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Making a business case for domestic partner benefits

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Generous perks have long helped employers hire and keep some of their best workers. But can a company also use its benefit offerings to reach out to its customers?

The gay workforce, and its spending clout, hasn't gone unnoticed by corporate America.

In the past decade, a raft of social, political and legal winds has swept the issue into boardrooms nationwide. At least 8,250 companies offered domestic partner benefits last year, according to a recent report by the Human Rights Campaign. That's up from just 21 companies in 1989 when the group began tracking them.

"Employers don't want to be left out of the party," says Darryl Herrschaft, deputy director of Human Rights Campaign workplace project, which tracks companies that provide benefits for gay partners. "Businesses make decisions on dollars and cents. More than 10 years ago, it's easier to identify the gay market and put a number on their buying power. Everything is more quantifiable today."

Changes in the workplace

In 1996, just a scattering of large companies offered domestic partner benefits when the Walt Disney Co. prompted a boycott from religious conservatives for providing health coverage to employees' gay partners, among other things. Today, roughly 230 of Fortune 500 companies offer partner benefits. The American Family Association quietly conceded the issue when they ended the Disney boycott in May, saying that domestic partner benefits was "almost a lost cause with so many Fortune 500 companies offering it."

"We don't concede it 100%," says Randy Sharp, director of special projects at the American Family Association. However, he adds, domestic partner benefits "is the gateway to the full-fledged support of gay rights."

Earlier this year, NCR Corp.'s shareholders overwhelmingly rejected a proposal to drop benefits for partners of executives earning more than \$500,000. It marks the fifth shareholder proposal and just the second to make it to a vote in five years, Herrschaft says.

Larger companies are more likely than smaller ones to offer domestic partner benefits, Herrschaft says. Nearly three-quarters of Fortune 50 companies provided options for domestic partner health benefits in 2004, compared with 69% of Fortune 100 companies and 58% of Fortune 250 firms.

"Although the benefits themselves don't cost a lot," he says, the larger companies are "just going to have the bandwidth to be able to implement and administer them."

Of companies that offer partner benefits, some 95% of employers offer them to same-sex and opposite-sex partners, while 5% offer the benefits only to same-sex partners. Companies providing partner benefits cut across all industries and regions, Herrschaft says.

"It's a good business decision to provide a safety net for employees' partners at home so they can concentrate more fully on their jobs," he says.

Marketplace impact

"Gay people themselves are more visible as well as more honest about who they are and how traditional benefit plans haven't served them well," Herrschaft notes, to explain the surge in companies adding benefits for gay partners.

But gay-friendly policies also extend into the marketplace, Herrschaft says. He cites marketing research that shows the gay market projected at \$610 billion this year. Companies must adopt progressive domestic partner policies if they want to be viewed as supportive of gay causes in order to enter that market, he says. Gays today are more likely to look at company policies, disseminate information to other gays and demand so-called equal treatment to benefits for partners, he says. "Fair workplace policies are essential to success in the marketplace."

A week after ending the Disney boycott, the American Family Association called on religious conservatives to boycott the Ford Motor Co. for reaching out to gay consumers through ads and contributions to advocacy groups. Sharp says the boycott has little to do with the company's benefit offerings to gay partners, but it doesn't help either.

"Domestic partner benefits are no longer a single issue that would prompt a boycott of a company because there are so many of them that do that," he says. But he calls same-sex benefits "prohibitively expensive" and says they "increase costs across the board for all employees."

A recent study by Hewitt Associates disputes that allegation. Less than 1% of workers opted to enroll their same-sex spouses in Massachusetts even after same-sex marriage was legalized in the state two years ago.

J.D. Piro, chairman of the health law group at Hewitt, says the major driver of health care costs for many employers are triggered by women of child-bearing age because of maternity expenses. For "obvious reasons," he says that's not a factor for gay couples.

"It's no more expensive, and most likely less expensive than spouse coverage, but it's an additional cost," Piro says.

Generally, cost has little to do with employers' decision to offer the benefits, he says. "Companies offer domestic partner benefits to attract the best employees they can to be the most competitive in the industry."

According to Hewitt's survey, more than one-half of 281 companies surveyed offered domestic partner benefits, up 36 percentage points, from about one-fifth of companies five years ago.

"Five years ago, we could have predicted this trend," Piro says. "Employers are continuing to do what's necessary to attract the employee they need. This is just one tool in the tool box to do so."

On the legal front

The Human Rights Campaign's Herrschaft says that just 2% to 3% of eligible workers nationwide elect coverage for their gay partners. In same-sex households, couples are more likely to have dual incomes and therefore be covered through their own

employers. Also, same-sex benefits are still taxable under federal codes and in most states, so many eligible employees forego enrollment.

Many large, multi-state employers continue to use domestic partner benefits to keep a uniform company-wide policy even for offices in Massachusetts and Vermont, where same-sex marriage was legalized in a 2003 court decision. The legal decision did little to change employer or employee behavior in switching to same-sex spouse benefits. But the ruling had significant social and political implications.

"It made people sit up and take notice that if they didn't offer benefits already, this was a good reason to do so," Herrschaft says. Having a framework in place just prepares for possible employee transfers, relocations and generally keeps ahead of the legislative and litigation curve, he says.

Another reason to move to equal benefits, he says, is that California and 10 other cities and counties require companies doing business with those governments to offer benefits for domestic partners if they also offer them to spouses. In New York, the law requiring companies contracting with the city to provide so-called equal benefits was struck down this spring. But Herrschaft says the same laws were tested in San Francisco and upheld.

In fact, the biggest jump in the reported number of employers offering domestic partner benefits occurred when the San Francisco equal benefits ordinance took effect. Some 1,843 employers offered domestic partner benefits in 1997, up 242% from the previous year. He says, "As such, our ability to count those employers that have DP benefits was given a shot in the arm because of the tracking that the city did."

Companies have come a long way since religious groups called for a boycott of the Walt Disney Co. for offering benefits to gay partners.

"I think we've reached a critical mass in corporate America and in the business world where it's becoming more odd to turn a blind eye and ignore this portion of the workforce," Herrschaft says. What's more, "fairness works for the bottom line." - S.M.

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