

balance sheets

A series of information sheets for employers interested in helping employees balance their work, family, and personal responsibilities

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Xsheets™

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One Small Step


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"Given that employees' needs are diverse and change over time, it's important to investigate other types of work/life options as you pursue establishing a child care center. At PG&E, we rolled out an adoption expense reimbursement program and a resource and referral program along with our center."
Saundra Schiazza, Benefits Analyst
Pacific Gas & Electric Co.
San Francisco, CA

"Affordability is essential. No matter how solid the program or convenient the location, employees won't use a child care center if they can't afford it. Our company provides substantial subsidies to enable employees at all levels to free their minds of child care worries."
Andrea Brandeis,
Sr. Vice President -
Administration
Trust Insurance Co.,
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Employer-Sponsored Child Care Centers

Definition: Facilities owned, operated, and/or supported by employers to provide care for employees' children (typically ages 6 weeks to 5 years) on or near the worksite.

The challenges for parents: quality, availability, affordability.

Locating quality and affordable child care is often cited by workers as their most stressful problem. Stay-at-home mothers and other family-support systems, once a reliable mainstay, are no longer the norm. In fact, dual income and single parent households now comprise the majority of American households with children.

According to the National Center for the Early Childhood Workforce, parents typically spend up to one-quarter of their incomes on child care. Program availability is another dilemma, especially concerning infant care and care during irregular hours. And since child care workers earn extremely low wages (averaging about \$6 per hour), high turnover rates threaten the quality of care. A 1995 "Cost, Quality & Child Outcomes in Child Care Centers" study conducted by Yale, UCLA, University of Colorado at Denver and University of North Carolina revealed that overall, three quarters of the licensed care in this nation is mediocre in quality. Of the remaining care, half was found to be of good quality and half so poor as to be unsafe, unsanitary, and damaging to children's development.

Employers respond to fill the gap.

Over the past decade, a growing number of employers around the country have responded to the issues of child care quality, availability, and affordability by creating child care centers on or near the worksite which are typically very high in quality. In fact, there are now well over 2000 employer-sponsored centers nationwide, including 13% of Fortune 1000 companies. In recent years, more employers are developing consortium centers, especially smaller businesses interested in leveraging resources with other organizations.

Employers are motivated to pursue the option of worksite child care for a variety of bottom line reasons, including employee productivity, absenteeism, recruitment, retention and public relations. Employee feedback and long waiting lists are often the most tangible indicators of the value of a center for an organization. Some businesses, such as Fel-Pro and Johnson & Johnson, have conducted formal evaluations which link their company's child care center and other family supportive programs with high levels of employee commitment and initiative. Union Bank found a 2:1 return on its investment in terms of their annual savings from reduced turnover, absenteeism and free publicity.

THE BASIC STEPS

Note: The following list includes only some of the key steps related to establishing an on/near-site child care center. Also, the order of steps may vary, depending on an employer's needs, resources, and circumstances.

Analyze business needs. What are your objectives in establishing a center? To what extent do child care problems impact employees' job performance? Talking to other employers who have established centers will give you a clearer sense of the process and may help you clarify your reasons for investing in a child care center.

Assess employee needs. Some employers conduct an employee survey (or even several) early in the process, while others rely on available demographic information and informal employee communications. Given that it can take from one to five or more years to develop a center, carefully evaluate both current and future employee needs. Explore all factors that affect how parents choose care for their children (e.g., location, cost, hours of care, special needs).

Investigate community resources. Are there shortages for certain age groups or time slots? Are other employers in the vicinity interested in partnering with your organization?

Determine feasibility. Is there a potential site available for a child care center, and is the property zoned for child care use? Do you have the financial resources and management support necessary to create and sustain a high quality center?

Cultivate employee leadership and involvement. Typically, a high-level employee champions the effort, and with strong management backing, devotes substantial time and effort to the process. An employee task force can also advise on the project. Involve as many stakeholders as possible (e.g., unions, department heads, prospective parents, child care experts, property managers).

Determine the program's scope. Decide the size of the center and services to be offered based upon need. Will it include a school-age component, a kindergarten, a parent resource library? Follow standards set by the National Association for the Education of Young Children (NAEYC) for ratios, group sizes, teacher qualifications and

developmentally appropriate practices. These decisions affect both the design and the operating budget of the center.

Determine center's management structure. Will you contract with a management firm to operate the center? Create a new non-profit entity to run the center? Operate the center internally? An employer's relationship to a center may assume a variety of forms, and depending on which arrangement you choose, there are different levels of control, liability exposure, financial risk and day-to-day responsibility.

Select an operator. If you choose to hire an outside management firm, then conducting a comprehensive Request for Proposals (RFP) process is a critical step. Be sure to check references and conduct site visits, both planned and unplanned, to confirm that the philosophy and approach described on paper are demonstrated in existing operations.

Build budget projections. Start-up expenses include: site renovation or construction, furniture and play yard equipment, regulatory fees, consultant fees, and marketing. On-going expenses include: management fees, lease/rent fees, utilities, building maintenance, supplies, insurance, subsidies and/or scholarships, salaries and benefits, and staff training. Plan for losses in the first year or two, as it will take time for the center to fill.

Develop the site. Choose an architect and construction firm who have child care experience or who can team up with child care experts to formulate a welcoming environment that enables caregivers to do their job well. Be sure to contact local officials (including building, fire, health, zoning, social services agencies) regarding permit, licenses, and guidance in both site and program development.

Set the program in motion. Recruit and train staff, select equipment and supplies, prepare classrooms, set up administrative functions, hold parent information meetings, form a Parent Advisory Committee, coordinate enrollment, and cut the ribbon!

CONSIDERATIONS

Cost.

Establishing a high quality on/near-site center can be an expensive endeavor. However, opportunities such as available space, tax credits, or interested partners may arise that can significantly reduce expenses. It is important to determine early on if employer support will be limited to center start-up, or if on-going subsidies or in-kind contributions will be offered.

Liability.

Although perceived liability issues can be a stumbling block, employers who have established centers do not consider the exposure unreasonable. The best protection is being well informed about the risks and taking appropriate preventative action: designing the safest environment possible, selecting an operator with a strong track record, adhering to national quality standards, and securing adequate coverage (generally under 3% of the overall center budget).

Enrollment.

Enrollment is a "moving target" -- it can be difficult to predict and can change over time. Some employers open up slots to the community or to children of center staff, while giving employees priority enrollment.

Get the experts on your side.

Contact local resource and referral agencies for guidance, and/or hire a child care consultant. Professionals can help ensure an efficient process, minimize risk, and avoid legal and financial pitfalls. Involving consultants and/or center operators early on will enable you to partner on design and development decisions which may affect the long term operating budget.

Communication is crucial.

Regularly update employees on the progress of the center and be open to feedback.

Explore other options.

A child care center is typically one aspect of a full range of work/life programs. Keep in mind that a center serves only a limited number and type of employee needs. Other options include: child care subsidies, slots/discounts in community programs, back up child care, summer camp programs, flexible work schedules, adoption assistance, DCAP, resource and referral programs, accommodations for nursing mothers, and parent resource libraries.

For a comprehensive guide that addresses a wide range of child care issues, see One Small Step's *Taking Care: An Employer's Guide to Child Care Options* available at www.onesmallstep.org.