



August 18, 2016

To: Vermont Child Poverty Council

From: Annie Noonan, Commissioner, Vermont Department of Labor

Re: Summary of Costs/Benefits of Employer Sponsored Child Care

Overview of the Issue: Child care is a critical issue for working parents. Location, quality, cost and availability are all considerations which all must be balanced relative to the needs of the household. Employers can play an important role in the market for child care services through their Employee Benefit package. On-site or off-site child care and direct cost reimbursements/contributions are examples of employer provided support. While the costs to the employer are monetary, the benefits reaped will likely offset the costs. Research on employer provided child care cite:

- Higher Retention – less turnover helps avoid down-time associated with training new staff
- Greater Productivity – increased output due to less child care related stress
- Reduced Absenteeism – employees able to meet work schedule demands more consistently

Employers weigh the costs of total compensation; and, as such, it is not unreasonable to assume that some employers who add child care as a benefit might reduce future wage increases to keep their level of total compensation increase at rate the employer wants to maintain.

Prevalence in Vermont: The Vermont Department of Labor (VDOL) compiles an assortment of data on labor market conditions in the state. As part of the Fringe Benefit Survey, private Vermont employers were asked a myriad of questions regarding the types of benefits offered and received by their employees. One question focused on child care. The question specifically asked of private Vermont employers was: Does your firm offer any of the follow benefits?

- Child care? (e.g. on- or off-site daycare, reimbursements, etc.) Y/N

Results from the 2011 and the 2013 Fringe Benefit Survey:

**Percent of Firms Which Reported Offering Child Care Benefits by Size of Firm**

Year of Study	Size of Firm, by employment					Number of Responses
	3-9 <sup>^</sup>	10-19	20-49	50-249	250+	
2011	1%	2%	3%	2%	38%	448
2013	3%	4%	3%	6%	21%	1,031

**Notes:**

<sup>^</sup> the 2011 study classified small employers as 1-9 employees; the 2013 survey narrowed the range to 3-9 employees allowing for a better sample draw and a higher response rate.

**Sources:**

2011 and 2013 Vermont Department of Labor Fringe Benefit Studies

Prepared by VDOL, E&LMI

As displayed in the table above, only a small percentage of respondents indicated that they offered child care as a benefit. A large share of those who did were non-profits (half in 2013) and some were daycare facilities where the benefit would be in-kind. Larger firms were more likely to offer the benefit than smaller firms. Due to different sampling methodology, the results are not directly comparable.

### **Impact of Child Care Costs on Workers**

Employee Costs, estimated at \$13,000 to \$15,000 per year per child  
(Center for Nutrition Policy and Promotion, 2014)

Child Care is a major cost of median household income

In Vermont and nationally, there is a lack of adequate subsidies or employer sponsored assistance (on-site centers or financial assistance)

“Child care is so expensive that there is very little discretionary money for consumption. It may be one of the things contributing to the slowness of our recovery and pulling down demand”.

MIT Sloan School of Management

Absenteeism and tardiness as a result of child care issues, cost estimates at \$3 billion per year.

Yet, it is estimated that for every \$1 an employer invests in child care, they receive a return of \$3-4 in increased employee productivity.

Lack of child care has a disparate impact on women workers: inequity in women’s tenure, earning potential and lifetime economic security due to coming in and out of the workforce and working part-time jobs while caring for children.

Lack of child care impacts the workforce today and will in the future. Right now, Vermont employers are struggling to fill vacancies. When child care is not available or affordable, workers may be forced to stay out of the labor market, or work part-time, or refuse promotions or transfer opportunities. The problems with both accessibility and costs of child care are influencing young adults decisions about having children, which will also create worker-shortages in the future.