. First, the discounted tax service is a real perk; at Staples, even in the second offering when the charge to the employee was \$50, the discount alone was worth at least \$100, since the service would normally cost \$150. Second, our researchers found that the average amount an employee received in found credits or other tax advantages was \$522. Just being associated with employees receiving an average refund of \$2,364 was important to the company. It is understandable that a firm might want to associate themselves with the biggest payment most of their employees receive in any given year.

A local credit union (one with offices in a single metropolitan area) could use tax preparation volunteers from a local college or university

or from a local agency or non-profit organization involved in helping low-income individuals with their taxes. Once the taxes are complete, the tax preparer could discuss the credit union's

See Appendix 1 for a simple step-by-step guide to setting up a tax assistance program for a credit union using volunteers.

benefit plans, if properly trained, or refer the individual back to the credit union to discuss the benefits. Even a credit union located in more than one metropolitan area may want to pursue this method of providing the services. See Appendix 1 for a simple step-by-step guide to setting up a tax assistance program for a credit union using volunteers. Visit the online appendix at filene.org/publications/detail/hoffmire for a brief survey that will help you measure the success of your program and provide you with important feedback.

A credit union that is spread out over many geographical areas would need to establish a partnership with a national tax services provider.

How-To Guide for Credit Unions

The following guide outlines 15 steps that a credit union can take to offer their employees or select employee groups tax assistance.

- Step 1** Determine which employees (hourly paid only or do you want to include some salaried level employees) and at what locations you wish to offer the tax assistance.
- Step 2** Decide which employer benefits, if any, you wish to enroll employees in following the tax preparation (e.g., 401(k), FSAs, health care).
- Step 3** Determine whether employees will be paid for time spent having their taxes done or whether appointments will be scheduled during lunch or after work.
- Step 4** Project how many employees will sign up for the tax preparation service by location (Staples projected 20% participation and had 16% in 2007 and 18% in 2008).
- Step 5** Determine your source of tax preparation professionals (volunteer vs. paid). If internal employees are used, try not to assign an employee to his or her immediate supervisor.
- Step 6** Recruit qualified volunteers (some with appropriate foreign language skills) and insure they are well trained (internal volunteers can use the online IRS training program for volunteers).
- Step 7** Determine how you want to schedule the appointments. Staples used a Web site, but even a simple sign-up sheet would work, depending on the size of the location and the number of employees eligible.

More information regarding Web site development, sample marketing materials, and a sample survey are available in the online appendix at filene.org/publications/detail/hoffmire.

- Step 8** Develop a rough plan of how many volunteers are needed at each location, where they will be stationed, and who will supervise and/or coordinate them.
- Step 9** Insure that the appropriate equipment is available for each volunteer (e.g., computer, printer, software, paper).

- Step 10** If you decide to promote enrollment in benefits following the tax preparation, you will need to prepare enrollment materials and train the people who will do the enrollment (the tax preparer or an HR representative).
- Step 11** Prepare a list of what employees should bring to the tax preparation appointment and include it in the communication materials.
- Step 12** Develop communication materials—posters, tent cards, e-mails or flyers, payroll stuffers, and newsletters describing the program and process—and publicize the program.
- Step 13** Prepare a brief survey and/or focus groups to get feedback from those who participate in the program.
- Step 14** Finalize decisions such as who will coordinate the program at each location; insure that a final schedule is completed, that volunteers are notified of the schedule, that all equipment is in place, and that arrangements for volunteers' lunch, parking, and transportation have been made.
- Step 15** Implement the program and collect the surveys or conduct the focus groups to summarize the feedback and determine best practices.

Staples Tax Break Three-Month Comparison Report (Data from 4/15/07 to 7/15/07)

Item	Impact group		Control group	
Participants	364 originally	364 with data	2,654 originally	2,654 with data
Turnover	23 terminations	6.3%	291 terminations	11.0%
Suspensions	0	0%	5	0.19%
FLSA status	0.28% to exempt (1)	0 to hourly	0.11% to exempt (3)	0 to hourly
Full time/Part time	0.55% to PT (2)	0.82% to FT (3)	1.1% to PT (28)	1.3% to FT (34)
Regular/Temporary status	0 to temp.	0 to reg.	0.08% to temp. (2)	0 to reg.
Medical plan	4.1% joined (15)	5.5% left (20)	8.0% joined (213)	4.4% left (116)
Dental plan	4.4% joined (16)	5.2% left (19)	8.1% joined (214)	4.4% left (116)
Vision plan	10.7% joined (39)	4.1% left (15)	11.6% joined (309)	3.9% left (104)
Supplemental life plan	0.55% joined (2)	1.6% left (6)	1.2% joined (31)	1.7% left (45)
Dependent life plan	0.82% joined (3)	1.1% left (4)	0.72% joined (19)	0.98% left (26)
Short-term disability plan	3.0% joined (11)	3.6% left (13)	6.5% joined (172)	5.4% left (142)
Long-term disability plan	3.6% joined (13)	1.9% left (7)	5.0% joined (132)	2.4% left (63)
FSA—medical	7.8% joined (28)	1.9% left (7)	4.6% joined (121)	0.90% left (24)
FSA—daycare	0 joined	0 left	0.11% joined (3)	0.07% left (2)
ESPP	6.6% joined (24)	1.1% left (4)	5.1% joined (136)	1.8% left (48)
401(k) plan	5.2% joined (19)	0.55% left (2)	3.8% joined (101)	1.8% left (47)
Sick pay	42% used sick last year	25% 4/15 to 7/15	43% used sick last year	26% 4/15 to 7/15
Staples performance rating (1–5 scale)	Avg. score: 2.75	41 assoc. rated (11.3%)	Avg. score: 2.89	155 assoc. rated (5.8%)
Age: under 40/40+	62% (224) under 40	38% (140) age 40+	61% (1,612) under 40	39% (1,042) age 40+
Male/Female	60% female (220)	40% male (142)	50% female (1,337)	50% male (1,317)
Service: 0–5 yrs/5+ yrs	50% < 5 years (181)	50% > 5 years (181)	65% < 5 years (1,736)	35% > 5 years (913)

Staples Tax Break Six-Month Comparison Report (Data from 4/15/07 to 10/15/07)

Item	Impact group		Control group	
Participants	364 originally	362 with data	2,654 originally	2,649 with data
Turnover	38 terminations	10.5%	444 terminations	16.8%
Suspensions	0	0%	4	0.15%
FLSA status	0.28% to exempt (1)	0 to hourly	0.38% to exempt (10)	0 to hourly
Full time/Part time	0.83% to PT (3)	1.4% to FT (5)	1.4% to PT (368)	1.3% to FT (356)
Regular/Temporary status	0 to temp.	0 to reg.	0.08% to temp. (2)	0 to reg.
Medical plan	3.3% joined (12)	8.3% left (30)	8.0% joined (212)	7.6% left (202)
Dental plan	3.3% joined (12)	8.8% left (32)	8.1% joined (214)	7.4% left (196)
Vision plan	9.7% joined (35)	6.9% left (25)	11.5% joined (305)	6.0% left (158)
Supplemental life plan	0.28% joined (1)	3.9% left (14)	1.4% joined (37)	3.4% left (90)
Dependent life plan	1.1% joined (4)	2.5% left (9)	0.79% joined (21)	2.0% left (52)
Short-term disability plan	2.5% joined (9)	9.1% left (33)	6.5% joined (173)	9.8% left (261)
Long-term disability plan	3.6% joined (13)	5.5% left (20)	4.8% joined (127)	4.2% left (112)
FSA—medical	7.5% joined (27)	2.5% left (9)	4.5% joined (120)	1.0% left (27)
FSA—daycare	0 joined	0 left	0.08% joined (2)	0.08% left (2)
ESPP	5.5% joined (20)	4.4% left (16)	4.6% joined (121)	3.0% left (80)
401(k) plan	6.6% joined (24)	5.0% left (18)	5.7% joined (152)	3.2% left (86)
Scholarship program	3.9% enrolled	14 associates	3.3% enrolled	88 associates
Sick pay	42% used sick last year	31% 4/15 to 10/15	43% used sick last year	31% 4/15 to 10/15
Staples performance rating (1–5 scale)	Avg. score: 2.74	42 assoc. rated (11.6%)	Avg. score: 2.89	173 assoc. rated (6.5%)
Age: under 40/40+	61% (222) under 40	39% (140) age 40+	61% (1,608) under 40	39% (1,041) age 40+
Male/Female	60% female (220)	40% male (142)	50% female (1,335)	50% male (1,314)
Service: 0–5 yrs/5+ yrs	50% < 5 years (181)	50% > 5 years (181)	65% < 5 years (1,736)	35% > 5 years (913)

Excerpt from Filene Report “Financial Stress and Workplace Performance: Developing Employer-Credit Union Partnerships”

The financial problems of employees cause untold hardship monetarily, emotionally, and physically. These money problems affect both employees and employers, reducing productivity, increasing absenteeism, and ultimately affecting employer profitability. To combat a serious drain on workplace productivity, employers can provide incentives for employees to attain financial wellness.

Credit unions can become partners in this effort by participating with their sponsoring organizations in educational programs and interventions designed to improve employee financial wealth-building and coping skills, and assist households needing help to remediate poor financial habits. In a program designed to address these issues, the Filene Research Institute and the Center for Credit Union Research conducted a colloquium with funding from the National Credit Union Foundation, under a grant from the Ford Foundation. The colloquium brought together top researchers in the field and credit union executives to discuss practical approaches to the problem.

The colloquium found that:

- As employees gain control of their financial lives, they become more competent on the job. As the interrelatedness of financial affairs and personal problems is recognized and confronted, both employers and employees benefit.
- As many as one-third of all employees are stressed by personal finance problems, and half of those individuals are so impaired that job performance is affected.
- Employee financial stress has a tremendous impact on employer profitability, affecting not just direct productivity levels but also

internal dishonesty, absence, accidents, substance abuse, disability and worker compensation claims, and future legal liability.

- There is an enormous opportunity to improve employer bottom line results through credit union–employer relationships that reduce employee financial stress. Through these relationships, every participant benefits: the employer, the employee, and the credit union. The result is a win–win–win outcome.
- A successful credit union–employer partnership may include a number of key components:
 - Structured asset accumulation programs.
 - Financial education sessions.
 - Payroll savings plans.
 - Financial counseling or referral to counseling services.
 - Targeted-purpose savings accounts.
- One comprehensive study of behavioral health disability management found that stress is the second most frequent occupational disease in the workplace, following only musculoskeletal disorders such as back problems and carpal tunnel syndrome.
- Programs such as 401(k) plans protect income in the long term, building equity and assets for retirement. IRA programs also supplement income at a time in life when salary income must be replaced by savings and other financial instruments. However, there's also a need for short-term money, to buy a new car, pay tuition expenses, or replace a furnace. These are two different components of the employee's financial life, and they are both critical to long-term success.

Creating Employee Wellness

Employers can increase their profitability by helping all employees throughout their working careers and retirement with comprehensive workplace financial programs. There is a close relationship among employee financial health, employee productivity, and employer profitability, suggesting that both parties need to achieve their financial goals in order to succeed.

Financial education leads to greater employee awareness of financial control, and therefore fewer financial worries, less stress, better health, and stable personal lives. Employee financial education also results in greater employee awareness and utilization of the company's benefit program and its total compensation package. The result is less absenteeism, fewer accidents, less job turnover, lower benefit costs, and higher profits. Perhaps most important, employees who are financially secure are also better able to learn, change, and grow with the company. When employers realize that employee financial

problems result in lower production, they see that it is more expensive to ignore money problems than to confront them.

Employer profits are negatively impacted by employees who carry the stress of financial problems onto the job. This cost can be substantial. Dollar cost to an employer for an employee who is stressed about money matters is \$400 annually, according to one award-winning study, primarily in work time wasted and absenteeism. Other studies show that 15% of employees are so stressed about money that it affects their productivity, and that percentage rises to 20%–30% for employers whose wages are below average.

Study after study shows that a credit counseling and debt management program improves employee financial wellness and job productivity, including the quantity and quality of employee performance and the supervisor's rating of employees. Participants enjoy better health and fewer concerns about health problems. Employer job outcomes also improve, with decreased absenteeism and less work time used for personal financial matters.

To create effective credit union/sponsor partnerships, the credit union must obtain the support of top management by making a compelling case for employee financial wellness programs. If the chief executive officer, chief financial officer, human resources vice-president, and director of compensation and benefits all become champions of the cause, success is guaranteed.

Best Practices in Financial Counseling Programs

A model of a successful financial counseling program includes an inventory of the resources available to assist employees in need of help, assessment of the situation, education in sound money management practices, and intervention to implement a plan. Programs that follow this model give clients a sense of control that helps to improve their quality of life as they learn to adapt to their financial environment.

A cost–benefit analysis of financial counseling programs reveals benefits and costs to each of the parties involved in the program: the employee, the employer, and the credit union.

- *Employer benefits:* Financial health produces greater concentration, creativity, and productivity by employees. Improved financial health reduces the number of employees experiencing problems with money, problems that often affect job performance. As employees gain control of their financial lives, they become more competent on the job.

- *Employer costs:* The employer bears the cost of maintaining the service and must be confident that the cost of counseling will be less than the cost of wage garnishments and assignments. There are also costs involved in overhead, equipment, and utilities for housing the financial counseling service as an independent department or entity.
- *Employee benefits:* Employees gain a better sense of self-confidence and control of their financial lives through counseling. Clients typically expect more from financial counseling than simple credit repair. Counseling helps to fulfill dreams and meet goals for clients, because it gives them the information they need to manage their financial lives. Financial counseling assists clients in the creative use of their resources to change behavior.
- *Employee costs:* The employee must be willing to take the time required to meet with the financial counselor, the time required to gather appropriate information, and provide that information to the counselor. If the employee is taking time off work to do that, it must be balanced against the benefits received through counseling.
- *Credit union benefits:* For the credit union, a financial counseling program fulfills and demonstrates the credit union philosophy of people helping people to help themselves. It reduces the risk of costly loans, ineffective loans, and bad loans. A financial counseling program can also promote the use of more credit union products and services by members and create long-term member loyalty. It can enhance credit union service at relatively low additional cost.
- *Credit union costs:* The credit union incurs costs in setting up a counseling program, including the cost of training personnel to staff the service. Costs include both staff training time and the materials needed to support the program. Once the program is initiated, the credit union can also expect to incur the cost of advertising and marketing, along with continued training for its counselor or counselors.

In considering best practices for financial counseling programs, credit unions need to establish criteria to give them standards for a professional practice. These standards are most likely to change behavior, handle crisis situations, and optimize resources.

Personal Financial Stress, Depression, and Workplace Performance

Stress and depression take a toll on both the health and the workplace performance of employees. To overcome the stigma attached to these illnesses, employers and health care professionals need to work

to make people comfortable with the idea of seeking help. Stakeholders also need to find ways to get involved early and prevent and identify these disorders, because they take a terrible toll on the physical, emotional, and financial health of society.

As American business changes its methods of operation, mergers, reorganizations, and layoffs have increased psychiatric disability claims among employees. In a survey of companies that recently experienced mergers involving layoffs, the American Management Association found a 33% higher claim incidence for mental and nervous disorders in those companies. Another study of companies that eliminated jobs during a five-year period reported increases in seven of eight disability categories.

The stigma attached to mental health problems causes many people who are at risk to avoid seeking help until a crisis occurs. The economic burden of depression is enormous. The cost of pharmaceuticals alone is over \$1B each year, and the total cost of treating depression adds up to a staggering \$43.7B each year, including inpatient psychiatry, outpatient psychiatry, and hospital treatment. More than half the total cost is in absenteeism and decreased productivity. Billions of dollars are being lost on the job to these problems.

Major workplace productivity losses due to depression include absenteeism and presenteeism—employees who may be at work but mentally distracted. In one study of 1,000 individuals with depression disorders, about two hours of each work day were lost due to the disease. Illnesses such as heart disease incur large front-end medical costs, but over the long term they are not as expensive as depression disorders in terms of lost productivity.

One study of 46,000 employees at six large corporations concluded that high stress generates an annual per-employee cost of \$136 in health care costs for the disorders studied. Much of these costs is the result of modifiable risk factors, things that can be changed through employee assistance programs and referrals, as well as financial support and counseling. The implication is that productivity loss can be managed over time. What's required is a comprehensive, holistic approach that looks at how each employee uses various employer benefits and programs.

How Can Credit Unions Help?

Credit unions are in a unique position to work with their sponsoring organizations to reduce employee financial stress and increase workplace performance. They possess the resources and expertise to address employee financial problems, thereby reducing financial stress and increasing on-the-job performance. Everybody wins when employee financial problems are solved. The employer maximizes

return on its human resource investment. The employee grows in terms of confidence and self-worth. The credit union builds goodwill and fosters its reputation as a value-added partner to both employer and employee.

Credit unions offer products and services that can be effective in helping to alleviate financial stress. They also have the means to distribute these products to the people who need them. Member behaviors often change when they start to accumulate savings. Other Filene studies have found that savings is often a key factor in reducing financial stress, even for low-income households. Savings give employees the resources to deal with financial crises. In cooperation with the employer, the credit union can provide education, access to short-term emergency savings programs, savings accounts to meet recurring regular expenses, and IRA accounts.

An effective financial wellness program includes a number of key elements, including:

- Education on personal financial management subjects.
- Short-term savings for emergencies.
- Long-term savings through programs such as 401(k) and IRA contributions, and education on their effective use.
- Consumer credit counseling to intervene in crisis situations.
- Support from both the employer and the credit union.

Credit unions can offer members financial education on intelligent consumer behavior and decision making. Employee income does not necessarily correlate with money management skills, and employees at every income level are likely to benefit from financial education programs. The credit union can also provide advice specific to the particular financial situation of its members.

Whether the situation involves a crisis or simply a deterioration of the employee's financial status, counseling can change the direction of the employee's financial fortunes. Counseling programs can reduce loss to the credit union, improve employee performance on the job, and increase production and profitability for employers.

When the credit union–sponsor relationship is strengthened, the credit union can expect to achieve greater membership penetration. An employer that's excited about the benefits of credit union participation is more likely to present membership to its employees in a positive manner, through new employee orientation programs and on-site employee seminars. A partnership can also garner a greater share of wallet. As the relationship between the employee/member and the credit union develops, the credit union is likely to have

access to a greater share of the employee's present and future financial life, on both the deposit and loan sides of the ledger.

An employee financial wellness program can also reestablish credit union–employer relationships. In some cases, the relationship between the credit union and the sponsoring organization has become strained, or even lost. This is due to a variety of factors, including plant shutdowns, expanded fields of membership, and other factors.

Through financial wellness programs, credit unions can demonstrate their social role to sponsors, and their uniqueness in the financial services community. And if the credit union is perceived by the employee/member as the instrument that helps them fix a stressful situation, a lifetime of goodwill is built.

A key component in building partnerships with sponsoring organizations is educating senior sponsor executives. The services the credit union provides to its members are important components of the employer's overall service to employees. For example, when legislators and regulators ask sponsoring companies what they are doing to make employees' lives better, credit union services are a significant part of a positive answer. There's tremendous value-added by traditional credit union services, and senior management needs to be made aware of this value-added. When the credit union builds awareness on the part of senior executives, they become its champions in the community.

The relationship with a credit union is more than an employee benefit. It is also a value to the corporation. The relationship with the credit union can significantly reduce sponsor costs and improve the bottom line. The corporation sees value in its major business partnerships and should be convinced to regard the credit union in this same way. The company needs to see the credit union as another way to enhance its own profitability.

1. Public benefits include federal or state programs such as child care, health care, and home heating assistance.
2. Private benefits include employer-specific programs like tuition reimbursement and 401(k) matching programs.
3. An Emerald Card is a cash card designed to hold the tax refund. There are no startup or maintenance fees, and employees can load their refunds directly onto the card, like a savings account. Clients can add funds throughout the year, use the card anywhere MasterCard is accepted, and take out money from participating ATMs. The card's balance is protected by the FDIC.

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