The Business Case for On-Site Child Care

An Honors Thesis (HONR 499)

by

Alexis Sheets

Thesis Advisor

Dr. Tamara Montag-Smit

Ball State University

Muncie, Indiana

April 2018

Expected Date of Graduation

May 2018
Abstract

Making decisions between career and family can be difficult for many American parents. As labor force participation rates for women decline and the cost of child care continues to increase, the role of the employer in creating work-life balance for employees must be examined. Businesses have a unique opportunity to pursue non-traditional child care programs and benefits to ease the burden on employees. I analyze the types of on-site child care options employers can offer and how these benefits can generate returns for a business in the form of increased productivity, higher employee satisfaction, reduced absenteeism, more female management, and increased innovation.

Acknowledgments

I would like to thank my thesis advisor, Dr. Tamara Montag-Smit, for her guidance and advice. She has been an invaluable resource throughout my time at Ball State and her support in all of my endeavors is greatly appreciated. I would also like to thank my family and friends for allowing me to discuss my thoughts and ideas with them as I explored this project.
# Table of Contents

- Process Analysis Statement .................................................. 1
- The Current State of Women in the Workforce .................................. 3
  - Labor force participation ......................................................... 4
- The consequences for parents .................................................... 5
  - Financial ramifications .............................................................. 5
  - Total income lost ........................................................................ 6
- What can employers do? .................................................................. 7
  - Employer managed on-site child care ............................................. 8
  - Third party managed on-site child care .......................................... 10
  - Non-corporate on-site child care .................................................. 11
  - Near-site consortium child care programs ....................................... 12
- Why do employers choose to create such programs? .............................. 13
  - Retention savings ......................................................................... 13
  - Decreased turnover ......................................................................... 14
  - Intangible benefits ......................................................................... 14
  - Increased satisfaction for working parents ...................................... 15
- Tax credits ....................................................................................... 16
- Considerations for implementation .................................................... 17
  - Interest in benefit ......................................................................... 17
  - Employee equity ........................................................................... 18
  - Administration and management .................................................... 20
  - Tuition structures ........................................................................... 21
- Alternative options ........................................................................... 23
  - Backup childcare programs ........................................................... 23
  - Dependent care assistance plans .................................................... 24
  - Employee assistance programs ....................................................... 25
- Importance of strategic fit .................................................................. 28
- Conclusion ....................................................................................... 30
- References ....................................................................................... 32
Process Analysis Statement

To begin my research for this project, I read *Family Business*, a book published by Patagonia, Inc. about their on-site child care program that initially sparked my interest in this topic. Patagonia’s family friendly benefits are an example to all employers of how to create an environment where work-life balance can thrive and I wanted to my initial research to be centered on how on-site child care programs can be well executed, rather than on how challenging they can be to implement.

After building a frame of reference of how on-site child care programs function in practice, I examined how women currently fit into the U.S. workforce by exploring data from the U.S. Department of Labor, the U.S. Bureau of Labor Statistics, and the Pew Research Center. These sources provided an understanding how the labor force participation rate for women has changed and how more women financially support their households than they did in previous years. My focus then shifted on why employers choose to offer such benefits by reviewing cases and journal articles about specific businesses and how retention, satisfaction, and absenteeism rates changed following program implementation. These business cases allowed me to learn more about why businesses may avoid offering on-site or near-site child care programs and how program implementation can be challenging for organizations.

The challenges associated with program implementation, administration, and ongoing development provided me with a better appreciation for other family-friendly benefits, such as dependent care assistance plans, and how businesses can take small steps which make a real impact in the lives of their employees. The Society for Human Resource Management’s body of
research and publications were a useful resource throughout this portion of my research and allowed me to see how businesses can operationalize their work-life initiatives.

During the writing portion of my work, I came to appreciate the importance of setting small, manageable goals and managing expectations. By establishing a goal of writing a certain number of pages on any particular day or during the week, I was able to keep myself focused and accountable for the work that needed to be done. There were times when I found it challenging to meet the goals I had set for myself and I learned that I think best when I am able to take a break from the process, engage in something entirely different, and return to my writing later. Being reasonable with myself and building in times to take breaks allowed me to stay interested in my research topic.

My work on this project deepened my understanding of how businesses can better care for their employees and made me more aware of the difficult decisions new parents have to make in order to find a balance between their personal life and their career. As a future HR professional, I will take the knowledge learned from this project and find ways to implement unique programs and benefits to better assist the employees I will represent and serve.
The Current State of Women in the Workforce

More parents are working than ever before and dual income households have risen dramatically over the past 50 years. According to the Pew Research Center, 60% of married couples with children under the age of 18 are both employed and 31% of married couple households have an income supported solely by the father. This is compared to only 25% of married couples being dual earners and 70% of households being supported solely by the father in 1960. The working habits of families have changed, but the ever-present need for child care has not. Following World War II, more women were entering the workforce every year, but since 1999, the United States has experienced a 2.5% decrease in the share of women, ages 24 - 54, working or looking for work according to the Bureau of Labor Statistics. 61.4% of women with children under the age of 3 were participating in the labor force in 2015 as seen in Figure 1. Women leave the workforce for a variety of reasons, but the increasing cost of child care is an important driver. Hunter College sociologist Pamela Stone believes, “It’s tougher and tougher for women to make it worthwhile to work. For low- and middle-income families, it literally isn’t worth going to

![Figure 1. Labor force participation rate of mothers by age of youngest child, March 1975 - 2015](source.png)

work if the cost of child care exceeds what you’d bring in, and that calculus is exacerbated in an economic downturn.” (Miller & Alderman, 2014).

**Labor force participation**

In 2012, mothers were the sole or primary breadwinner for 40% of U.S. households, compared to 11% in 1960, which places an increasing importance on a mother’s ability to work in order to provide for her household (Working Mothers in the U.S., n.d.). This increase in working mothers has subsequent challenges with regards to child care arrangements as well. In spring 2011, the Survey of Income and Program Participation respondents reported that 39% of children under age 5 had no regular child care arrangements and a majority of children receive care from a relative in the form of parents, grandparents, siblings, or other relatives (Laughlin, 2013).

Labor force participation is on the decline, but a large majority of mothers with children under age 18 are still actively participating. According to 2013 data from the Women’s Bureau of the Department of Labor, 70% of women with children under 18 participate in the labor force and 92.8% of fathers with children under 18 participate. As the U.S. population ages, labor participation becomes increasingly important and supporting mothers through policy decisions and offering child care benefits is a way to help more women remain in the workforce. The OECD’s June 2016 report on women’s opportunities in the United States suggests the implementation of paid leave benefits and the expansion of child care and preschool options would close the gender gap in the labor force participation rate by 2040 and increase GDP per capita by $4,300.
The consequences for parents

Financial ramifications

Care.com’s 2016 Cost of Care Survey surveyed over 1,000 parents across the United States to learn more about child care spending habits and found that nearly 32% of families spend at least 20% of their annual household income on child care. 63% of survey respondents reported that the cost of child care has influenced their career decisions, with 23% transitioning to part-time work or becoming a full-time, stay at home parent in order to save money on child care. The Economic Policy Institute found that child care for a 4-year old child in the U.S. is more expensive than in-state tuition at a public college or university in 23 states. Within the state of Indiana, the average cost of infant care is $8,918 annually or $743 per month, while child care for a 4-year old costs $6,760 annually or $563 per month. Child care for one infant and one 4-year old in Indiana would account for 27.4% of a family’s income if that family earned the state’s median family income of $57,166 (“Child care costs in the United States: Indiana”, 2016).

Although tax-advantaged benefits, such as the dependent care flexible spending account, and leave options, including FMLA leave and company provided leave, are available to parents, caring for children is expensive and complicated, especially when considering many parents must use their own sick days and vacation time to care for their child. Innovative organizations across the country offer on-site or subsidized child care benefits to their employees as a way to maintain or increase employee satisfaction, improve retention, and help working parents excel in their careers by reducing the pressure of coordinating and budgeting for care. With no major federal legislation within the past two decades to support parents in the form of family leave, increasing child care costs, and increased access to career options for women, organizations have a unique opportunity to support their employees by offering childcare benefits in some form, but
only 2% to 4% of U.S. employers offer a child care center near or on-site ("2017 Employee Benefits Survey: Remaining Competitive in a Challenging Talent Marketplace", 2017).

Total income lost

The recent challenges with the cost of child care have financial ramifications beyond the direct costs of care. When a woman leaves the workforce to care for a child, she loses more than just her annual wages. The total cost of her leaving the workforce includes missed 401k contributions, Social Security contributions, and her lost wage growth. The Center for American Progress created a mathematical methodology for estimating the total cost of a mother leaving the workforce and proposed the following estimation: "A 26-year old woman who's making $50,000 when she takes three years off of work to attend to a child would leave not just $150,000 in lost wages on the table, but an additional $200,000 in lost wage growth - the cumulative effect of time off on future earnings - and some $165,000 in lost retirement assets and benefits (which includes missed 401k contributions and their assumed growth as well as reduced Social Security benefits).". This estimation leads to a potential total income loss of $514,073 under the assumption this woman would take Social Security at age 65 and invest 5% of her income in a 401K with an employer match (Doerer, 2016). Based on this estimation, continuing to work is economical in the long-run, but it should be noted child care is not financially possible for some low-income families or single-parent households and they must take time away from work.

Further hypothetical examples of lifetime financial loss after leaving the workforce provided by the Center for American Progress have shown that a female who takes approximately 5 years out of the labor force will experience a 19% - 22% reduction in her lifetime income and she will be more impacted by these career interruptions the earlier she has children. An individual who has a
A child at age 26, takes three years off of work for childcare, and retires at age 65 will experience the effects of reduced wages for 36 years of her working career, while a woman who has her first child at age 40 and takes one year off would experience these effects for a reduced 24 years (Preiss, 2016). Enabling parents to return to work sooner allows them to retain their career standing, reduces the amount of lost wage growth and lost growth in retirements and other benefits, and also offers a multitude of intangible benefits for employers.

Quality child care also leads to fewer career gaps for parents, especially for women. Parents are sometimes faced with a situation where one of them must stay home, either full-time or part-time, to care for their child or children. The cost of childcare would essentially equate to the earnings of the other parent and leave the family in a less desirable state, so some families opt for a stay at home parent to ensure quality care for their child. As discussed earlier, these career gaps have significant financial ramifications in the long-term, but for some families, the financial need is too immediate. Sheryl Sandberg's “Lean In” points out that 43% of highly qualified women with children are leaving careers or off-ramping for a period of time to care for their children or adjust to their new lifestyle (Sandberg, 2013).

**What can employers do?**

Large employers throughout the United States have led the charge in offering more competitive employee benefits, including on-site child care, either in the form of full-time care or contingent care for parents whose usual child care arrangements become unavailable for a short period of time. By making an effort to invest in childcare options to support employees with children, employers can take great strides in addressing the childcare challenges faced by many working families. Although indirectly, childcare benefits help address gender inequality within the
workplace and society as a whole by enabling mothers to retain their position as empowered employees. Organizations can pursue childcare options by investing in a fully-employer-managed program or pursue a contracted option with a vendor organization responsible for all administration, staffing, and risk management components of such a benefit. Notable organizations running fully-employer-managed programs include Angie’s List, Clif Bar & Company, and Deloitte.

Employer managed on-site child care
One of the most iconic and long-running on-site child care programs is run by global outdoors apparel company Patagonia, headquartered in Ventura, CA. Patagonia has been offering on-site child care for its employees since 1983 and the company now provides maternity and paternity leave and access to on-site child care for all employees at their corporate headquarters in Ventura and also at their Reno, NV distribution center. For retail employees across the country who do not have access to these centers, Patagonia offers childcare assistance programs. This long-running investment has become an integral component of the company’s culture and has enabled Patagonia to reach a near 95% retention rate of its new mothers (Mayer, 2017).

Patagonia firmly believes quality child care focused on child development is essential to the workforce for corporations and their strong commitment to this unique benefit has allowed over 1,500 children to pass through the gates of the Great Pacific Child Development Center (GPCDG). One of the key values of the company is doing well by doing right by others, so this business solution was an obvious choice to Malinda Chouinard, Co-founder of Patagonia, Inc.

Beginning in 1974, early Patagonia employees brought their newborns to work and these children could be found sleeping under desks or quietly swaddled to their mothers in meetings
due to a limited choice of infant care options in the Ventura, CA area at the time. While these arrangements worked in the short term, the increasing number of working parents and children present in the office led to distractions. Jennifer Ridgeway, Patagonia’s first director of marketing, wrote in *Family Business*, “I worked until the day before our daughter was born. At the time, there was no paid maternity leave at Patagonia or in the state of California... After a three-week leave due to a cesarean, I optimistically went back to work with my new daughter Carissa tucked in a bassinet under my desk. I presumed she would follow the lead of previously content Patagonia working mothers’ babies. It never occurred to any of us that this might not work out. Our daughter, perhaps due to a high-stress birth, was, as some of my coworkers who preferred dogs described her, “a wailer.” (Chouinard & Ridgeway, 2016 p. 34)

Jennifer, desperately wanting to remain at work because of the satisfaction she received from her position and the financial need for income, opted for her mother to watch her daughter during the day who would walk the baby around the neighborhood and return her to the Patagonia office for Jennifer to nurse in her car; being present at work while also satisfying her baby’s needs was an impossible challenge. To assist her employee, Malinda Chouinard created the first iteration of the on-site child program in a trailer on the company’s property in 1983, with an official building space organized and opened in 1984.

Patagonia lends the success of the Great Pacific Child Development Center to its commitment to accreditation, compliance, and professional excellence. The GPCDG is accredited by the National Association for the Education of Young Children and its teachers and staff are well-trained and considered regular Patagonia employees. The teacher turnover rate is extremely low according to the company, with some teachers having 30 years of experience at the center, and all GPCDG employees are provided the same benefits as employees in other division of the
organization, including health insurance, paid leave, 401k matching, and on-site child care for their own children (Chouinard & Ridgeway, 2016 p. 76) Not only does this turnover rate benefit the organization from a recruiting and retention standpoint, it also benefits the children and parents utilizing the center because of the continuity and standard of care provided by the program. According to Rose Marcario, President and CEO of Patagonia, Inc. and Patagonia Works, the organization recovers 91% of the $1 million calculable costs of its corporate-sponsored child care annually. Approximately 50% of the total costs to run the GPCDG are recouped through federal tax benefits (Chouinard & Ridgeway, 2016 p. 12).

Patagonia funds its program by charging employees 75% of the costs of childcare services and the company retains 25% of the costs (Mayer, 2017), while also extending subsidies to employees who may not be considered high earners. Tuition for the Ventura and Reno child care centers are based on market rates for child care in the area, the age of the child, and the number of children an employee has in the program. In Ventura, the median cost of full-time infant child care was $1,400 a month and the maximum cost per month for infants between the ages of 8 months to 2 years at Patagonia’s Ventura location is $1,275 (Anderson, 2016). This model focuses on sustainability of the center, while also benefiting the employees taking advantage of the center and its services from a cost and wellbeing perspective.

*Third party managed on-site child care*

Another well-known organization with an innovative on-site child care offering is Clif Bar & Company, based in Emeryville, CA. Clif Bar’s approach is different than Patagonia in that the company is not responsible for the operation of the childcare center itself. Clif Bar’s Base Camp childcare center is operated by KinderCare Education at Work. KinderCare Education at Work is
a third party provider, accredited by the National Association for the Education of Young Children, who provides family benefits for employers in the form of highly customizable on-site and near-site early learning centers and back-up care or sick-care options.

KinderCare is responsible for the creation and execution of all program curriculum, with a focus on the six main domains of childhood development: cognitive development, creative expression, executive function, language and literacy, physical development and wellness, and social and emotional development. Partnering with a third party provider such as KinderCare enables Clif Bar to provide a unique benefit, while also ensuring the quality and consistency of the program by placing the responsibility of programming, accreditation, and staffing with the provider. This also reduces the liability of the company as well, as the majority of risk management procedures are the responsibility of KinderCare (“Our Approach | KinderCare Education”, n.d.).

Non-corporate on-site child care

While many on-site child programs are offered at corporate headquarters where there are large employee populations, regional manufacturing locations have also been able to implement such programs with success, such as Toyota Motor Manufacturing Indiana (TMMI) located in Princeton, IN. Although TMMI is still a large location with approximately 5,500 employees, it demonstrates that child care benefits do not have to be restricted to particular industries, geographical locations, or corporate offices. TMMI operates its Children’s Center during both first and second shifts to accommodate more of its staff and the center is operated by Bright Horizons, a third-party care provider based out of Massachusetts with 450 different centers across the country. According to Tonya Buck, an employee at TMMI, the child care center fees are around “$90 a week for a child of preschool age, $100 a week for a toddler and $115 a week
for infants”. Accredited by the National Association for the Education of Young Children, the TMMI Children’s Center can handle 159 children, ages 5 weeks to 5 years old, during each shift, and parents are a quick walk to the center where they are permitted to visit their children during the workday (Wersich, 2006)

Near-site consortium child care programs
Smaller employers with more restricted financing options and smaller employee populations may consider a consortium-sponsored childcare program, which is created when several organizations join together to offer a single program for employees of all participating organizations. Members of this group may jointly finance this operation by creating a new corporation or entity that establishes and operates a near-site childcare facility (Marler & Enz, 1993). The collaborative nature of this type of childcare program allows organizations to benefit from pooled capital, resources, and staffing experience, and share the responsibility of creating such a program. Consortia programs can be challenging because of the high level of cooperation and agreement needed for their success. Participating organizations will have to reach agreements on policies, procedures, staffing, curriculum, and tuition costs for employees across all firms.
### Form of Childcare Programs | Benefits | Disadvantages
--- | --- | ---
**Employer Managed** | • Full control over all program operations, including curriculum and staffing  
• Ability to create policies and tuition structures  
• Foster strategic fit with other workplace policies and employee benefits | • Responsible for all licensing  
• Responsible for all risk management |
**Third-Party Managed** | • External expertise  
• Staffing and licensure handled by provider  
• Risk management primarily handled by provider | • Limited control of program operations  
• May carry contract stipulations |
**Near-site Consortium** | • Cost is shared among participating employers  
• Program utilization may be higher  
• Fluctuations in enrollment may be lessened | • Coordination among employers may be challenging  
• Equity and agreement across organizations may be difficult to find |

---

Figure 2. Benefits and disadvantages of various childcare program options

**Why do employers choose to create such programs?**

*Retention savings*

Patagonia recovers 30% of their annual child care program costs through employee retention gains. Turnover within an organization presents a variety of problems, including lost productivity from a reduced staff, recruiting and hiring costs, and retraining and relocation costs for newly
hired employees. For Patagonia, turnover costs can equate to approximately 35 percent of annual salary for a non-managerial employee, 125 percent of salary for a manager, and several years’ salary for employees in director or vice president level positions (Chouinard & Ridgeway, 2016, p. 12). According to Rose Marcario, employees who have children in the company’s child care program have a turnover rate that is 25 percent less than the company’s general employee population.

*Decreased turnover*

Employers with on-site child care programs have experienced decreased turnover across all industries, including hospitality which is known for its high turnover and unusual employee schedules. Ryman Hospitality Properties, Inc., a real estate investment trust who owns the Grand Ole Opry and the Opryland Hotel in Nashville, TN has sponsored the Gaylord Entertainment Company’s Opryland Child Development Center since 1986. The Opryland Child Development Center is managed by La Petite Academy and is licensed to care for 500 children with hours from 5:00AM - 11:00PM seven days a week in order to meet the needs of the unique employee population ("Gaylord Entertainment's Child Development Center Opens to Hotel Guests, Public With Expanded Services", 2000). Turnover among participating employees utilizing the center has decreased by 19 percent (Marler & Enz, 1993).

*Intangible benefits*

In addition to measurable impacts, like reduced turnover, reduced absenteeism, and important career strides for women, having an on-site child program or similar benefit increases an organization’s ability to recruit top talent and brand themselves as an employer of choice. Offering non-traditional parental benefits signals to applicants and candidates that the
organization values work-life balance so much to the point they have invested in tangible benefits to create that balance.

Benefits can be realized in increased innovation as a result of female representation in leadership, greater employee loyalty, and trust in leadership and the organization. Patagonia likely has a positive ROI on the investment in their child care program due to intangible benefits derived from its success, including more representation of women in management level positions, increased employee loyalty, and an enhanced company culture. Half of all of Patagonia’s upper management positions are filled by women and a healthy gender mix throughout businesses is known to make businesses more creative and improve the firm’s performance (Chouinard & Ridgeway, 2016 p. 14). A 2013 study published in the Journal of Leadership & Organizational Studies by Gallup found employee engagement and gender diversity independently predict a business unit’s financial performance. The study assessed 816 business units through two large organizations in the retail and hospitality industries and the results suggest that a higher level of gender diversity lead to improved performance. The combination of employee engagement and gender diversity resulted in 46% to 58% higher financial performance for business units above the median on both engagement and gender diversity, when compared to those below the median on those characteristics (Badal & Harter, 2013).

Increased satisfaction for working parents

Child care is not only an issue of cost and affordability, it also has implications for the satisfaction of working parents. When high-quality child care programs are utilized by a family, parents with older children were still happier long after their children left said program which
suggests that these early child care programs created some sort of lasting effect through decreasing future economic hardship or career setbacks. Additionally, such child care programs did not affect poor or single parents differently and these programs corresponded to greater happiness for all parents, regardless of socioeconomic status (Suttie, 2017). Employees with solid child care arrangements are more satisfied than when they do not have regular, dependable child care arrangements and while there are elements of job satisfaction, such as management style, compensation, and job security, that play into an employee’s level of satisfaction more heavily, the importance of consistent, quality child care should not be underestimated. Patagonia estimates gains in employee engagement as a result of their on-site child care program offset 11 percent of the program’s cost. This estimation is derived from the company’s assessment of employee attitudes to their jobs and the company itself.

**Tax credits**

Employers can capture tax benefits from sponsoring an on-site childcare program that can help offset tax liabilities in the organization. Patagonia takes advantage of both the Credit for Employer-provided Child Care Facilities and Services and Child Care Tax Credit. The Employer-provided Child Care Tax Credit can be utilized by employers who compensate a child care facility to provide child care services to their employees. This federal tax credit is equal to 25% of the child care expenditures made by the employer, limited to $150,000 and cannot be applied by employers who make payments direct to employees on a reimbursement basis for child care expenses (Prevatt, n.d.)

According to Hancock Askew & Co LLP, the Employer-provided Child Care Tax Credit is more beneficial to employees than the Child and Dependent Care Tax Credit they could claim
independently. If an employee were to pay $3,000 for child care for one child, the maximum
credit they would be allotted would be $1,050 and their effective cost would be $1,950 for child
care, but if an employer were responsible for the cost of child care, the employee saves the out of
pocket cost and the employer benefits by applying the tax credit against its tax liability. In
addition to this tax credit, the government allows organizations to deduct 35 percent of its
unrecovered costs. The combination of these two credits allows Patagonia to recuperate
$500,000 of their child care center costs (Moran, 2016).

Considerations for implementation
On-site child care may seem like a sound choice, especially in a labor market where competition
for employees is tight, but there is a wide range of considerations employers must observe to
assess the feasibility of this benefit for their organization.

Interest in benefit
The most important consideration to make is to assess the benefit’s target population and the
needs of current and future employees. By determining the segmentation of its workforce, an
organization can begin to identify the number of employees who have the propensity to utilize
the on-site child care services. If only a handful of employees are going to utilize the benefit, the
upfront investment and continuing operating costs may not be sustainable, even if participating
employees are paying a large portion of tuition costs. The Society for Human Resource
Management recommends employers conduct a needs assessment before implementing any type
of employee benefit and this assessment should include an employer’s perception of employee
benefits needs, competitors’ benefits practice, and tax laws and regulations, as well as market
research in the form of employee interviews or simplified questionnaires ("How to Design an Employee Benefits Program", 2017).

After conducting an initial assessment of employees' propensity to use an on-site child care benefit, an organization should then consider their own priorities and if offering such a benefit aligns with those priorities. An organization should decide if they want to provide a full-time child-care option that is substitutable for outside care options or strictly provide a back-up care option employees may use in the event their normal child care arrangements are unavailable. A full-time option requires a much more focused view of child development and should not be seen as a babysitting option, but an accredited, reputable center staffed with child care professionals knowledgeable of the critical importance of play in each child's development and the need for language-rich environments (Chouinard & Ridgeway, 2016). The positioning of the center to employees may play a critical role in the success of the on-site child care center because if alternative options are available in the area that provide a higher standard of care at a competitive cost, employees may opt to not take advantage of an employer-sponsored offering.

Employee equity

Equity among employees should also be a consideration and taken into account when conducting a needs assessment and discovering the level of interest in such a benefit through the organization. Organizations may be worried employees without children may feel as if they are not receiving as many benefits as those with children, but if the benefit is internally communicated as a way to reduce tardiness and absenteeism, all employees can reap the benefits of responsibilities and productivity being more equally shared, and depending upon the industry, less stress of schedule alterations and shift coverage. A 2004 study published in Industrial
Relations exploring the value of employer-sponsored childcare to employees found there to be a substantial value of employer-sponsored childcare and little to no evidence of resentment from employees without young children. By purposefully implementing a childcare program and emphasizing its advantages, an organization can foster a sense of collective benefit among all employees.

Clear expectations should be established regarding how participating employees will interact with their children during working hours, especially if the child care program is on-site, to prevent inequity and resentment. If respectful boundaries are not established, employees may frequently visit their child during working hours leading to lost productivity and also a loss of consistency for the participating children who may be expecting their parents to visit them during the day. By establishing a policy ahead of time, difficult conversations and blurred boundaries can be avoided, and employees without participating children will not feel as if coworkers with children are receiving more break time and preferential treatment.

Lastly, an organization with multiple locations outside of their corporate office should carefully navigate how to roll out this benefit. If an on-site childcare program is available only at the corporate location, an organization should consider offering a dependent care assistance plan for all employees and/or offer a childcare assistance program to help regional employees find local childcare centers to fit their needs. It is not uncommon for on-site childcare programs to be available only at corporate offices, but if an organization is dedicated to creating a more family-friendly environment, a similar benefit or level of assistance should be offered to be more equitable.
Administration and management

Program administration is another key factor to assess. An organization must decide if the child care program will be wholly company sponsored and ran, if a third party vendor such as KinderCare or another similar provider will run the center, or if they would like to engage in a multi-organization sponsored program with a third party administrator. Company run on-site programs offer the highest level of control in staffing, curriculum, and cost, but these on-site centers carry the largest level of liability and the organization must shoulder the operating costs and any fluctuations in program enrollment levels, center staffing, and any relevant legislation or licensing requirements. In addition, recruiting and retaining staff for the center could be a costly and time-consuming endeavor which could be challenging for several reasons, including a lack of recruiting expertise for child care specialists and difficulty securing headcount and a salary budget for true support staff.

An on-site program managed and administered by a third party vendor may be a viable option for an organization lacking the financial capital to hire, train, and compensate childcare center staff. Third party organizations typically handle all aspects of staffing, training, licensure, and curriculum development, in addition to determining appropriate tuition levels to sustain the center. An organization may also choose to pursue a consortium option where a group of organizations agree to sponsor an on-site or near-site option to support all participating organizations' employees. This option is attractive for organizations who may not have the financial capital to create or sponsor their own center or who do not have a large employee population who would participate in such a program.
Tuition structures

Deciding how employees will contribute to the cost of care is another critical decision an organization will have to make. If organizing their own center, an organization should conduct market research to find out the pricing structure offered at other reputable child care centers in the area. Small, home-based child care centers may not be the most applicable rates to research, but should still be considered if employees are price sensitive. Organizations like Patagonia offer care at a slightly lower price per month than other Ventura area child care providers, but the prices discount is not drastically different. Depending upon area care costs, an organization may be able to offer a small discount sizeable enough to incentivize employee use. An organization can offer tuition rates based upon a number of factors, including the age of the participating child, the number of participating children from a given family, and the level of employee income. Certain earnings levels could be subject to different tuition rates to ensure the cost of on-site care is not taking a significant portion of an employee’s income. A tiered tuition approach should be considered carefully to ensure employee equity.

Center capacity should be directly linked to the employee population most likely to utilize the service and the financial resources of the organization and its ability to secure the appropriate licenses for the desired number of children the center can care for at any given time. Another consideration to be made when deciding the number of children to host are the groups of children the childcare center will be willing to accept. Parents eager to return to work may be in need of infant care, but an organization must decide if their center will be qualified enough and have sufficient resources to provide the high-level of care infants require. A maximum age of participating children should also be established in the event parents are interested in using the center for summer-care when school is not in session.
**Interest in benefit**

- How will the employee population be surveyed to assess interest?
- Are employees interested in an on-site or near-site childcare program?
- What percentage of the employee population with children would utilize such a program?
- Do employees view an on-site or near-site childcare program organized by an employer as a better option than other local childcare centers?
- Will employees feel comfortable utilizing the program?

**Employee equity**

- Would employees with children utilizing the center receive more benefits than other employees, either real or perceived?
- How will the benefit be introduced to all employees, including those without children?
- Will the benefit be offered as part of a cafeteria plan, or will employees pay for the center separate from all other benefits?
- What will the expectation be for parents visiting their child/children during working hours?
- How will employees at regional locations have access to this benefit or similar assistance?

**Administration and management**

- Will the on-site or near-site childcare center be fully employer managed, managed by a third party vendor, or sponsored and managed by multiple employers?
- If the center will be fully employer managed, who will organize the center, hire staff, develop curriculum, create policies, and handle risk management processes?

**Tuition structure**

- Will employees pay tuition to the center or will the cost of care be part of a cafeteria plan option?
- If employees pay tuition, how much will employees be charged and on what basis (i.e., number of children participating, age of the child, etc.)?
- If tuition will be charged on the basis of employee income, will a spouse's income also be considered?
- Will the cost of other local childcare centers be a consideration when developing a tuition structure?

Figure 3. Key implementation decisions
Alternative options

Backup childcare programs

If full-time, on-site child care is not a suitable option for an organization, backup care programs should be considered. Backup child care centers are available to parents whose normal child care arrangements are not available on a particular day or week. Backup child care allows parents to take advantage of this service as needed and it allows them to come to work on time or come into work altogether because the care option is available. Backup child care centers do not require as extensive of curriculum planning, but these centers do experience more fluctuation in attendance and usage. Similar guidelines on the number of children an employee can have in the center, length of participation, and age of children should still exist to ensure the operation is equitable among employees and also a safe, enriching environment for participating children. Backup child care centers have been found to have a substantial impact on employee absenteeism and have shown a positive ROI. KPMG, a professional services firm, has found great success with their program and had a 125% ROI within the first six months of implementation of their emergency backup care program and a 521% ROI within four years of continued operation ("Building the Business Case for Work-Life Programs", n.d.).

Another large organization offering a child care benefit is JP Morgan Chase. Although Chase does not offer full-time on-site child care, they do offer backup care for employees whose regular child care arrangements fall through or whose children may be out of school for a regularly scheduled school break or a school cancellation ("JPMorgan Chase & Co.", n.d.) The company has major back-up child care centers located in the following cities: Columbus, OH, Jersey City, NJ, New York, NY Dallas, TX, San Antonio, TX and Arlington, TX. The company also has smaller centers available and partners with Bright Horizons for some of their operations.
According to Bright Horizons, Chase’s back-up child care program reduced the organization’s absenteeism rate and allowed Chase to save $800,000 in one year of operation following the implementation of the benefit after accounting for the cost of providing the care (“Making the Case for Back-Up Child Care”, 2005).

If an organization is concerned about the normal capacity of their full on-site child care center and maximizing the benefit of operating the center, they can open the on-site center as a backup care option to employees as well. Cisco Systems has offered onsite childcare for several decades and has two large childcare centers in San Jose, CA, and although these centers are highly valued by employees, the centers typically operate at 60 to 80 percent of capacity due to fluctuations in the employee population and their needs. To increase usage, the center’s services are now also offered on an ad hoc basis for employees whose typical child care arrangement is not available on a particular day (Sammer, 2016).

**Dependent care assistance plans**

Organizations, if unable to provide care but are still interested in assisting employees with the cost of care itself, could offer employees dependent care assistance plans, which is a form of flexible spending account that provides a way for employees to cover eligible dependent care expenses tax-free. Dependent care plans can provide up to $5,000 or $2,500 per parent if married and are filing separately tax-free (“Managing Work/Life Fit: Dependent Care and Elder Care”, 2018). Typical expenses covered by dependent care assistance plan include babysitting and daycare facility costs, under the condition that the plan participant is employed and their spouse is either employed, actively seeking work, or is enrolled in school full-time, and that the qualifying dependent is under age 12. Dependents ages 13 or older can qualify as an eligible
dependent if the individual is physically or mentally incapable of caring for themselves and regularly spends at least eight hours a day in the employee’s household (“Flexible Spending Account: Dependent Care (DCAP): General: What is a dependent care assistance plan?”, 2014). Organizations and their employees can both contribute to such plans in certain situations, such as a cafeteria plan where employees have the option to contribute pretax income toward dependent care expenses. SHRM’s 2017 Report “Remaining Competitive in a Challenging Talent Marketplace” found that 67% of employers surveyed offer a dependent care flexible spending account which has increased by several percentage points over the past three years. If offering a dependent care FSA is not a feasible option, an organization should still find ways to assist employees in their search for child care within the area. As the employment market tightens, employers should consider how family-friendly benefits can help recruit and retain top talent and the fact that more employers are offering such benefits.

**Employee assistance programs**

EAPs are usually offered in conjunction with an employer’s group health insurance plan and focus on providing free and confidential assessments, short-term counseling, or other referrals for employee problems, such as alcohol abuse or smoking cessation, but these programs can be flexible to fit an organization’s needs. An employer with an employee assistance program (EAP) in place should consider how that program can help employees locate local child care options. The organization can partner with the third party provider of the EAP and prioritize child care in the program’s offerings and promotional materials that are distributed to employees. Employees may be more apt to engage with such programs if referrals are not limited only to personal counseling needs, but also include child care and elder care resources. In addition to providing local resources for child care, an EAP could also include counseling and other support materials
for new parents who may be learning how to care for a new child and learning how to balance their personal and professional lives as a result of this major life change.

An employer should not implement an EAP for the sole purpose of providing guidance on local child care options. EAP costs range from $12 to $40 per employee annually, which represents less than one-third of one percent of the total employee healthcare benefit spent at most companies (Attridge et al., 2009). Although EAPs represent a minute expense in relation to total health insurance costs, many modern EAPs follow an assess and refer model, resulting in employees seeking professional help for personal problems and making outside health insurance claims. An EAP is a comprehensive program that should supplement the organization’s health insurance and is not recommended solely to help employees find child care.

Depending upon the size of the community in the organization’s location, an employer without an EAP could consider maintaining their own child care information resources for employees. If in a relatively small area with a limited number of providers, compiling information and prices would take a modest investment of time and would be easy to maintain and update as providers in the area change over time. An employer in a large metropolitan area may find this method difficult and may not be able to provide reputable, researched resources without a significant investment of time. If providing local resources, an employer should verify basic information about the child care providers, such as licenses, and ensure the resources being given to employees are accurate and the child care centers are professional and reputable.
Backup childcare programs

- Programs can be employer-sponsored or third party managed
- Available to employees on an "as-needed" basis and not as a full-time care option
- Program utilization and participation may fluctuate
- Decreases absenteeism among participating employees

Dependent care assistance plans

- Form of flexible spending account (FSA)
- Allows employees to cover eligible dependent care expenses tax-free up to $5,000 annually
- Can include babysitting and care facility costs
- Qualifying dependents are under age 12, unless dependent is unable to care for self and is inside employee's household at least 8 hours a day
- Employers can contribute to this account as a part of a cafeteria plan option

Employee assistance programs

- Typically offered in conjunction with health insurance programs
- EAPs can provide referrals for local childcare options
- Not cost effective option if solely for referring employees to local childcare and other services
  - If in a small community, employer could offer their own list of local options

Figure 4. Alternative options
Importance of strategic fit

If an organization is considering offering an on-site childcare program, providing complementary benefits are an important piece of making the program successful and creating a culture of care. If an employee takes advantage of on-site child care but does not have access to lactation rooms, the program may not be satisfying the needs of participants to the extent it could and employees may feel as if the organization is out of touch with their needs. Patagonia's benefits are truly unique and may not be right for all companies, but these benefits have become a core part of the organization's culture and they are an effective recruiting tool when competing for top talent. Patagonia considers their organization to have a family-oriented culture and the company offers a range of generous benefits to enhance that culture and support its full package of benefits. For example, the company provides paid maternity and paternity leaves, lactation rooms, and even Patagonia caregivers who are members of the GPCDC who travel with new mothers on business trips to care for their child.

At Toyota Motor Manufacturing Indiana (TMMI), children in their on-site childcare program receive free developmental and vision screenings twice a year. TMMI's child care center is another example of how offering on-site child care should be supplemented with additional benefits in order to foster a culture of care within the organization. In addition to the child care center, the TMMI Family Center includes an employee pharmacy and credit union and TMMI offers dependent-care spending accounts to pay for qualified child-care expenses (Santos, 2016).

Any course of action an organization pursues should be made in consideration of how their workplace can be more parent friendly in general, while also remaining in compliance with applicable legislation. Incremental changes can demonstrate to employees that their personal lives do not have to be considered a full interruption of their professional life. For example,
creating dedicated lactation rooms for mothers which are comfortable, private, and well-furnished are an excellent way for employers to make a manageable extra effort to show support for employees, but it is vitally important this space is compliant with the FLSA.

Organizations can create work-life balance policies for all employees that are also family friendly, such as a no meetings rule outside of the hours of 9:00 AM - 4:00 PM, flexible scheduling options, or a telecommuting policy, to assist employees if the organization is unable to offer some form of care (Beck, 2017). If an organization is more hourly based, simply making schedules more predictable and setting a standard for when employee schedules will be released is a helpful way to reduce employee anxiety and communicate when they need to be available at work, rather than providing short-term notice that an employee needs to come into work early, stay late, or work a different shift altogether. Such policies are especially useful for organizations whose employee population varies widely and employee groups have different benefit needs.

Before instituting such policies or programs, it is important for an organization to suspend judgment about what they believe employees would want and make an intentional effort to ask workers what they need and would value (“How to Design an Employee Benefits Program”, 2017).

Organizations should consider implementing work-life balance policies as a complement to an on-site or near-site care program as well in order to foster a strategic fit among the entire package of benefits. Although offering care does take a significant burden off of employees participating in the program, there may be other employees with children who may be too old to participate in the program or have a child who needs more attentive care. Work-life balance policies benefit all employees and can be regarded as an investment in increasing employee satisfaction, improved employee wellbeing, and higher retention. Researchers at Wake Forest
University School of Business found that employees who experience greater work/family balance are happier in their jobs and families and that they perform better at work and in their families, which makes a strong business case for the importance of offering work life balance benefits and instituting policies aligning with that objective (Wayne, Butts, Casper, and Allen, 2017).

Julie Holliday Wayne, a professor in the Wake Forest University School of Business, reported that the university’s research also demonstrated that when employees feel as if they have better work-life balance, they are more satisfied, more committed to their organizations, less likely to consider quitting, and their bosses find that these employees perform better. By taking concrete action, employers can impact how working parents fit into their organization and create an environment where parents do not have to choose between career and family in dramatic ways, such as one parent taking time away from work to raise the children until they are of school age.

Conclusion
As demonstrated, a woman who is out of the workforce for several years experiences income losses extending far beyond her regular salary and she loses out on her own professional development during that time, which may make her less likely to be promoted and enhance her earnings potential later in her career. Offering on-site child care enhances the employee experience and allows organizations to remain competitive and retain their top talent.

Organizations like Patagonia rely on the success of their child care program and the peace of mind it provides to employees in Ventura, CA and Reno, NV, and the business is able to thrive because of the higher number of women represented in leadership and the level of organizational knowledge retained by keeping experienced female employees after the transition to
motherhood. Although such programs are expensive and require high levels of coordination, the returns found in increased retention, reduced absenteeism, and an enhanced company culture make this benefit option worth pursuing for any organization interested in making work-life balance more achievable for its employees and retaining female employees who provide valuable insight to the organization.
References


http://scholarship.sha.cornell.edu/articles/475/


