

Disaster Relief: Response to Haiti Earthquake

Within hours of the news of the 7.0 earthquake in Haiti, we received emails from UNICEF, the Red Cross, World Vision and other charities that were responding to the disaster.

And for the first time, we received an email from a major company, wanting to know what corporations were doing to respond.

Reaching out to your peers in a time like this to see what they are doing is a great way to gauge your response. Most companies do not have guidelines in place for disaster relief for their own employees, according to our research, much less have guidelines for major disasters that do not affect their employees.

Although Hurricane Katrina sparked many companies to think about this, not nearly enough companies did. And once again, we are reminded that this needs to be put back on our to-do lists. Let's review the options now.

Disaster Hits: What Now?

According to research from LBG Associates and LBG Research Institute, only 28% percent of U.S. companies surveyed have guidelines in place for disaster relief. When disaster strikes, however, 100% of companies surveyed provide assistance for domestic disaster relief and 85% provide relief for international disasters.

The most common response is that the corporation makes a donation to relief groups when the disaster occurs. This is true for domestic and international disasters. A significant number of corporations also encourage employee donations by matching their gifts to disaster relief organizations separate from the matching gift plan in place, or encouraging their employees to donate to disaster relief groups already in the Matching Gifts program. About one-third also donate product and/or equipment for a domestic disaster, if appropriate. All but one of the respondents to the survey uses a combination of methods to provide disaster relief.

Corporate leaders and executives, along with the CI or foundation staff, generally work together to decide how the corporation will respond to a disaster. For 94% of the corporations, the CI or foundation staff is responsible for managing domestic disaster relief response, sometimes in conjunction with local business unit management, sometimes on its own. That percentage leaps to 100% when it comes to international disaster relief, although 40% also involve in-country staff.

To see what other corporations are doing, the Business Civic Leadership Center of the U.S. Chamber of Commerce is compiling corporate donations to the Haitian relief efforts. The list can be found here: http://www.uschamber.com/BCLC/Haiti_CorporateDonations

Planning Ahead to Help Your Employees

Chances are you don't have employees in Haiti. But what about New Orleans? Houston? San Francisco? Do you have plans in place to help your affected employees? Only about one-third of companies surveyed have Employee Disaster Relief Funds.

Employee disaster relief funds are specialized funds set-up by companies to provide short-term financial assistance to employees impacted by natural disasters and/or personal emergencies. Overwhelmingly, employee disaster relief funds operate year-round, continuously accepting and reviewing applications/nominations as they are received from employees impacted by tragedy. While these funds are supported by employee donations, many companies also make donations to these funds, either directly, or by matching employee donations.

How an employee disaster relief fund is organized can have a significant financial impact – from a tax perspective – on the company, donors and recipients, but in general, there five ways in which an employee disaster relief fund may be organized:

- As an independent 501(c)(3) public charity
- As a fund within a 501(c)(3) public charity
- As a fund within a private/corporate foundation
- As a donor advised fund within a community foundation
- As a taxable, non-charitable entity

When establishing an employee disaster relief fund, the Internal Revenue Service (IRS) requires that the fund must be set up to potentially assist a “large” or “indefinite” number of employees (and/or family members), and that:

- Recipients are selected based on an objective determination of need
- Selection is made using either an independent selection committee or adequate substitute procedures to ensure that any benefit to the employer is incidental and tenuous

Regardless of where the fund is housed, all employee disaster relief funds need to include:

1. A standard application process which employees can use to apply for assistance
2. Eligibility guidelines addressing the types of disaster covered, who may seek funding, type of expenses covered, etc.
3. A selection committee
4. The amount of relief employees may expect to receive
5. Payment and donation processes

For more information on or help setting up Employee Disaster Relief Funds, please do not hesitate to contact the Institute at lbgresearch@gmail.com.