

CREATING A SAFETY NET

Employee Hardship Fund Playbook

 RED TAB

TABLE OF CONTENTS

Introduction / 1

Guiding Principles / 3

Hardship Fund Operational Choices / 5

Grant Guidelines / 8

FAQs / 10

Additional Resources / 11

“For those exploring further opportunities to promote the financial health of their workforce, employee hardship funds can provide tremendous benefit to both workers and employers. They can boost loyalty and cohesion within the company and provide a formal mechanism to support workers in moments of need.”

The Red Tab Foundation (RTF) is recognized as a well-established leader in the employee hardship fund space, with nearly 40 years of experience assisting employees and retirees of Levi Strauss & Co. A nonprofit 501c3, RTF provides a critical financial safety net, including educational programs to promote financial, physical and emotional health. In light of recent events, employers across many industries are looking for guidance on setting up employee hardship funds to help provide that safety net for their own workers. We’ve created this playbook to act as a resource and to share some of the knowledge that RTF has garnered over these 40 years. A recent study by [the Aspen Institute’s](#) Financial Security Program found that when funds are designed carefully, they can play a critical role in combatting financial insecurity for employees.

This guide will:

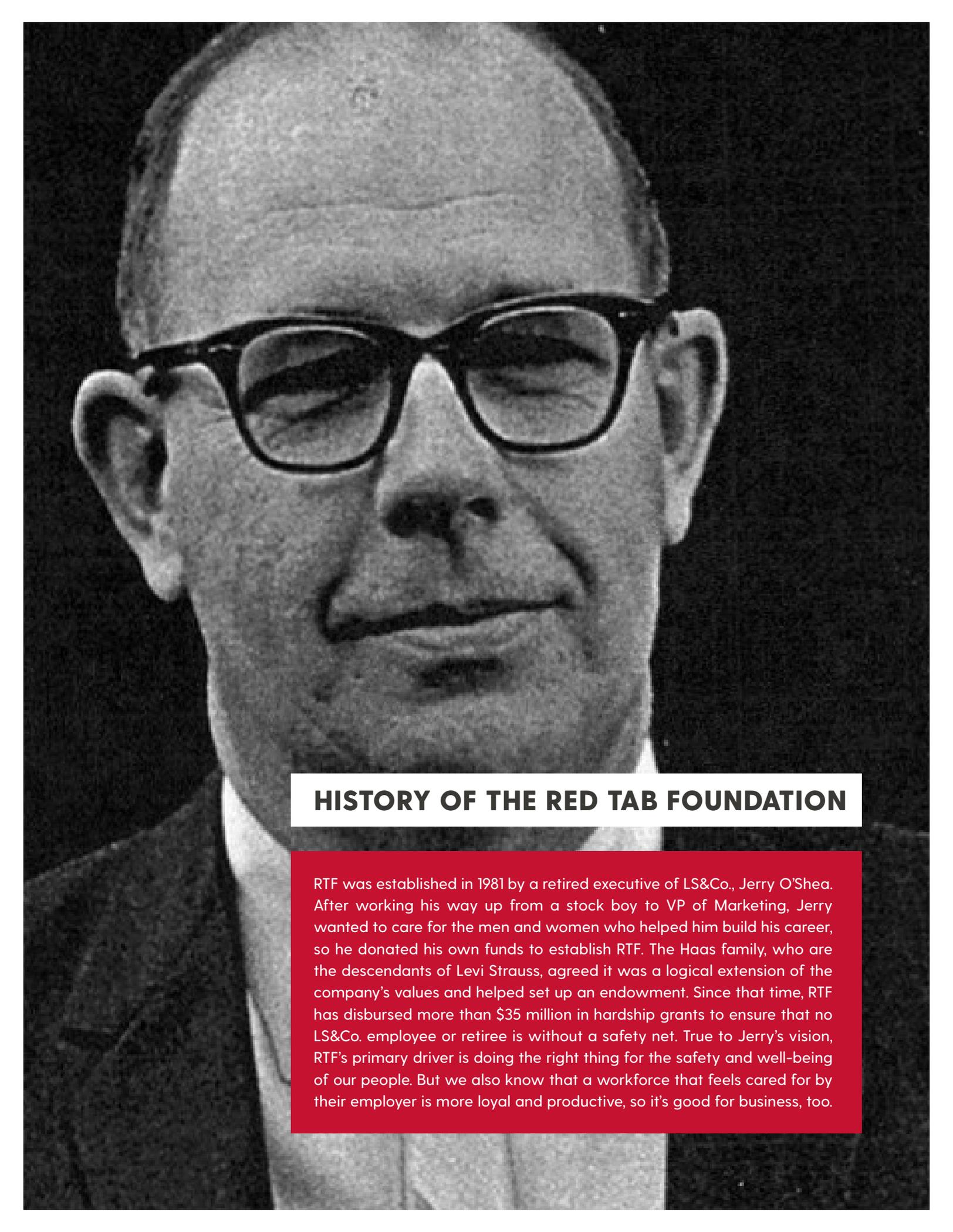
Provide tactical guidance (largely with a U.S. lens). The content included here is based on RTF’s experience serving 20,000 global employees (retail, distribution, manufacturing and corporate) and 10,000 global retirees. While the grants disbursed are global, RTF is U.S.-based, so legal and tax references are based on that context. This guide will help you understand what is needed to quickly establish and activate a mechanism to disburse hardship assistance to your employees. The demographics of your workforce, their needs and the infrastructure already in place at your company will determine the specifics of what that looks like in your company.

Provide questions for discussion with your implementing team. One of the major upsides of having a hardship fund that is operated in-house is that it can be customized to serve your company’s specific context. As such, this guide will provide prompts and options to help you quickly and effectively create a hardship fund that is suited to your employees.

This guide will not:

Address the ongoing needs of a successful long-term hardship fund. This playbook was designed to specifically address the questions and context surrounding the need for employers to “stand up” a hardship fund to support their employees through the global COVID-19 pandemic. Important topics like fundraising, board establishment and engagement, marketing, key impact metrics and supplemental program design will not be covered here.

Take the place of adequate outside legal counsel. The legal and tax implications of distributing grants or loans through a hardship fund are complicated, especially if you have a global workforce. Please consult with legal counsel to ensure your operations are in compliance.



HISTORY OF THE RED TAB FOUNDATION

RTF was established in 1981 by a retired executive of LS&Co., Jerry O'Shea. After working his way up from a stock boy to VP of Marketing, Jerry wanted to care for the men and women who helped him build his career, so he donated his own funds to establish RTF. The Haas family, who are the descendants of Levi Strauss, agreed it was a logical extension of the company's values and helped set up an endowment. Since that time, RTF has disbursed more than \$35 million in hardship grants to ensure that no LS&Co. employee or retiree is without a safety net. True to Jerry's vision, RTF's primary driver is doing the right thing for the safety and well-being of our people. But we also know that a workforce that feels cared for by their employer is more loyal and productive, so it's good for business, too.

GUIDING PRINCIPLES

As you begin to structure your hardship program, keep these high-level principles in mind.

Be a safety net

Hardship funds should not take the place of strong company policies that meet the basic needs of employees. Understanding that the larger macroeconomic landscape is presenting major challenges to many industries, an employee hardship fund cannot and should not attempt to replace policies around pay continuation, paid sick time or family leave. Instead, emergency hardship grants should be available to ensure that employees and their families have the resources to weather unexpected events like the COVID-19 crisis, and the associated business and economic impacts. We know those grants are most impactful when combined with generous, human-centric policies and benefits from the company.

 **Discussion Questions:** What company policies, benefits or resources (e.g. EAP) already exist to support employees through COVID-19? What gaps might exist across our employee categories and geographies? How is the macro environment impacting our employees' families and households?

 **RTF Example:** As we look at the needs of our employees during this time, we have also worked closely with our HR teams to understand the company and government support available. For instance, LS&Co.'s Paid Family Leave policy would provide paid time off for full-time employees who are caring for ill family members, so that would not a be a need RTF would need to fill.

Put empathy first

It's critical to recognize that employees who are reaching out for assistance from your fund are usually doing so from a place of stress, uncertainty and anxiety. Also understand that, for many people, asking for help is difficult and can be accompanied by feelings of shame. It's important to position assistance as a critical resource rather than charity. Accordingly, case workers who are interacting with applicants must put respect and dignity at the forefront of their approach. Providing a listening ear and helping applicants navigate other resources available to them (e.g. company benefits, government programs) is often as important a service as providing cash assistance.

 **Discussion Question:** What existing human resources do we have or do we need to hire to ensure we have a case management team with the right skillset and personalities?

Be needs driven and responsive

Given the rapid deployment required of this specific moment, your processes and guidelines may not be perfect from the beginning. Give yourself wide guardrails so as not to be boxed in by overly stringent guidelines. Remember that it's most important to take care of the employee first, and optimize the process after. First and foremost, listen to what your clients are telling you they need and adapt within the scope of what you're able to do.

 **Discussion Question:** What mechanism can we put in place to gather feedback from employees as they go through our new process to apply for help?

GUIDING PRINCIPLES

 **RTF Example:** Unexpected expenses or loss of income due to childcare needs were not a covered category for RTF – until schools across the globe started to shut down in response to the COVID-19 pandemic. So, we changed our guidelines. We try hard to listen to what people are asking for help with and flex accordingly while staying true to our mandate of being a safety net. We also send an automatic follow-up survey with every case so we can learn about how the experience felt and adapt as needed.

Understand your client population

The way you set up the application process and disbursement of grants will largely depend on the makeup of the employee group you are serving. For example, if your core employee demographic is Gen Z hourly retail employees, you'll need to design your intake process to be mobile first. For an older employee or retiree base, a call center may be the first point of contact. If your employees largely use pay cards instead of direct deposit, you'll anticipate that when designing grant distribution processes.

 **Discussion Questions:** What employee groups do we think will be our highest-needs population? What are their demographics? What channels do they already use to interact with the company?

Utilize company resources and infrastructure where possible

Especially given the urgency of the current moment, look at your existing human resources or employee relations infrastructure to see where you can leverage staff, technology or processes that are already in place. We also know many employees are looking for ways to volunteer or give back during this critical time. You can potentially utilize skilled volunteers to lower costs when it comes to things like web design or database management. For further information about the interplay between company resources and a hardship fund program, see the FAQs.

 **Discussion Questions:** How are employees currently accessing help with their benefits, leave, etc.? Are there parts of our workforce that are currently underutilized that could assist with managing cases? Are there IT or call center teams that could help with intake?

 **RTF Example:** LS&Co.'s HR call center serves as the first point of contact for employees or retirees who reach out by phone. The agents then fill out an online form that funnels into our Salesforce database to be assigned to our case managers.

Operational choices

The way you structure your fund will primarily depend on the answers to the discussion questions above, the scale at which you're operating, and the funds and resources at your disposal.

HARDSHIP FUND OPERATIONAL CHOICES

Lifecycle of a Hardship Grant with Roles & Responsibilities



In-house or outsourced?

There are several vendors available who can handle the facilitation of your fund. [E4E Relief](#) and [Emergency Assistance Foundation](#) are the largest organizations in the space. [Canary](#) is also a new provider that RTF has been working with to increase the efficiency of our application process. For many reasons, we believe that in-house funds can better serve the needs of employees, but if the logistical and operational challenges are too great, these organizations can provide a place to start.

Determining your Legal Entity

To be a true, broad hardship fund in the model of RTF, it's highly preferred to set up a 501c3 charitable organization. Private foundations and employers are not permitted to provide ongoing personal hardship relief to employees due to concerns about self-dealing. However, if you are intending to set up a fund only in response to the direct impacts of the COVID-19 pandemic, you have more options because it is a federally declared emergency. The FAQs in this playbook contain information in broad strokes, but for a great resource on what different employer-sponsored legal entities can and can't do with regards to employee relief, see this [IRS course](#).

HARDSHIP FUND OPERATIONAL CHOICES

Minimum Viable Program Structure

If you've decided to host your hardship fund in-house, there are three primary operational design decisions to work through:

1. Channel to reach potential applicants:

Depending on your resources, you may choose to have employees request assistance from your hardship fund by referral (via a manager, colleague or HR partner) or by direct application.

- *The referral model* requires greater partnership from your local HR and field leaders (e.g. store managers), and places the burden on them to help the applicant deliver a quality application. It requires a high degree of understanding from HR and field leaders about what qualifies and how to compose an application, so requires investment in training and education of these partners.
 - The primary advantage of the referral model is that it uses existing resources to do the “heavy lifting” with applicants. It's also beneficial that the local partner has greater knowledge of the geographic and population-specific resources available to the applicant. With this model, hardship fund staff need only to review the application and make a determination on the level of grant funding according to resources and guidelines.
 - The primary tradeoff of this choice is that applicants may not apply because they are hesitant to share the details of their hardship with their employer. This is an especially strong factor outside of the United States, but will likely be less important when applicants are impacted

by a universal crisis like the COVID-19 pandemic. This model is well-suited for a large-scale work force.



Example:

[The Home Depot Homer Fund](#)

- *The direct application model* requires more dedicated resources to the hardship fund. Applicants inquire about assistance directly to the fund and a case manager follows up to walk through the process and provide direction about documentation needed.

This is a more resource-intensive model for the fund but preserves the confidentiality of the applicant and allows more control over the experience of the client.

There can be a reputational risk if a client doesn't receive clear communication about why a request was denied, so this model allows for a very personal experience and a bespoke solution for each applicant, including additional resources and referrals to address issues underlying the financial hardship.



Example: Levi Strauss & Co.

[Red Tab Foundation](#)

- *The hybrid model:* Many organizations use a blend of the above approaches to process requests, or flex more toward one model or another when circumstances warrant. For instance, initial requests could be made through a central fund application system, but then a local HR partner is tapped to facilitate the requests and add their own recommendation and review to the case. The central fund staff will then review the recommendation and disburse the grants.



Example: [Healthcare Corporation of America's Hope Fund](#)

HARDSHIP FUND OPERATIONAL CHOICES

“You have not just touched my life... but multiple lives. Your assistance will ensure the roof over our heads and food for my family. To be frank, it made me feel loved, respected and restored my faith in people. Your generosity has encouraged me to fight back against the crisis I am facing and not give up because I know my LS&Co. family has my back. You have my sincere and heartfelt thank you.”

- An RTF Grantee

2. Mechanism for fielding requests and case reviews:

With both the referral model and the direct application model, you'll need a central way to collect applications and distribute them for review.

- **Online Application:** An online application provides an easy way for either applicants or their referring manager to submit information and documentation to fund staff or facilitators for review. Existing enterprise technology tools can usually be used for this in the short term (e.g. ServiceNow, Salesforce or Google Suite).
- **Call Center:** If you're working with employees who may not have easy access to or comfort with online applications, it's useful to have a call center to handle initial inquiries. In many cases, existing HR or IT service centers can add a knowledge article or script to help field initial contacts, though the further application process will need to be facilitated by someone familiar with the requirements, such as case management staff.

3. **Way to disburse grants:** In general, grants provided by a hardship fund are tax-exempt if administered by a registered charitable organization. Grants can be provided by direct deposit (facilitated through payroll), paper check or electronic payment depending on the needs of your employee base. Funds vary in their approach, but grants are either made to the vendor that is owed funds by the employee (e.g. the utility company or landlord) or to the employee directly. See the FAQ below for more information on legal and tax considerations for the setup of your fund.

GRANT GUIDELINES AND APPROACH

Determination of need

To legally provide charitable funds to individuals via employer-sponsored channels, recipients of the grants must be selected based on determination of an objective financial need. In practical terms, this means that the task of the hardship fund is to figure out if the applicant lacks the means to maintain their basic needs (food, clothing, shelter, transportation and utilities). Simply put:

**Eligible triggering circumstance
+ demonstrated hardship =
qualified need**

Eligible Triggering Circumstances: There are two categories of triggering circumstances – qualified disasters (the COVID-19 pandemic is defined as one in the U.S.) and personal hardship (such as job loss by a spouse). The direct impacts of the COVID-19 pandemic are numerous, such as costs associated with getting ill, mandatory quarantine or needing to care for a loved one who is sick. However, the broader economic impact of shelter-in-place orders and containment methods impact a much larger number of individuals. Household loss of income, job loss, and extraordinary childcare expenses are common examples of circumstances that would fall into the personal hardship category.

Note: The COVID-19 pandemic is a unique circumstance, and definitions of what qualifies as a “direct impact” are still evolving.

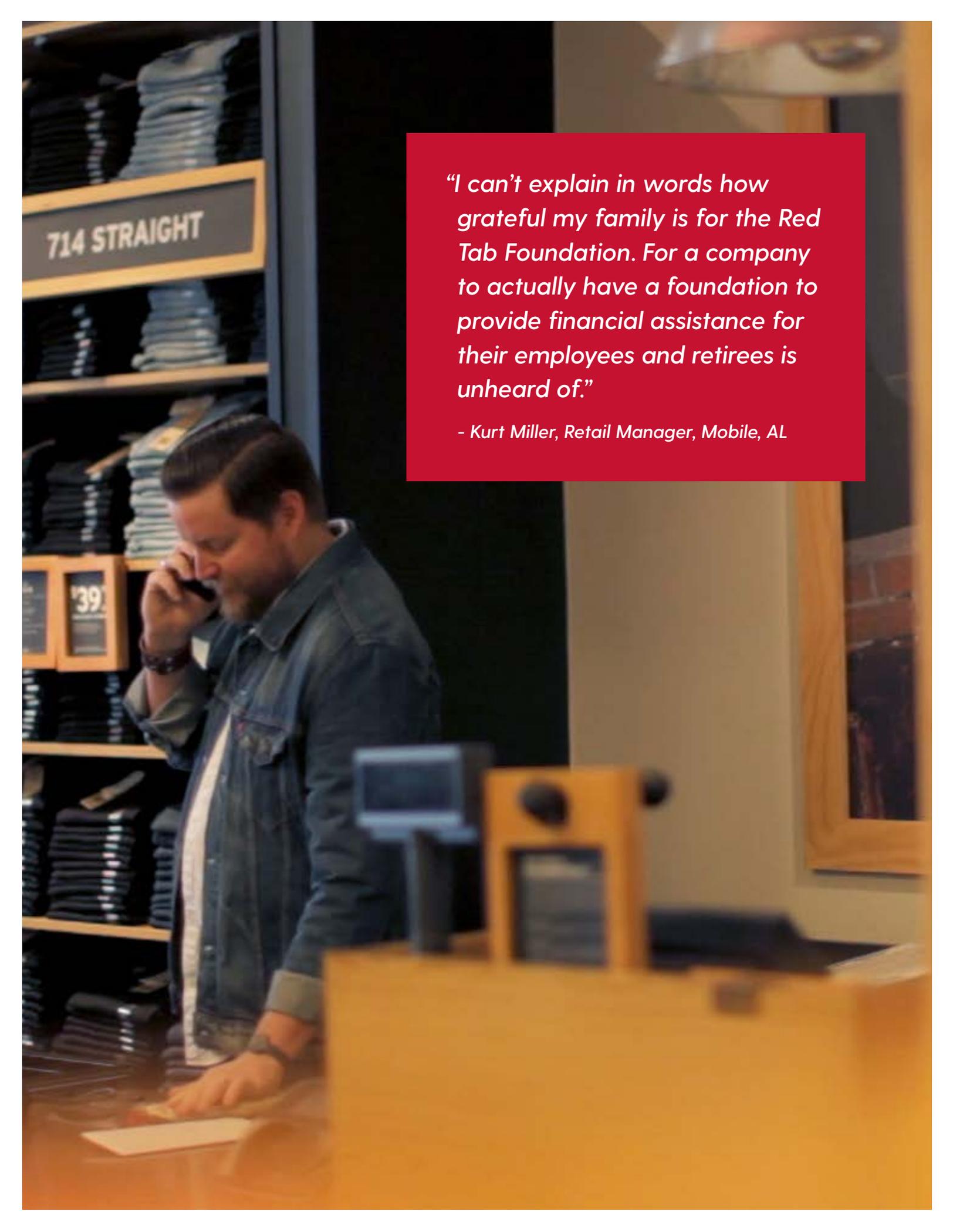
Demonstrated Hardship: As stated in the guiding principles, hardship funds should serve as a safety net when there are no other options. The application process should include questions about other resources the applicant has available (e.g. Are you eligible for or accessing unemployment insurance? Do you have savings you can access?). The most clear-cut demonstration of need, however, is a critical bill that is past due – rent/mortgage, an electricity bill, etc. Funding can also be provided in good faith for food support or clothing if there is a clear and documented loss of income or extraordinary expense.

Note: An income and expense worksheet tends to be a better guide to establish need than a pure income calculation. Cost of living varies drastically by geography and individual circumstance, so someone’s job level or work type is not necessarily a good indicator of the disposable income or savings they have to fall back on in unexpected circumstances.

Documentation

In extraordinary times like these, when demand is likely to be high and need widespread, funds can use their judgement to determine how much documentation is required. More streamlined or “light-weight” documentation requirements will enable both applicants and administrators to deploy funds where most needed.

For an example of guidelines you may use to determine need and eligibility, please see Additional Resources.

A man with a beard, wearing a denim jacket, is standing in a retail store. He is holding a mobile phone to his ear with his right hand and looking down at a piece of paper on a counter with his left hand. In the background, there are shelves filled with stacks of folded clothing. A sign on the shelf reads "714 STRAIGHT". Another sign with the number "39" is visible on a lower shelf. A cash register is partially visible in the foreground.

“I can’t explain in words how grateful my family is for the Red Tab Foundation. For a company to actually have a foundation to provide financial assistance for their employees and retirees is unheard of.”

- Kurt Miller, Retail Manager, Mobile, AL

FAQs

What types of things should a hardship fund help with?

By definition, a hardship fund is designed to provide assistance with basic needs. What comprises basic needs varies by population, geography and circumstance, but generally includes food, clothing, safe and stable housing, basic utilities, transportation to and from work, and critical medical care.

How do we determine who really needs help?

As stated above, it's important to look at each request for assistance holistically, rather than limiting eligibility to certain employee populations or income levels. The key question to ask when determining the level of need is, "Does this person have the ability to meet their basic needs without this assistance?" An income/expense worksheet to determine the amount of disposable income is a good first step, and application processes should otherwise include questions about available government support, savings and family/crowdsourced support. Levels of documentation required to verify the details of an application are variable and can be streamlined or ramped up based on the context.

What are the components of a complete, high-quality application for help?

An application should cover the following:

- Demonstrate the applicant is eligible for assistance (e.g. is a current employee or eligible retiree)
- Clearly describe the situation that led to hardship
- Include an income/expense calculation that demonstrates lack of sufficient resources

(documentation with proof of income or proof of emergency is optional)

- Document immediate needs to be addressed by the grant (e.g. copy of past due bill)

Can we use HR or our existing corporate foundation to disburse funds to employees in need?

If your fund intends to address only the direct impacts (e.g. healthcare expenses) of the COVID-19 disaster, you may do so without setting up a charitable entity and facilitate grants through payroll. Assistance will be subject to the restrictions outlined in [U.S. Code 139](#). If you choose to use your HR function or your private corporate foundation to disburse funds to address the broader personal hardship category (e.g. spousal job loss), the recipients will be required to pay income taxes on those grants and you may be at risk of self-dealing.

In the case of personal hardship relief, only funds disbursed by an established public charity (501c3) to the employee in need are exempt from taxation. Thus, for employers trying to quickly create a mechanism to facilitate employee hardship relief, it may be best to limit the categories addressed by your grants, explore the outsource model or look to identify an established charity or community fund to serve as a fiscal agent.

FAQs

Should I try to set up a 501c3?

As mentioned above, it depends on what your fund is designed to help with. If you will be disbursing a very limited category of grants directly addressing the impacts of the COVID-19 pandemic, you may be able to do so without setting up a charitable entity. If you will be addressing “personal hardships” (e.g. loss of income), you will need to set up a 501c3. This process can be expedited if the purpose of the organization is to respond to a disaster. However, if time is of the essence and you are specifically focused on COVID-19 relief, you may prefer to identify an existing resource to channel funds through – a fiscal agent or a donor advised fund through a community foundation. Learn more about the tax and legal considerations of your fund setup in [this KPMG article](#).

Where should we get funding for this?

Particularly in this moment, funds to support your employees should come largely from company sources (e.g. your corporate foundation or other philanthropic budgets). If your CEO or company leadership would like to contribute, that’s great too - strong leader engagement is absolutely critical to the success of a fund. If other employees are eager to donate, let them. However, we strongly suggest against soliciting donations from your consumers or employee populations who are most likely to be financially impacted by the COVID-19 pandemic. Also remember that you must have a public charity set up in order to receive tax-deductible contributions to your fund.

What kind of human resources will this require?

The decision to use a referral model (requests aide by managers or HR) or a direct application model will impact the number of dedicated resources needed. As a benchmark, in normal times, roughly 2 percent of the total employee population (in organizations largely made up of hourly workers) access a hardship fund in a given year. Needs related to COVID-19 may far exceed this amount, depending on the pay continuity approach taken by the parent company. In a referral model, roughly one full-time employee is needed to field 2,000 requests in a year. In a direct application model, the number is much closer to one full-time employee per 500 requests in a year. So, a quick calculation:

**Workforce headcount
x anticipated usage
(2% as a place to start)
x (FTE/applicant ratio)
= case intake staff needed**

Additional resources:

[Sample Guidelines \(COVID-19 Specific\)](#)

[IRS Course on Employer-Sponsored Disaster Relief](#)

[Emergency Assistance Funds \(EAFs\) for Employee Hardship and Disaster Relief: Legal, Tax and Design Considerations](#)

[Illuminating a Hidden Safety Net: Lessons from Research into Employee Hardship Funds - Aspen Institute](#)

[RTF Website \(including application example\)](#)

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If you have additional questions or would like to join the Hardship Fund
benchmarking group, reach out to us at redtabfoundation@levi.com

