Employer-Supported Child Care
Options for Philadelphia

A Report from the Research & Evaluation Group at Public Health Management Corporation

DECEMBER 2016

The Employer-Supported Child Care (ESCC) Project comprises a multi-disciplinary team, including early care and education practitioners and researchers from Public Health Management Corporation; members of the Chamber of Commerce for Greater Philadelphia and the Economy League of Greater Philadelphia; and Bill Grant, Child Care Consultant.

A generous grant from the William Penn Foundation supported the ESCC Project. The opinions expressed in this report are those of the authors and do not necessarily reflect the views of the William Penn Foundation.

TABLE OF CONTENTS

Executive Summary

The Employer-Supported Child Care (ESCC) Project comprises a multi-disciplinary team, including early care and education practitioners and researchers from **Public Health Management Corporation**; members of the **Chamber of Commerce for Greater Philadelphia** and The **Economy League of Greater Philadelphia**; and **Bill Grant, Child Care Consultant**. The Project was convened with the generous support of the **William Penn Foundation** to identify and promulgate effective practices and financial strategies for employers to support their employees' early care and education needs, while at the same time strengthening their own bottom lines. The Project team engaged in a number of data collection and reporting activities to develop an understanding both of current practices relating to employer-funded models of care across the country, and to determine the current landscape in Philadelphia, including employee and employer interest and need.

Lessons Learned

Different types of ESCC are best suited to different types of organizations. On-site centers can be effective and provide high-quality care, but small organizations are often unable to afford the costs of a center and/or are unable to fill all of the slots. Furthermore, ESCC programs are not mutually exclusive. The military successfully runs a network of on-site centers, and supplements the slots in these centers (which quickly fill up) with subsidized slots in off-site centers and family day care homes. Other potential combinations might involve Child Care Resource and Referral (CCR&R) services in conjunction with Dependent Care Expense Accounts (DCEA) or company-sponsored vouchers.

Case study findings can encourage conversation among local employers regarding the range of ESCC options. Although the majority of surveyed local organizations provide an Employee Assistance Program (EAP) and/or a Dependent Care Expense Account (DCEA), only one respondent provides subsidized, on-site care, and none provided a company voucher or back-up care. While EAPs and DCEAs may have some value for families, they likely only marginally increase access and affordability for the families who most need assistance with paying for high quality care. Additionally, while more highly paid staff often provide the impetus for organizations to implement new ESCC programs, lower-paid staff likely stand to benefit from such programs to a greater degree.

Organization survey findings suggest that employers may be more open to exploring ESCC benefits that require less organizational involvement and risk. Voucher programs may be well-suited to the needs of such employers, given that vouchers comprise little more than reimbursements to employees with eligible expenses. Another option is to form employer consortiums to establish a sufficiently-sized pool for an ESCC center; six out of thirteen surveyed organizations indicated they would be willing to consider such an approach to providing ESCC for their employees.

ESCC can be used for employer recruitment and retention purposes. Organizations can distribute information on child care programs at recruitment events and new hire orientation. Email campaigns, newsletters, and presentations also serve as effective dissemination tools. Online informational hubs, like that maintained by the University of Arizona's Life & Work Connections division, advertise child care benefits to current and prospective employees.

Philadelphia employers can use ESCC project findings to discuss and finalize well-informed benefit offerings for local employees. When asked what types of ESCC benefits they were considering implementing, three surveyed employers identified EAPs, two identified DCEAs, two identified subsidized on-site care, three identified vouchers for off-site care, one identified emergency back-up care, and five reported they were unsure what their organizations' plans were. Conducting a needs assessment with current employees, forming a cross-departmental advisory committee, and discussing multiple ESCC options and financing should serve as a starting point for local employers.

Challenges engaging employers in the data collection process serve to inform future ESCC work. The Economy League of Greater Philadelphia and the Chamber of Commerce for Greater Philadelphia worked to engage regional employers throughout the project period but organization recruitment proved difficult. Lack of interest in the topic contributed to low participation rates in the Organizational Readiness Survey. R&E Group staff at PHMC also experienced difficulty engaging many large companies in the case study process. Among local and national employers there may not be general consensus about the benefits of ESCC. Local Philadelphia employers interested in offering on-site child care can consider applying to the Fund for Quality with a qualified child care provider. The Fund for Quality provides planning and capital grant awards for high quality child care development. Recruitment for participation in this initiative should be carefully considered and alternative channels for engagement, different than those used in the Project, should be adopted. For example, employers participating in and benefiting from the Fund for Quality can be asked to refer non-participating Philadelphia companies to the initiative and share the Menu of ESCC Options for Employers.

The Trump administration's child care proposals may influence local employer engagement. President Trump's September 2016 proposal 'Contract with the American Voter' presents plans for an Affordable Child Care and Elder Care Act which would incentivize employers to provide on-site child care as well as establish tax-free dependent care savings accounts for young dependents, with matching contributions for low-income parents.[i] Future federal initiatives may be used to garner local attention and engagement in employer-supported child care options. The child care community is committed to monitoring the administration's fulfillment of campaign promises.

[i] Information on Donald Trump's 'Contract with the American Voter:
https://assets.donaldjtrump.com/_landings/contract/O-TRU-102316-Contractv02.pdf;
https://apps.washingtonpost.com/g/documents/politics/donald-trumps-contract-with-the-american-voter/2268/

Project Overview

The Employer-Supported Child Care (ESCC) Project comprises a multi-disciplinary team, including early care and education practitioners and researchers from **Public Health Management Corporation**; members of the **Chamber of Commerce for Greater Philadelphia** and the **Economy League of Greater Philadelphia**; and **Bill Grant, Child Care Consultant** The Project was convened with the generous support of the William Penn Foundation to identify and promulgate effective practices and financial strategies for employers to support their employees' early care and education needs, while at the same time strengthening their own bottom lines. The Project team engaged in a number of data collection and reporting activities to develop an understanding both of current practices relating to employer-funded models of care across the country, and to determine the current landscape in Philadelphia, including employee and employer interest and need.

To accomplish Project goals, Early Childhood Education at Public Health Management Corporation (PHMC) provided project oversight, coordinated efforts, and provided ECE expertise. The Research & Evaluation Group at PHMC produced a comprehensive literature review, created data collection tools, completed case studies, and produced ongoing and final reports. Bill Grant, Child Care Consultant and formerly of Hildebrandt Learning Centers, met with employers and completed in-person organizational readiness surveys. The Chamber of Commerce for Greater Philadelphia and the Economy League of Greater Philadelphia offered recommendations to the team and engaged their organization members.

Figure 1: ESCC Project Team Members

Primary activities of the Project included:

- Development of an advisory group, including representatives from Chamber of Commerce for Greater Philadelphia, Economy League of Greater Philadelphia, and Bill Grant, Child Care Consultant. This group provided recommendations, supported data collection, tested messages, and promoted participation by employers.
- Development and deployment of assessment tools with identified employer participants to ensure full understanding of the views and attitudes around high-quality child care among employers in the greater Philadelphia area and their interest in becoming involved in employer-supported child care.
- Development of a comprehensive understanding of the landscape of employer-supported child care models and their financial implications from a nationwide and local assessment including data collection, literature review, and analysis.
- Use of data to inform the development of potential models for replication and expansion locally.
- Development of a "menu" of approaches for employers to participate in employer-supported child care and support low-wage staff in accessing high-quality care based on the profile of the business and its employees.

Primary outputs of the Project included:

- A series of six case study interviews conducted with employers currently offering ESCC in order to assess organizational satisfaction, infrastructure, and processes used to create and sustain these supports.
- A literature review examining models available to employers for supporting their employees' child care needs, including a "menu" of select approaches that are currently in use and have proven successful.
- Two convenings of the Project Advisory Committee, which provided feedback, supported data collection efforts, reviewed Project activities, and provided connections to local employers.
- A survey of employees with children in the Philadelphia area to gauge their needs and preferences in relation to child care and to better determine how employer-supported models might operate in a local context.
- A series of interviews and surveys of local employers to assess businesses' levels of organizational readiness to implement high-quality, employer-supported child care.

A Review of Current Practices in Employer-Supported Child Care

Introduction

Working parents face significant challenges when it comes to finding and obtaining high-quality child care. Numerous authors have elaborated on the systemic shortcomings of child care provision in the U.S., including cost, reliability, educational quality, staff qualifications, and informational asymmetries, among others.[1,2,3,4] Particularly for low and middle income families, access—financial, locational, and temporal—to high quality child care can be limited or nearly nonexistent.[5,6,7] In this context, employers stand to play a pivotal role in connecting employees with child care services; employers have access to unique tax benefits that afford them advantages over individual parents in terms of contracting or creating child care services.

This review seeks to answer the question: **"How can employers assist workers in obtaining high quality child care in a manner that is more effective than simply raising employees' salaries?"** To do so, this review will consider different types of employer-supported child care (ESCC) practices currently in use, and will compile relevant literature that informs our understanding of how and why employers adopt a variety of ESCC programs.

The Prevalence of Employer-Supported Child Care Programs

ESCC encompasses a broad range of policies and services; the focus of this review will be the provision of work-day child care and practices relating thereto, although auxiliary programs (e.g. child care during work-related travel, after hours child care, child care for sick children, etc.) are important add-ons to core services.[ii] The variety in ESCC offerings reflects the diversity of American employers, although a few factors are particularly useful predictors of ESCC practices, namely organizational type, organizational size, and composition of the work force. For example, data show that large organizations are much more likely than small organizations to have any ESCC offerings; non-profits and government agencies are more likely than for-profits to have on-site child care centers; and workforces comprised of more technical and managerial staff are more likely to have on-site child care than those that rely on lower-paid workers.[8,9] These data, in conjunction with organizational theory and survey and interview results, suggest that larger organizations are more likely to offer on-site centers because they can take advantage of significant economies of scale, particularly when it comes to filling spots in a center.[10] Likewise,

---

[ii.] Galinksy et al., 2008, provide data relating to the prevalence of many of these add-on ESCC services.

we might conclude that employers whose workforces are comprised of higher status workers are willing to invest in the more expensive on-site center (as opposed to Dependent Care Expense Accounts (DCEA) or other low cost ESCC) in order to draw and retain high quality, in-demand employees, whereas managers of workforces that are predominantly blue collar or low-wage may have more leverage when offering benefits to prospective employees.[11,12,13,14]

While companies can and do modify basic ESCC models to meet their specific needs and goals, a few core policies characterize the majority of ESCC programs across the country. The list below outlines four popular yet distinct ESCC practices currently in use and mentions some of the variations/combinations that companies employ when structuring their programs.

Dependent Care Expense Accounts (DCEAs): 46%*[iii]

- DCEAs are pre-tax accounts available to workers via their employers. Employees can contribute up to a cap of $5,000 annually, and can use the funds to pay for eligible expenses. (As the name implies, DCEAs cover not only child care but also other expenses for dependents, such as care of elderly or disabled relatives.) These accounts are favored by many employers for their low operational costs—employers need only develop the organizational systems and processes to operate a DCEA program, which are inexpensive—and because funds that employees contribute to their DCEAs in turn reduce employers' FICA liabilities.[15]

Child Care Resource and Referral (CCR&R): 35%*

- CCR&R is a low cost form of ESCC that is primarily information-based; a CCR&R program could be as simple as a website or page run by an employer that documents and rates local child care providers. More extensive services can include recommendations that help parents match their criteria—such as price, location, educational quality, and hours—with available options. CCR&R services might also help parents with technical aspects of the child care process, such as application, financial planning, and tax benefit utilization.[16] Although many businesses provide these services to employees,[17] either in-house or via a contract with a consulting agency,[iv] such services are provided free of charge in many areas by government and non-profit organizations; the Pennsylvania Department of Human Services runs a statewide network of CCR&R centers, including five in Philadelphia.[18]

[iii] Rates of prevalence for each category of ESCC (marked with an asterisk) are taken from Galinsky et al., 2008.
[iv] Care.com is one of the largest providers of commercial CCR&R services.

On-site or near-site child care center: 9%*

- The on- or near-site center can offer significant benefits to employees, from ease of use to financial accessibility; employers with on-site programs routinely offer services at below-market rates, while some even implement tiered pricing pegged to hours worked and/or income, including the Department of Defense and clothing retailer Men's Wearhouse.[19,20] One of the downsides to on- or near-site centers is their cost and the size of the employee pool necessary to fill slots, which often makes such centers infeasible for smaller companies. The mechanisms used by employers to connect employees with on-site or nearby child care providers are diverse,[21] including:
    - Constructing an on- or near-site center;
    - Forming a consortium with nearby businesses to create an on- or near-site center, frequently in a business park or another business-dense area; and
    - Contracting or reserving slots with one or more nearby existing centers or homes.

Company-provided vouchers: 5%*

- A company-operated voucher system entails the employer bearing the direct costs of subsidizing employees' child care options. These vouchers are deductible expenses for employers, and allow employers to provide affordable child care services without the up-front costs, management responsibilities, and liability concerns of an on-site center. For employees, a voucher system offers the same flexibility in choosing a provider as DCEAs; vouchers can easily be paired with other ESCC initiatives, such as CCR&R and DCEAs. Furthermore, employers can tie voucher funds to quality standards (which may already be quantified as part of a CCR&R program) to ensure that employees utilize qualified providers.

The Regulatory and Political Landscape

The influence of government at the local, state, and federal levels significantly shapes and defines child care services. From a regulatory perspective, licensing practices and quality standards serve to define the operating parameters for child care providers, thereby limiting the types of ESCC programs available to employers. For example, the City of Philadelphia recognizes and licenses two types of child care establishments: (1) family child care, which is located in the provider's residence and can serve at most 12 children; and (2) commercial child care, which encompasses all other child care providers.[22] Furthermore, the Commonwealth of Pennsylvania provides regulatory standards that define the requirements for operating family and commercial child care centers, including age, education, training, and facilities specifications, among others.[23] Government also helps to define child care offerings through legislative initiatives. Kelly[24] highlights three relevant pieces of federal legislation that have contributed to the current trends in ESCC:

- **The Dependent Care Tax Credit (DCTC)**, which allows working parents to claim a tax credit—pegged to gross income—for up to 35% of eligible expenditures, with a maximum of $3,000 for one child and a maximum of $6,000 for two or more; [25,v]
- **The Dependent Care Assistance Program (DCAP)**, which was passed in 1981 with the objective of increasing on-site child care centers. The legislation was directed at employers, and tax exemptions were provided *to employers* for the purpose of expanding ESCC services. Nonetheless, ambiguity in the wording of the legislation left room for businesses and benefits consultants to devise a tax vehicle, the Dependent Care Expense Account (DCEA) referenced above, to pass the tax exemption on to employees.[26] In so doing, employers were able to avoid the significant costs of providing new ESCC options, but could still tout the new family-oriented benefits they were offering employees. The DCEA in turn has become the most prevalent form of ESCC in the U.S.;[27] and
- **A 1973 IRS ruling in relation to Title 26, section 162[a]**, which stipulates that child care expenses incurred by employers in order to further business goals such as employee recruitment and retention, reduced absenteeism, and/or increased productivity are considered "ordinary and necessary" expenses and are tax deductible.[28,vi]

Although Kelly[29] does not refer to it, the Credit for Employer-Provided Childcare Facilities and Services is a fourth piece of tax law impacting ESCC practices. Under this ruling, employers qualify for a credit equal to 25-35% (with a cap of $150,000 annually) of expenditures incurred by the employer for providing or contracting child care and CCR&R services to employees.[30]

A Model for Employer-Supported Child Care?

The U.S. military is the largest provider of child care services in the country; as of 2000, the military directly provided or subsidized care for approximately 200,000 children.[31,32] At the same time, the military's child care system ranks ahead of all 50 states and the District of Columbia in terms of program standards and oversight[33], and is significantly more affordable than most child care offerings: "On average, military families pay about $108 per week for DoD-subsidized civilian child care, which constitutes 8.7 percent of the average military family's income. By contrast, civilian families spend, on average, 25 percent of their income for care of children under five years

[v] The DCTC is relevant to our discussion of ESCC only in that individuals must file tax returns in order to claim the tax credit. In this sense, DCTC is an automatic form of ESCC available to all workers, although its use among lower income workers is significantly lower than among higher paid workers (Forry and Anderson, 2008).

[vi] Although the IRS's 1973 ruling has not significantly shaped the evolution of ESCC programs, the ruling further substantiates the argument that employers stand to be the most cost-effective providers/contractors of child care.

old and 9.9 percent of their income for care of school-age children."[34]

What explains the military's relative success in crafting an affordable and high-quality ESCC program? In 1989, Congress passed the Military Child Care Act in an effort to address systemic issues of quality and safety, and the Department of Defense (responsible for administering the military's child care services) implemented sweeping overhauls throughout the 1990s and early 2000s.[35,36] These overhauls are partly focused on issues outside the scope of this review, such as accreditation, teacher salaries, and education incentives, but a number of the Department of Defense's reforms touch on important and relevant themes.

Affordability

The military takes a two-pronged approach to addressing the ability of military families to afford child care: (1) all child care is subsidized, with the Department of Defense matching parent fees dollar for dollar; and (2) military families pay for child care based on a sliding fee scale, with the lowest income families paying the least and the highest income families the most.[37,38] It is of note that the military subsidizes child care for higher income families as well in order to maintain the program as a general benefit rather than a welfare program for low income families.[39] This strategy may be of value to employers who are looking for broad buy-in from employees.

Availability

The military has dealt with and continues to deal with an unmet demand for child care services.[40,41] Aspects of unmet child care needs in the military parallel issues of child care availability facing civilian families [42,43,44]; the military's solutions to child care availability may offer insight into the role businesses can play in resolving child care shortages. The military undertook a number of initiatives to increase child care availability, three of which stand out as potential models for ESCC programs: (1) proactively working with family child care providers near bases to arrange for slots for children of military families; (2) developing contracts with qualified off-base child care centers in order to reserve slots for children of military families; and (3) expanding the scope of CCR&R facilities on bases to assist families in finding care, on or off base, that best meets their needs.[45]

Standards and Certification

In response to the Military Child Care Act of 1989, the Department of Defense developed a strict system of inspections tied to standards for safety, staff/child ratios, staff training and qualifications, and parent involvement, among others. Both on-site child care centers and off-site family child care providers are subject to unannounced inspections on a quarterly basis; providers who are not in compliance must rectify issues quickly or are subject to closure or loss of funding.

Military families may not use subsidies to send their children to uncertified family care providers, and all child care centers on bases are certified.[46] While most employers are likely incapable of conducting similar inspections or establishing an in-house set of standards, the linkage employed by the military between quality and funding is relevant to employers interested in starting or improving an ESCC program. In fact, a number of third-party organizations provide standards for and ratings of child care providers: the National Association for the Education of Young Children (NAEYC) is perhaps the best-known national organization that serves such a function, while the Commonwealth of Pennsylvania has a similar rating system called Keystone STARS. Employers could follow in the footsteps of the military's reform by tying programs such as DCEAs or vouchers to one of the available standards and ratings systems, thereby elevating the quality of child care experienced by employees.

Other Models for Employer-Supported Care

While child care in the military is particularly well-researched given the scope and history of the institution, many other employers offer partial or comprehensive child care services to employees.

The University of Arizona offers employees (.50 FTE and up) a voucher reimbursement program to reduce the burden of child care expenses. Under this program, employee households earning $30,000/year or less can receive a voucher for up to $2,500; employees with higher salaries are also eligible for reimbursements, but at reduced rates.[47] Of note, the University of Arizona's requirements for its voucher program mirror federal IRS requirements for DCEAs. As such, monies disbursed via the voucher program accrue towards the $5,000/year limit placed on DCEAs; a household earning under $30,000 could earn a voucher of $2,500, and place the remaining $2,500 into a DCEA. This system also allows for the University of Arizona to reduce its tax obligations on monies disbursed via vouchers. Other employers with similar voucher programs include Johns Hopkins University and Loyola University Maryland.[48,49]

Some employers, such as SAS Institute and Cisco, use a combination of on-site centers and complementary offerings. SAS Institute boasts a subsidized, on-site child care facility, a DCEA program, and subsidized community care options for families who opt for off-site care or are unable to obtain an on-site slot.[50] Cisco offers an on-site center at its corporate headquarters, while employees at other Cisco locations have access to the Bright Horizons Network of child care facilities across the county. Cisco employees in the U.K. receive vouchers to subsidize child care costs at a center or family home of their choice.[51]

While these organizations and businesses offer insight into ESCC program structure, they also point to ESCC trends mentioned earlier. We were unable to find examples of employers with predominantly blue-collar workforces that offered significant child care benefits, and employers tended to offer one set of benefits for the staff at their main location, with reduced or nonexistent child care benefits available to staff at satellite locations (this is the case for SAS Institute, Cisco, and Men's Wearhouse). This phenomenon may point to underlying structural and financial hurdles to providing child care benefits to a distributed network of offices or stores, or it may reflect differences in pay and qualifications between the workforce at a corporate headquarters and workforces at retail outlets or secondary offices.

Conclusions

We can draw a number of conclusions based on the available literature that should inform ESCC advocacy work in Philadelphia and beyond.

1) Different types of ESCC are best suited to different types of organizations. On-site centers can be effective and provide high-quality care, but small organizations often are unable to afford the costs of a center and/or are unable to fill all of the slots.
2) ESCC programs are not mutually exclusive. The military successfully runs a network of on-site centers, and supplements the slots in these centers (which quickly fill up) with subsidized slots in off-site centers and family day care homes. Other potential combinations might involve Child Care Resource and Referral (CCR&R) services in conjunction with Dependent Care Expense Accounts (DCEA) or company-sponsored vouchers.
3) In order to go beyond nominally providing ESCC benefits, employers need to consider the quality of care available to employees. CCR&R services can be a low-cost method for providing parents with information about local child care providers; a better solution may be to link benefits (DCEAs or vouchers) to qualifications and standards, such that employees can only use their ESCC benefits at well-rated providers. The military has an accreditation process built into its child care system, but employers in Pennsylvania may be able to use the Office of Child Development and Early Learning's Keystone STARS rating system as a unified measure of a provider's quality.
4) Creating a fee schedule that is tied to employee income may help to limit costs to the company while maximizing benefit to employees. A sliding fee structure can reduce the burden of child care for lower income families, who otherwise spend a significantly larger portion of their income on child care than do wealthier families.[52,53]

Summary

Employers have numerous advantages over individuals in terms of contracting or providing child care services. Dependent Care Expense Accounts, authorized under the Dependent Care

Assistance Program, allow employees to pay for child care expenses of up to $5,000 annually out of pre-tax money; this benefit is only available to individuals via their employers. Similarly, IRS interprets Title 26, Section 162[a] so as to allow employers to deduct all their child care expenses, provided that those expenses relate to a business goal such as hiring, retention, reduced absenteeism, or productivity; the positive impacts of child care on these business objectives is well documented in the literature.[54,55,56] The Credit for Employer-Provided Childcare Facilities and Services goes a step further, allowing employers to take a credit for up to $150,000 annually. Since these tax laws are available only to (or via) employers, employers stand to be the most economical providers of child care services.

Table 1, below, models how various child care benefits combinations impact the take home of a hypothetical employee and the total cost to his/her hypothetical employer. We can see that when no benefits are provided, both the employee and the employer spend more than when benefits are provided. For the employee, the take away under a DCEA program versus the take away under a DCEA and voucher are approximately the same (both save the employee approximately $1,300 in comparison to when no benefits are provided), but for the employer, the combination of a DCEA program with vouchers saves an additional $600 as compared to just offering a DCEA.

Table 1. Comparison of ESCC Policies on Employer and Employee Expenditures

Type of Benefit	Employee Take Away	Employer Expense
None	Salary = $45,000 - Taxes ($9,559)[vii] + DCTC ($600)[viii] - Child Care ($7,128)[ix] **Total = $28,913**	Salary = $45,000 + FICA ($3,443)[x] **Total = $48,443**
DCEA[xi]	Salary = $45,000 - DCEA ($5,000) - Taxes ($8,272) - Child Care ($2,128) **Total = $29,600**	Salary = $45,000 - DCEA ($5,000) + FICA ($3,060) **Total = $43,060**
DCEA + Voucher	Salary = $43,000 - DCEA ($5,000) - Taxes ($7,758) - Child Care ($128) + Voucher ($2,000) **Total = $32,114**	Salary = $43,000 - DCEA ($5,000) - Credit ($500)[xii] + FICA ($2,907) + Voucher ($2,000) **Total = $42,407**

[vii] Estimated using SmartAsset's Pennsylvania Income Tax Calculator for Pennsylvania, FICA, and federal taxes.
[viii] For those earning over $43,000, the Dependent Care Tax Credit is calculated as 20% of eligible expenditures, which are capped at $3,000 for one child or $6,000 for two or more children. This example reflects costs of care and tax savings for one eligible child.
[ix] $7,128 is the average annual cost of child care for a four-year-old in family child care in Pennsylvania. This cost is approximately $1,600 less than the same care at a child care center (Child Care Aware for America, 2014).
[x] FICA, or the Federal Insurance Contributions Act, includes a 6.20% Social Security tax and a 1.45% Medicare tax.
[xi] The DCTC and DCEA benefits are exclusive, with the exception of an employee who has over $5,000 in eligible expenses and is claiming two dependents (and therefore has a $6,000 limit to eligible expenses). In such a case, an employee could contribute $5,000 towards her DCEA, and claim the remaining expenses, up to $1,000, under the DCTC.
[xii] This represents the 25% Credit for Employer-Provided Childcare Facilities and Services.

Table 2, below, itemizes the savings to an employee and to his/her employer, assuming that the employee uses his/her DCEA up to its maximum of $5,000/year. Employees save in relation to their marginal tax bracket; an employee in the lowest tax bracket saves less than does an employee in the highest, although employees in lower tax brackets save a greater percentage of their total income. For employers, savings are the result of eliminating FICA contributions on a portion of the employee's salary, and as such are unconnected to the employee's tax bracket.

Table 2: Estimated Savings of a $5,000 DCEA by Tax Bracket[xiii,xiv]

Federal Income Tax Brackets	Pennsylvania Income Tax	Social Security Tax[xv]	Employee Savings	Employer Savings[xvi]
15%	3.07%	7.65%	$1286.00	$382.50
25%	3.07%	7.65%	$1786.00	$382.50
28%	3.07%	7.65%	$1936.00	$382.50
33%	3.07%	7.65%[xvii]	$2186.00	$382.50
35%	3.07%	8.55%	$2331.00	$427.50
39.6%	3.07%	8.55%	$2561.00	$427.50

[xiii] 2016 tax brackets are listed.

[xiv] Table 2 assumes that the DCEA contribution falls within only one tax bracket. If an employee's income puts him/her just over the threshold of a tax bracket, savings from his/her DCEA might be slightly lower than projected.

[xv] The Social Security tax rates represent the combined rate for Social Security (6.20%) and Medicare (1.45%). While the Social Security portion of this rate is flat across all incomes, the Medicaid rate increases by .9% for income over $200,000.

[xvi] Employer savings are calculated based on forgone FICA payments, which are the same as the employee's Social Security (including Medicaid) tax payments.

[xvii] Earners in this tax bracket may pay a higher marginal social security tax (8.55%) if they earn over $200,000; figures represented in this row reflect a marginal rate of 7.65%.

Menu of Options For Employers

Employer Supported Child Care

- Employee education programs on selecting high quality childcare
- Discounts for employees who select high quality childcare for their children (i.e. vouchers)
- Employer sponsored on-site childcare for employees
- Employee education programs about dependent care tax credits
- Pre-tax deductions (Dependent Care Assistance Programs)
- Relationships between employers and local childcare facilities to prioritize/hold slots for employees
- Relationships between employers and local childcare facilities to discount childcare for employees

Case Studies

The Employer-Supported Child Care project aims to develop a plan that details: 1) evidence about the benefits and costs of employer-supported child care models; 2) a menu of options on how employers in Philadelphia can offer child care incentive programs or on-site child care; and 3) the level of interest from local employers of low-wage workers to participate in these options. The ultimate goal of this plan is to offer guidance to Philadelphia employers on how to best support their employees in accessing high quality child care. To inform the development of this plan, the Research & Evaluation Group at Public Health Management Corporation conducted phone interviews with representatives of six employers about the genesis, advantages and challenges of their child care programs to draw on their experiences as a model for others. Five of these employers are located in southeastern Pennsylvania and one is located in Arizona. All but one of the employers offer employees an on-site child care facility. Quality of care is important to each of the organizations profiled; each on-site child care center is accredited by the National Association for the Education of Young Children (NAEYC) and all that have a rating through PA Keystone STARS are STAR 4.[xviii]

Child Care Program Origins

The impetus to create the programs profiled in the case studies primarily came from two sources: organizational leadership and employee demand. Organizational leaders who provided the impetus to create a child care program described it as an investment to improve the work/life balance of employees. Some leaders saw child care programming as being an important way to relate employee wellbeing to the organization's mission and goals, while others aimed to improve employee recruitment and retention. For one organization, employee demand was captured in hiring and exit interviews, while others noted that the call for employer-supported child care options was more of a "grassroots effort" among employees.

Programs were developed using different means at each employer. Two organizations formed committees which included leadership, Human Resources (HR) representatives, and other employees to lead the program development and implementation process. Initial conversations at these organizations focused on balancing costs of care with the fees placed on parents and ensuring that licensing and certification requirements were being met. Leadership at two other organizations developed their programs by consulting with nearby child care providers to identify important factors to take into account when creating a program for their employees.

[xviii] One employer was waiting to receive a STAR rating for their new center at time of interview.

Three organizations involved employee feedback in the design process by conducting need and interest surveys and focus groups. One organization noted that leadership decided to provide a comprehensive support program rather than an on-site center to best allocate their limited resources and maximize the benefits available to employees.

Description of Programs

Five of the six organizations profiled offer employees on-site child care for children up to five years old. The number of slots at these centers ranges from 56 to 187 and they operate Monday through Friday, between 6 or 7 AM and 6 PM. Four of these centers are open to community families as well as employees. For those who are open to community members, most offer employees discounted rates and give preference to employees over community members on the wait list. Some on-site child care facilities also offer additional discounts for employees with household income levels below certain thresholds.

The higher education institution that does not offer an on-site child care center provides employees and students with robust child care support in other ways. Consultations in navigating resources and referrals, lactation support, and subsidized sick or emergency backup care are available to faculty, staff, and students at this organization, with child care vouchers available to employees eligible for benefits and a child care subsidy available to students. The amount of expenses provided to an employee utilizing a voucher is dependent upon household income.

Programs are split between being overseen internally or externally. Two organizations utilize external partners to oversee the operations of their programs, two are overseen entirely by internal departments or divisions, and two are primarily overseen by external partners with internal departments working as liaisons between the partner and larger organization. The profiled employers, their program offerings, and operational oversight are detailed in the table below.

Table 3. Summary of Interviewed Employers' Child Care Offerings

Employer	Type of Employer	Programs Offered	Program Oversight
Lancaster Laboratories Lancaster, PA	Private sector 1,000 employees	• On-site child care (since 1986) • Before and after school care • Snow day child care • Summer camp for children up to age 12	Primarily external – *Hildebrandt Learning Center with Lancaster Labs' Senior HR Director as liaison*
Public Health Management Corporation Philadelphia, PA	Nonprofit 1,400 employees	• On-site child care (since 2016)	External – *Bright Horizons*
Rodale Emmaus, PA	Private sector 700 employees	• On-site child care (since 1991)	Primarily external – *Bright Horizons with Rodale's HR and Finance departments to manage relationship and handle financial aspects of program*
Thomas Jefferson University Philadelphia, PA	Higher Education 13,000 employees	• On-site child care (since 1979) • Discounted rates with KinderCare and CCLC	External – *Children's Creative Learning Centers (CCLC)*

University of Arizona Tucson, AZ	Higher Education
	
	15,500 employees, 43,000 students
		• Support program since mid-1990s
		  ○ Resource & referral
		  ○ Lactation support
		  ○ Child care vouchers (employees only)
		  ○ Child care subsidy (students only)
		  ○ Sick/emergency backup care
			Internal – *Life & Work Connections, a unit of HR that provides services for elder care, employee assistance, wellness, and work/life balance*

University of Pennsylvania Philadelphia, PA	Higher Education 17,000 employees	• On-site child care (since early 1990s) • Drop-in child care for non-enrolled children 12 weeks to 5 years • Backup care for children of all ages • Snow day child care for 12 weeks to 12 years	Internal – *Penn's Division of Business Services, which works closely with HR; Executive Director at center is a Penn employee and serves as operational manager*

Program Promotion

All organizations with programs open to the community utilize public websites to promote their centers. Internally, organizations use varied means of communication to promote their programs. Organizations distribute information on the child care program at recruitment events and new hire orientation. Email campaigns, newsletters, presentations, and posters are also used for existing employees to provide detailed information on the programs and resources offered, eligibility criteria, and how to access the programs.

Program Evaluation

The profiled organizations report that employees are overwhelmingly satisfied with the child care programs being offered. One organization noted that employees are especially happy about the convenient location of the on-site center in their headquarters because it allows them to stop in to see their children throughout the day. These programs have helped the organizations with employee retention; some organizations note that employees are appreciative of the benefits and choose to stay in their jobs because they will not be able to find comparable benefits at other employers. Many remarked that the programs help employees to achieve work/life balance and enhance their job satisfaction.

Challenges

The challenges named by most of the organizations relate to balancing costs for this benefit with limited resources and competing priorities. Two organizations named balancing quality of care with affordability to employees and community members as their largest challenges, while another noted that even though the expense to employees is quite high, there has been no discussion with leadership about increasing subsidies. One organization has undergone structural changes to their organization and struggles to maintain support for the program after transitioning from a small, family owned business to a larger, publicly held firm with multiple locations that do not offer the same child care benefits. Long waitlists also present a challenge for two of the organizations offering on-site centers. One organization has contracted with two high quality centers nearby to reserve 50 spots for children of employees while another is in the midst of conducting a needs assessment to decide how to address this issue.

Reasons for Offering Child Care Benefits

Despite the challenges named above, employers continue to support child care programs for their employees due to the benefits gained by employers in recruitment and retention, reduced absenteeism, the positive relationships these programs build between the organization and the community, and the fact that the benefits of these programs to employees outweigh the costs to the employer. A number of organizations reported that they feel these programs support their mission in promoting healthy families and communities and bringing work/life balance to employees. Employer-supported child care programs allow these organizations to be seen as premier employers where candidates want to work and employees feel loyal.

Child Care Need/Use Survey

Overview

The Child Care Need/Use Survey was developed to collect information from parents working in the Philadelphia area related to their child care needs, use, and interest in employer-supported child care. The brief convenience sample panel survey collected quantitative and qualitative data from individuals, working in the Philadelphia area, who have children. Survey questions were developed by Public Health Management Corporation with support from the Chamber of Commerce for Greater Philadelphia and the Economy League of Greater Philadelphia.

The survey was administered online to a panel of adults living or working in the Philadelphia area recruited by Survey Gizmo. Data were collected from November 23, 2016 to December 1, 2016. Respondents came from a convenience sample, where subjects are invited based on their profile (e.g., demographic questions and other characteristics like cell phone usage or job type, etc.); in this case, adults with full or part time jobs located in the Philadelphia area were eligible. A random group of panel members meeting these criteria was invited and chose to participate.[xix] Respondents were not stratified or representative of the entire population of interest.[xx] However, the feedback collected via the panel is an important step to incorporating information from a group which we were unable to reach through planned means.

The online survey was distributed to over 300 potential respondents. Of the 200 respondents who completed the survey, the 143 respondents with children were selected for data analysis. Of these 143 respondents, 62.9 percent, or 90 people, reported children currently enrolled in childcare. These 90 respondents provided data on 126 children. The range of number of children per respondent was between one and five.

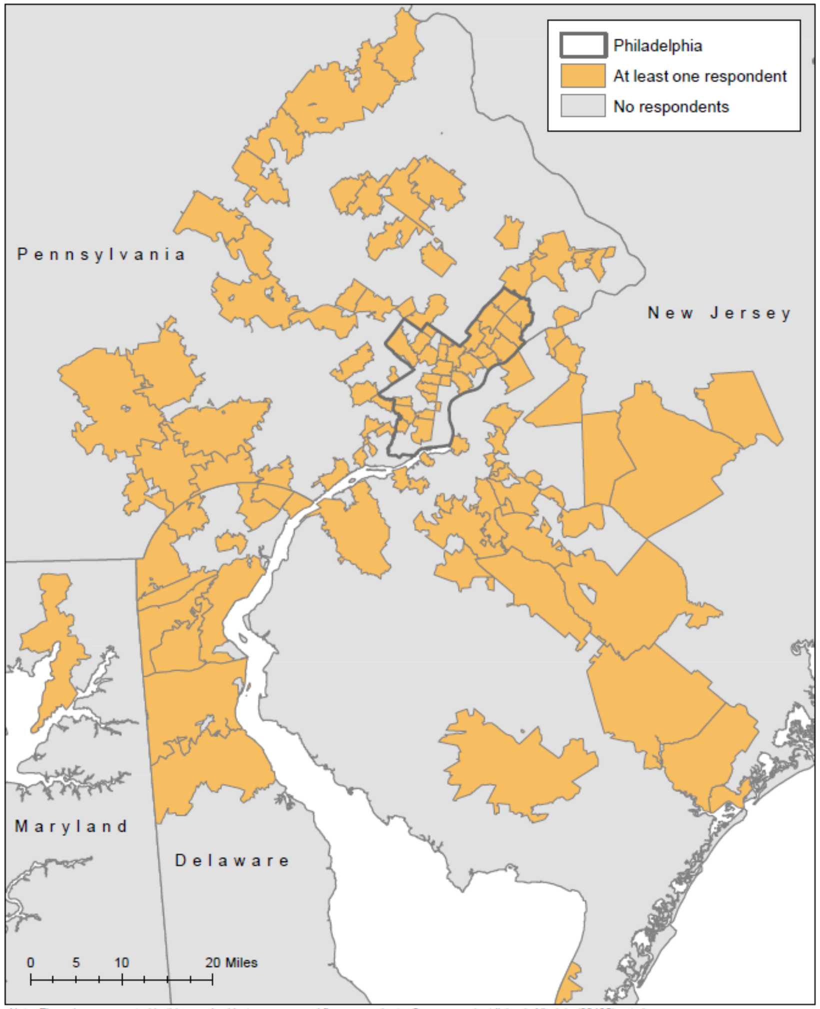
Description of Respondents

As illustrated in Figure 2, most respondents live in Pennsylvania (60.8%, n=107), followed by New Jersey (25.6%, n=45) and Delaware (11.9%, n=21). The majority of respondents work in southeastern Pennsylvania (61.6%, n=106). Less than 30 percent of respondents (29.7%, n=51) work in the City of Philadelphia.

[xix] Survey Gizmo offers an incentive structure so that when a panel member completes an eligible survey, they are awarded points that can be redeemed later.
[xx] This is not a surveillance tool and respondents may vary from non-respondents.

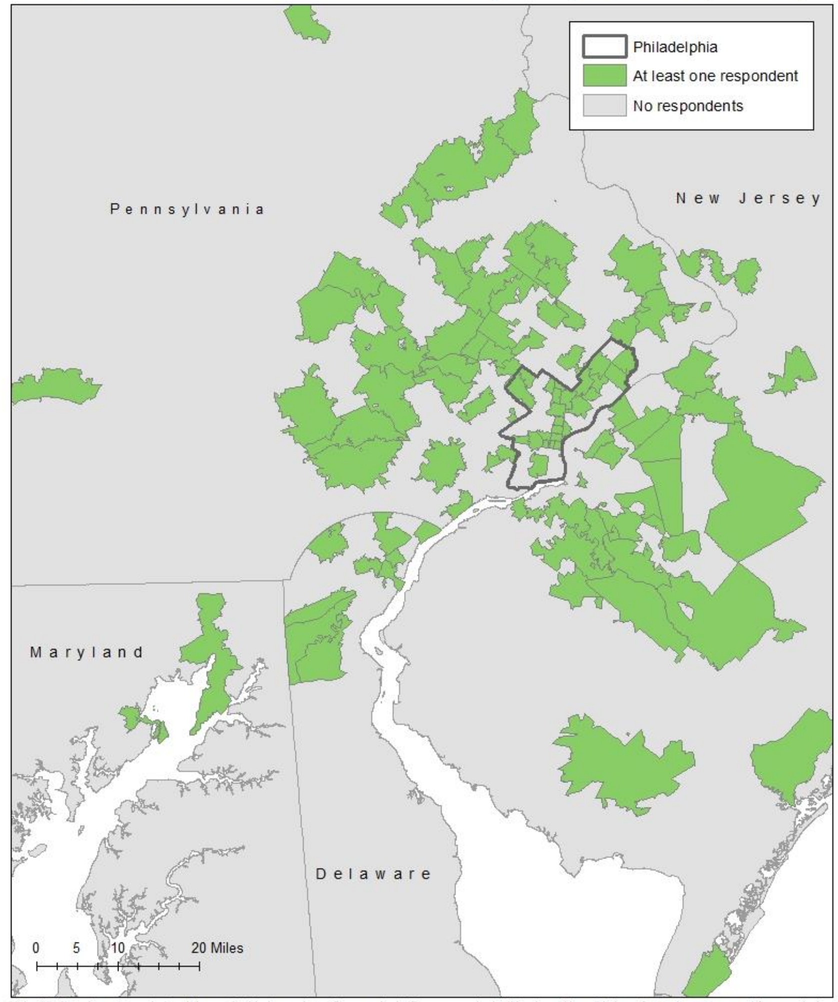
Figure 2. Map of Home and Work Zip Codes as Reported by All Need Use Survey Respondents

Home Zip Code of Need Use Survey Respondents (N=176)



Note: Zip codes represented in this map had between one and five respondents. One respondent living in Virginia (22485) not shown.

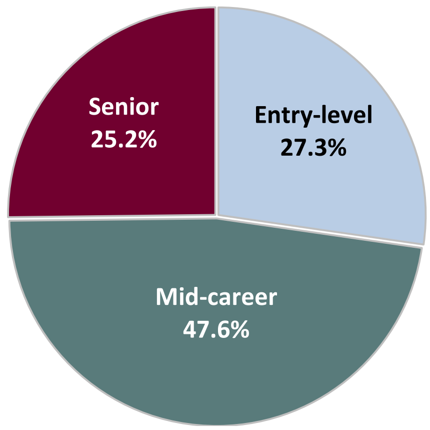
Work Zip Code of Need Use Survey Respondents (N=172)



Note: All zip codes represented on this map had between 1 and 5 respondents. Four respondents did not provide valid zip codes and were removed from analysis. One respondent working in Virginia (20144), and two respondents working in Maryland (22460, 21044) not shown.

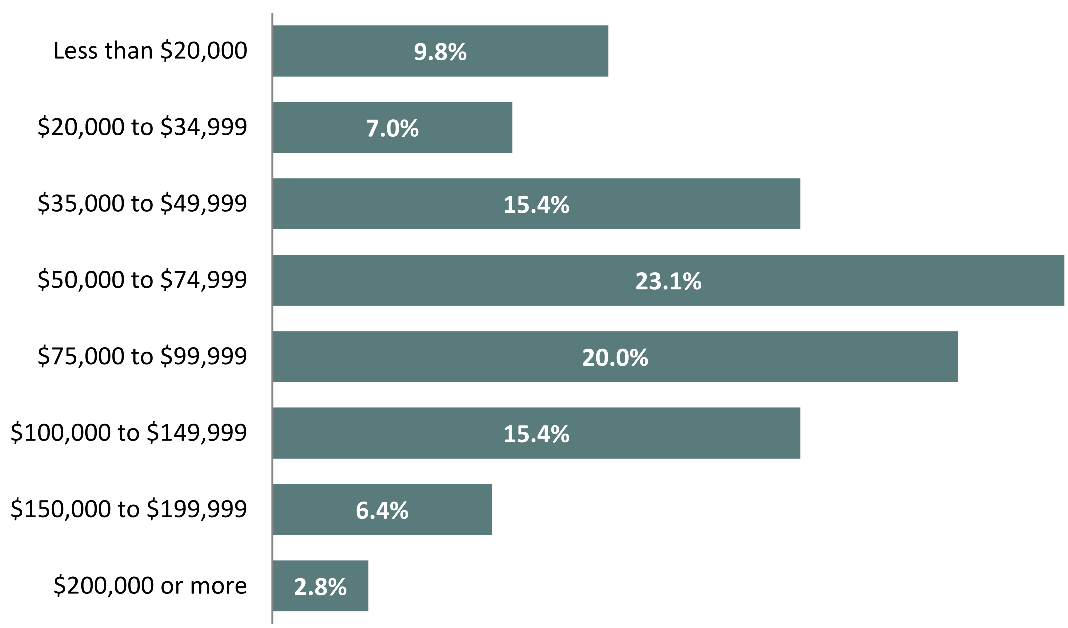
The mean amount of time respondents reported employment at their current company was 7.33 years (n=140). The reported maximum number of years with an employer was 28 years and minimum was under 1 year. Survey respondents were asked to describe position levels; 27.3 percent of respondents reported entry-level positions (n=39), 47.6 percent reported mid-career positions (n=68), and 25.2 percent reported senior level positions (n=36) (Figure 3).

Figure 3. Respondent Position Levels (N=143)



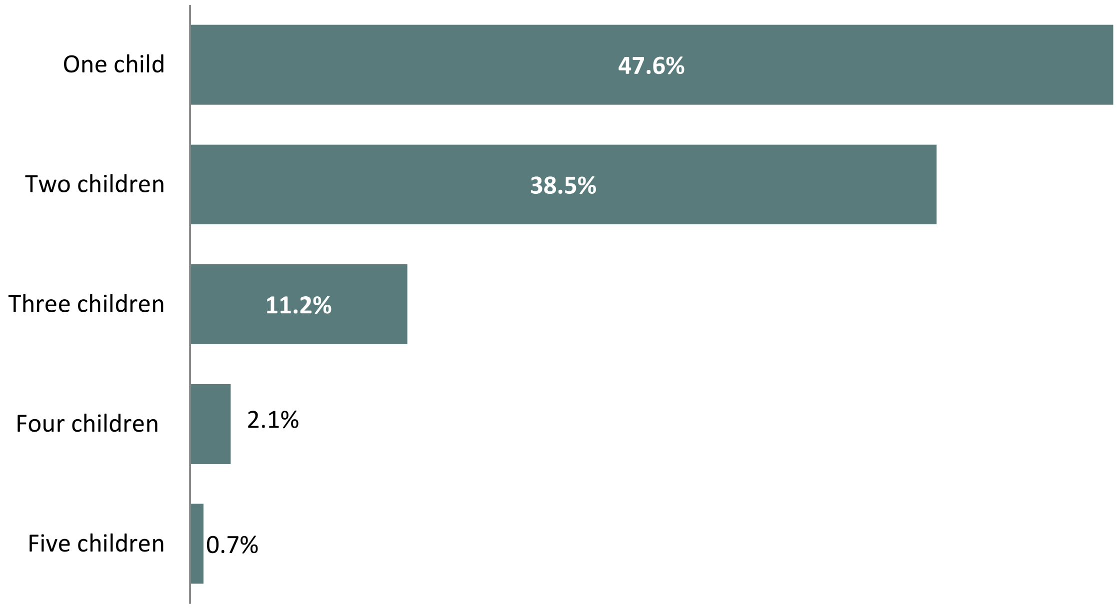
Respondents reported a mean commute time of 29 minutes (N=143). The majority of respondents reported a full-time work schedule (81.8%, n=117) while 17.5 percent reported a part-time schedule (n=25) and under 1 percent reported seasonal employment (n=1). Nearly one quarter of respondents (23.1%, n=33) reported annual family income $50,000 to $74,999 and 20 percent of respondents reported family income $75,000 to $99,999 (n=29). Additional data on reported annual income is available in Figure 4 below.

Figure 4. Reported Annual Family Income (N=143)



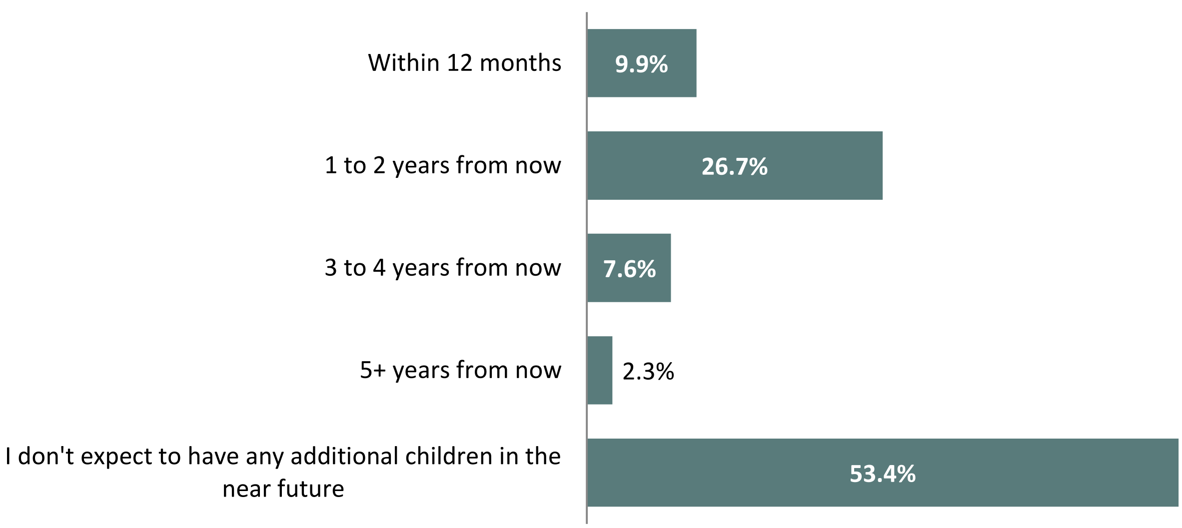
Respondents were asked "How many children under age 14 do you currently care for?" The mean number of children per respondent was 1.7 and the median was 2 (N=143) (Figure 5).

Figure 5. Number of Children under Age 14 (N=143)



Over half of respondents reported no plans to have any additional children (53.4%, n=70). Over a quarter of respondents reported expecting additional children one to two years from now (26.7%, n=35) (Figure 6).

Figure 6. Reported Plans for Additional Children (N=131)



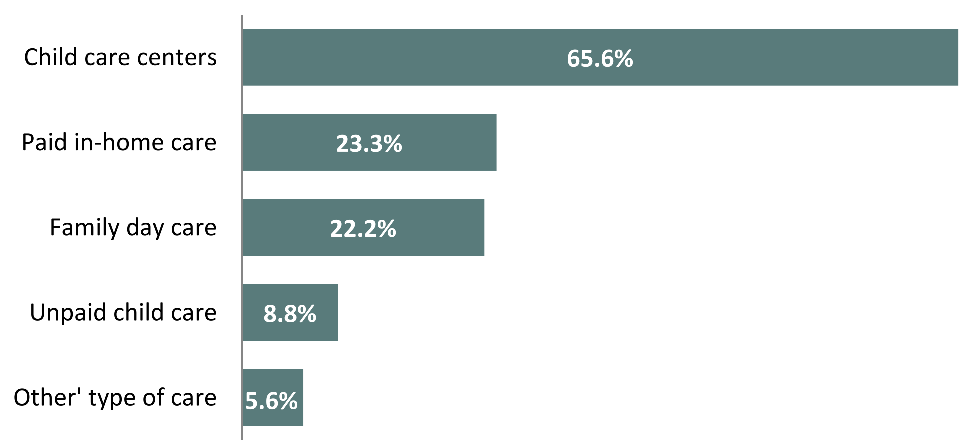
Reported Child Care Use

The vast majority of respondents with children enrolled in child care reported using only one type of child care arrangement per child (86.0%, n=80). An additional 10.8 percent of respondents reported two types of child care arrangement per child (n=10) and the remaining 3.3 percent of respondents reported more than two types per child (n=3).

65.6 percent of respondents with children enrolled in care reported using child care centers for at least one child (n=66) (Figure 7). Of respondents who use child care centers, 89.4 percent use child care centers exclusively (n=59). 23.3 percent of respondents with children enrolled in care reported using paid in-home child care for at least one child (n=21). Of respondents who use paid in-home child care, 71.4 percent use paid in-home care exclusively (n=15).

22.2% of respondents with children enrolled in care reported using family day care for at least one child (n=20). 8.8 percent of respondents with children enrolled in care reported using unpaid child care (e.g. family member, neighbor) for at least one child (n=8). 5.6 percent of respondents with children enrolled in care reported using a type of care not listed and selected "other" (n=5). Respondents did not specify or describe the 'other' types of care.

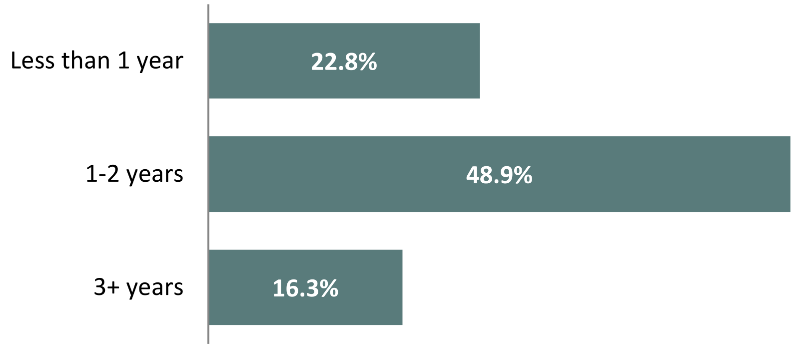
Figure 7. Types of Reported Child Care (N=90) [xxi]



According to respondents, nearly half of children in care have been at current child care between one to two years (48.9%, n=45). 22.8 percent have been at current child care for less than a year (n=21) and 16.3 percent of children have been at current child care for 3+ years (n=15) (Figure 8).

[xxi] Percentages do not add to 100%, because respondents were instructed to select all that apply.

Figure 8. Length of Time in Current Child Care (N=92)



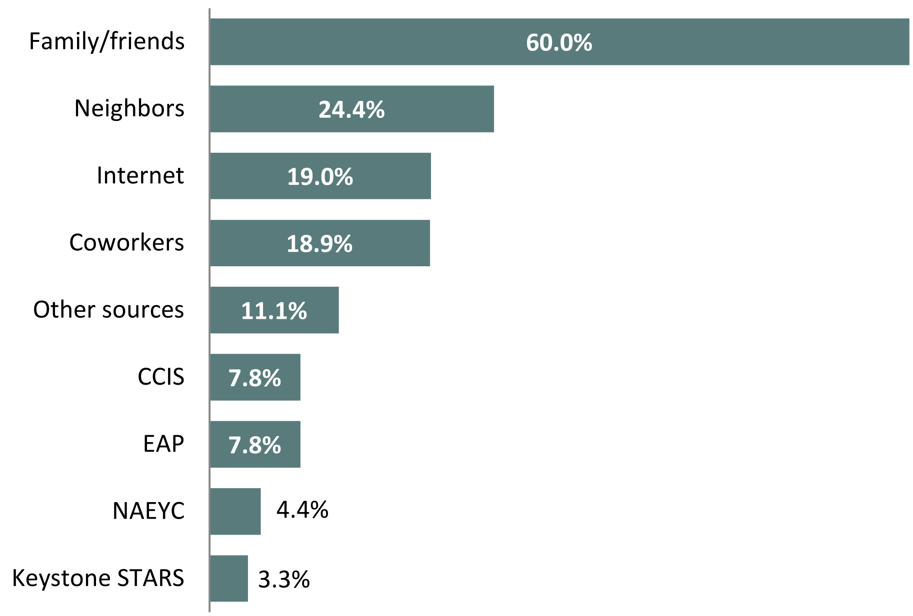
Respondents were asked to report how they were originally referred to their current child care arrangement (Figure 9). Sixty percent of respondents with children enrolled in care reported hearing about their child care through family/friends (n=54). Of respondents who heard about care through family/friends, 64.8 percent heard about their child care option through family/friends exclusively (n=35). 24.4 percent of respondents with children enrolled in care reported hearing about their child care through neighbors (n=22). Of respondents who heard about care through neighbors, 31.8% heard about their child care through neighbors exclusively (n=7). 18.9 percent of respondents with children enrolled in care reported hearing about their child care through coworkers (n=17). Of respondents who heard about care through coworkers, 29.4 percent heard about their care through coworkers exclusively (n=5).

Less than one in ten respondents with children enrolled in care reported hearing about their child care through an employee assistance program (EAP) (7.8%, n=7). Of the seven respondents who heard about care through an EAP, two heard about care through an EAP exclusively. 19 percent of respondents with children enrolled in care reported hearing about their child care through the internet (n=19). Of the respondents who heard about care from the internet, 21.1 percent heard about their care through the internet exclusively (n=4). 4.4 percent of respondents with children enrolled in care reported hearing about their child care through the National Association for the Education of Young Children (NAEYC) (n=4). Of the four respondents who heard about care through NAEYC only one person heard about care through NAEYC exclusively.

Three percent of respondents with children enrolled in care reported hearing about their child care through Keystone STARS (n=3). Of the three respondents who heard about care through Keystone STARS only one person heard about care through Keystone STARS exclusively. 7.8 percent of respondents with children enrolled in care reported hearing about their child care through Child Care Information Services (CCIS) (n=7). Of the seven respondents who heard about care through CCIS three respondents heard about care through CCIS exclusively.

Eleven percent of respondents with children enrolled in care reported hearing about their child care through 'other' sources (n=10). Of the ten respondents who heard about care through 'other' sources six heard about care exclusively from these sources. Three respondents described their source as an after school program, three respondents described the source as their child's school, and one respondent described a referral from a different daycare.

Figure 9. Reported Referral Sources [xxii]



The vast majority of respondents reported that they or their spouse currently pay for child care costs (97.4%, n=75). Two respondents (2.6%) reported they or their spouse pay for care in addition to family members also assisting with costs. The mean cost for care, across all settings, was $201/week with a median of $150/week (N=89).

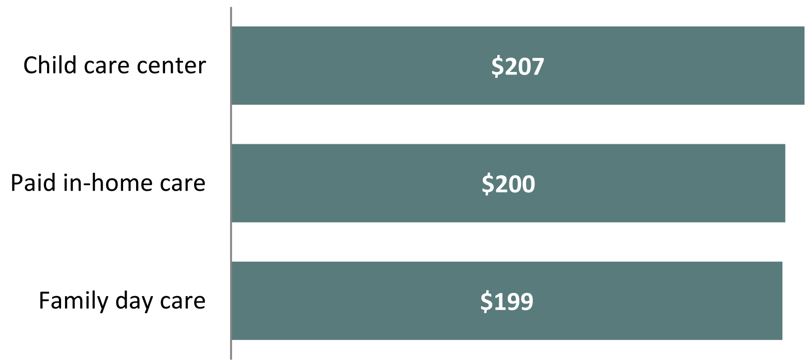
Cost of care by setting was examined for respondents who reported one type of care for one child (Figure 10). This focused analysis excluded cases where costs were reported for a combination of care settings. For those reporting on one child exclusively enrolled in a child care center, the mean for cost of care was $207/week with a minimum of $22/week and a maximum of $1500/week (N=46). The reported median cost of care was $157/week. Notably, when the mean was trimmed by 5 percent to exclude outliers, the mean was $173/week.

[xxii] Percentages do not add to 100%, because respondents were instructed to select all that apply.

For those reporting on one child exclusively enrolled in family day care, the mean for cost of care was $199/week with a minimum of $13/week and a maximum of $500/week (N=10). The reported median cost of care was $170/week.

For those reporting on one child exclusively enrolled in paid in-home care, the mean for cost of care was $200/week with a minimum of $75/week and a maximum of $400/week (N=9). The reported median cost of care was $200/week.

Figure 10. Average Cost per Week by Type of Care[xxiii]



The reported mean for hours of child care used per child was 22 hours/week with a minimum of 3 hours/week and a maximum of 65 hours/week (N=91). The median for the reported hours was 20 hours/week and the mode was 10 hours/week.

Respondents were asked how often they need alternative care (e.g. when their child is sick, when their child has a day off from school, or when they have to travel for work). The mean number of days per year needed for alternative care was 20 with a minimum of 1 and a maximum of 360 (N=88). The reported median was 10 days per year. When the mean was trimmed by 5 percent to exclude outliers, the mean was approximately 13 days per year needed for alternative care.

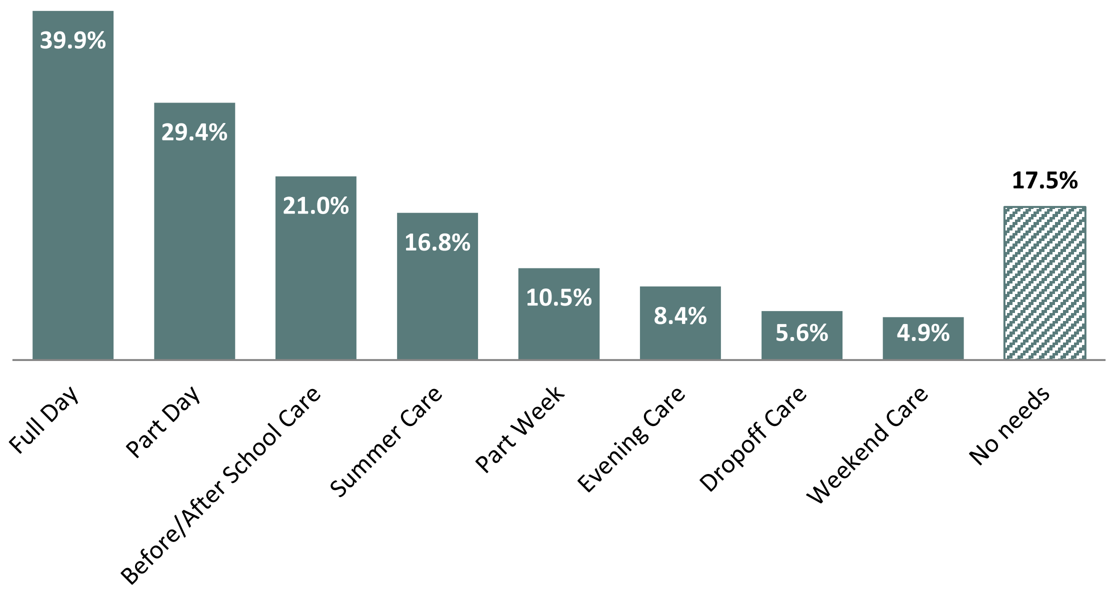
Child Care Needs

Respondents were asked to identify the types of child care each of their children needs, including full day care, part day care, part week care, summer care, evening care, weekend care, drop-off care, and before/after school care. The most popular child care needs were full day care, part day care, and before/after school care (Figure 11). More than four in five respondents reported having at least one child care need (82.5%, n=118) while only 17.5 percent (n=25) reported not having any needs. The ages of children who did not have any needs ranged from age 0 to 17. The mean number of

[xxiii] Unpaid care and 'other' types of care are not included in the graph.

needs per child care was 1.02, with a minimum of 0 and a maximum of 8. The reported median was 1 need per child.

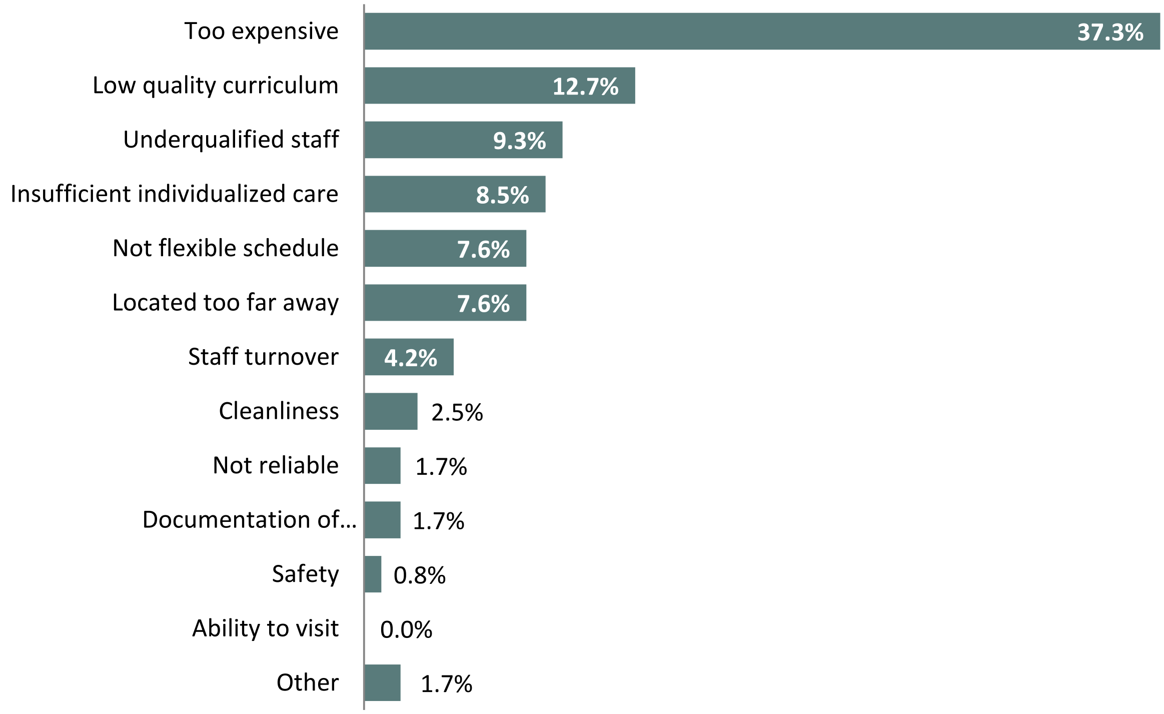
Figure 11. Proportion of Respondents Who Need Each Type of Child Care (N=143)



Would Consider Switching Child Care Providers

Nearly half of respondents (45.5%, n=65) report they would consider switching to a different child care provider if their employer provided financial assistance to help reduce the cost of care. By far, the most frequently cited reason for considering a different program is that the current child care provider is too expensive (37.3%, n=44) (Figure 12). Additional reasons, such as the program having a low-quality curriculum (12.7%, n=15) or underqualified staff (9.3%, n=11) were less important reasons for switching providers. Other reasons for switching that were named by respondents include "want more kids around" and "lack of structure, would like him to be with a smaller group."

Figure 12. Reasons Why Respondents Would Switch Child Care Providers if their Employer Provided Financial Assistance (n=118)[xxiv]

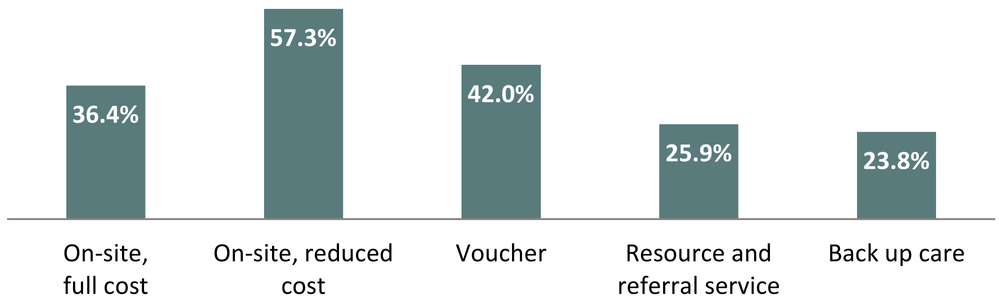


Interest in Employer-Supported Child Care Options

Respondents were asked to identify which options they would be interested in if their employer were to offer them to employees (Figure 13). More than half of respondents (57.3%, n=82) reported they would be interested in on-site child care at a reduced cost; conversely, just over one-third of respondents (36.4%, n=52) would be interested in on-site child care at full cost. Two in five respondents (42.0%, n=60) would be interested in a voucher system to subsidize child care at an off-site location of their choosing; 25.9 percent (n=37) would be interested in a child care resource and referral service to assist with finding, enrolling in, and planning financially for child care; and 23.8 percent (n=34) would be interested in employer-supported back up care.

[xxiv] Percentages do not add to 100%, because respondents were instructed to select all that apply.

Figure 13: Proportion of Respondents Interested in Employer-Supported Child Care Options (N=143)[xxv]



Although the employer-supported options that reduce child care costs for their employees are what respondents report being most interested in (i.e., on-site reduced cost and voucher options), only 67 respondents (46.9%) are aware that tuition assistance programs are available through the state and other agencies to help offset the cost of child care tuition.

Respondents were asked to rate employer-supported child care program types on a ten-point Likert scale (1 = No Value, 10 = Very Valuable). Respondents rated on-site reduced cost care to be most the valuable type of support that an employer could provide (mean = 7.17), followed closely by a voucher system (mean = 6.92). Expense accounts for child care-related expenses (mean = 6.63) and on-site full cost care were rated as slightly less valuable options, although still on the valuable side of the scale (mean = 6.31) (Table 4).

Table 4. Perceived Value of Employer-Supported Child Care Options

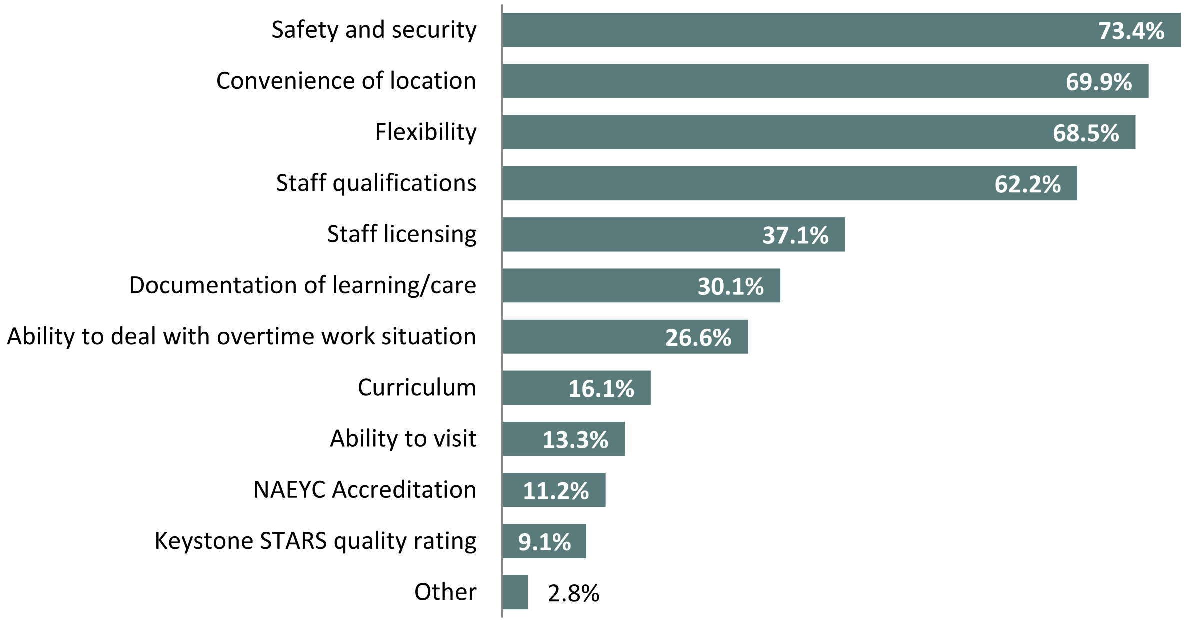
Type of Program	Mean Value Rating (SD)	Range
On-site, reduced cost (N=134)	7.17 (2.45)	1-10
Voucher (N=132)	6.92 (2.44)	1-10
Expense Account (N=139)	6.63 (2.51)	1-10
On-site, full cost (N=137)	6.31 (2.71)	1-10

Priorities for Child Care

Respondents selected their top five priorities for choosing child care (Figure 14). The top five priorities reported were safety and security (73.4%, n=105), convenience of the location (69.9%, n=100), flexibility (68.5%, n=98), staff qualifications (62.2%, n=89), and, to a lesser extent, staff licensing (37.1%, n=53). Four respondents (2.8%) listed cost as another top priority.

[xxv] Percentages do not add to 100%, because respondents were instructed to select all that apply.

Figure 14. Top Priorities when Choosing Child Care

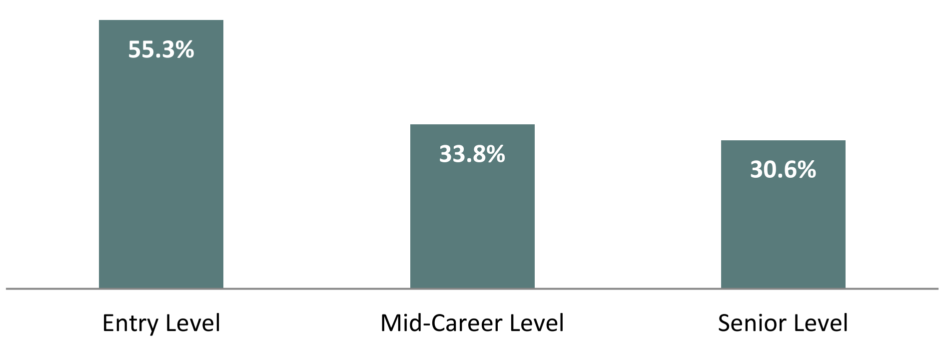


Impact of Child Care Concerns on Employees

Ever Considered Quitting Due to Child Care Concerns

More than one-third of respondents (38.7%, n=55) report having ever considered quitting their jobs due to child care concerns. No significant difference in considering quitting was found between family income levels, commute time, or years with employer, however, respondents in entry level positions (55.3%, n=21) were more likely to consider quitting due to child care concerns than respondents in mid-career (33.8%, n=23) or senior (30.6%, n=11) positions (p=.048) (Figure 15).

Figure 15. Proportion of Respondents Who Have Considered Quitting Due to Child Care Concerns, by Job Level (N=142)



Opinions on the Impact of Child Care from Respondents Who Do Not Use It

Respondents who do not currently have a child in child care were asked to report their opinions on the impact of child care on their colleagues who have children in child care using a ten-point Likert scale (1=Strongly Disagree, 10=Strongly Agree). Respondents do not feel strongly that child care impacts their colleagues' work attendance, performance, or completion of work responsibilities (Table 5).

Table 5. Perceived Impact of Child Care on Colleagues' Work

Statement	Mean Agreement (SD)	Range
My colleagues' access to child care for their children impacts their work attendance. (n=53)	5.60 (2.52)	1-10
My colleagues' access to child care for their children impacts their work performance. (n=50)	4.82 (2.46)	1-10
My colleagues with children are unable to complete all of their work responsibilities due to child care issues. (n=50)	4.79 (2.53)	1-10

Organizational Readiness Survey

Data Collection and Limitations

The **Economy League of Greater Philadelphia** and the **Chamber of Commerce for Greater Philadelphia** remained committed to organization recruitment during the project period. Recruitment efforts at the Chamber of Commerce for Greater Philadelphia included:

- Invitation to Board of Directors and targeted companies to attend February 2016 PHMC-led informational session at Chamber of Commerce for Greater Philadelphia Board of Directors Quarterly meeting.
- Ongoing email follow-up and outreach to targeted members during March to May 2016.
- Ongoing presentation of ESC fact sheets and pre-surveys at Chamber of Commerce for Greater Philadelphia event registration and promotional tables during March to May 2016.
- Presentation of ESC fact sheets and pre-surveys at the June 2016 event "HR Roundtable: Mentoring Your Organization's Future Leaders"
- Presentation of ESC pre-surveys and online survey link at the September 2016 event "HR Roundtable: Bringing Transparency to the Forefront in Health Care"
- Ongoing email outreach and distribution of online survey link during October 2016 to December 2016.
- Final recruitment activity in December 2016 involving mass outreach to over 1,000 companies at Corporate level memberships.

The Economy League also documented their recruitment efforts which included:

- Facilitation of PHMC-led presentation at their meeting of Education and Talent Regional Impact Committee, a subcommittee of their board of directors, in March 2016.
- Discussion with board members regarding identification of target companies for outreach.
- Ongoing email and phone call outreach to select board members requesting interview and online survey completion.

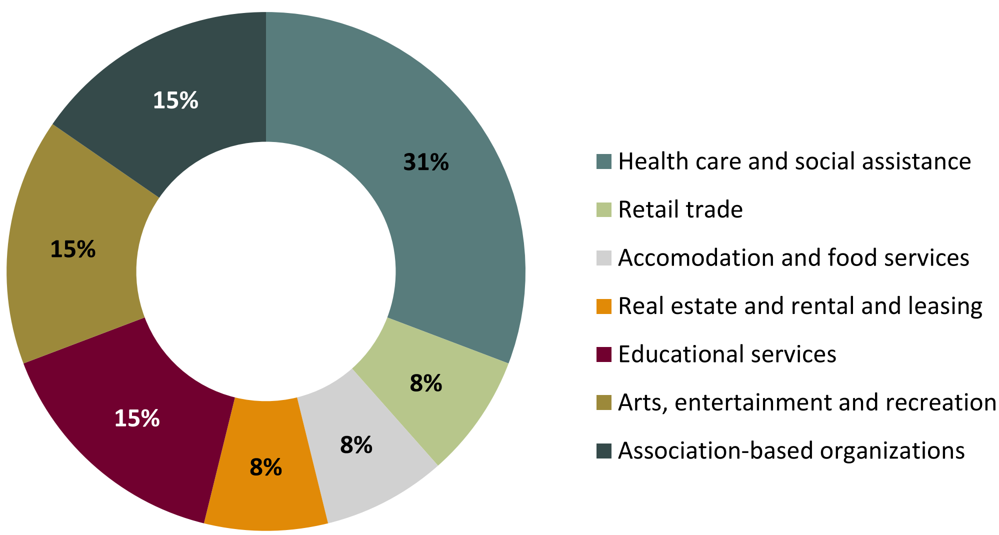
Economy League and Chamber of Commerce for Greater Philadelphia staff also provided valuable feedback at two ESCC Advisory Committee meetings in October 2015 and May 2016. Although all project partners worked to engage regional employers throughout the project period, organization recruitment proved difficult. Length of interview and lack of interest in the topic and project participation presented as barriers. Changing survey administration method from in-person to online aimed at addressing concerns related to length of the interview.

Additionally, Chamber of Commerce for Greater Philadelphia members expressed resistance to the project's original title "Employer Sponsored Childcare" and eventually the team changed the project title to "Employer-Supported Childcare." Initial outreach targeted CEOs, but Chamber of Commerce for Greater Philadelphia found it more effective to shift focus to HR officers and directors who bear responsibility for employee attraction, engagement and need assessments. Lastly, several contacted organizations declined participation because either they have already implemented on-site childcare or they have discontinued child care benefits due to underutilization.

Overview

The Project conducted surveys (n=6) and interviews (n=7) with senior staff at a number of businesses based in and around Philadelphia to gather further information as to these businesses' organizational features and demographics; current ESCC benefits; and interest in and capacity to provide new or additional ESCC benefits. Organizations represented a mix of for-profit (n=4) and non-profit (n=9) businesses; all but one interviewee was from his or her organization's Human Resources department. Represented industries included: health care and social assistance (n=4); retail trade (n=1); accommodation and food services (n=1); real estate and rental and leasing (n=1); educational services (n=2); arts, entertainment, and recreation (n=2); and association-based organizations (n=2) (Figure 16).

Figure 16. ESCC Programs Currently Provided by Surveyed Organizations (N=13)



Organizational Demographics

Full-time employee counts ranged from a minimum of 9 to a maximum of 12,000, with an average workforce of 2,350 and a median workforce of 325. Part-time employee counts ranged from a minimum of 0 to a maximum of 3,000, with an average of 584 part-time staff and a median of 95 part-time staff. Seasonal employment comprised a marginal proportion of most organizations' workforces, with the exception of one employer who hires 833 seasonal staff.

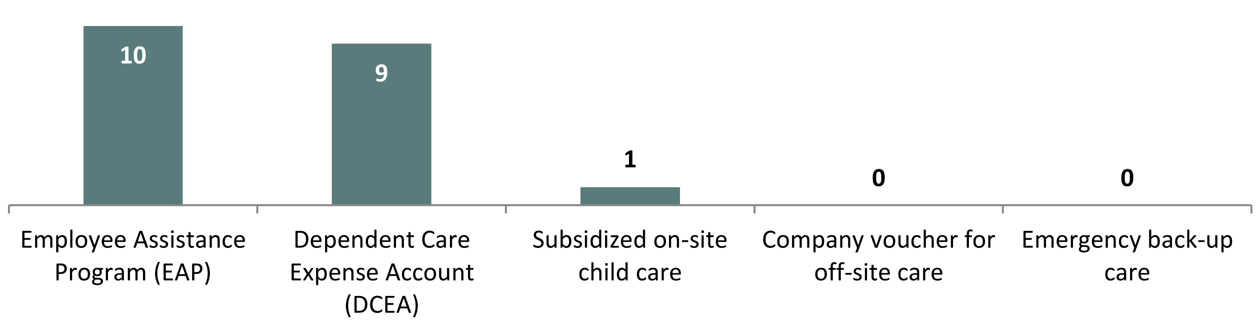
Of the 5 organizations who reported average employee tenure, 4 reported an average of 12 months and 1 reported an average of 24 months. These numbers suggest that the character of surveyed organizations' workforces likely differs from the national norm; 2016 data from the U.S. Bureau of Labor Statistics estimates that only 23% of employees have one year of tenure or less.[56] The number of campuses/locations per organization interviewed ranged from a minimum of 1 (n=5) to a maximum of 11 (n=3), with an average of 4 and a median of 1 campus/location per organization.

Most organizations (85%, n=11) had one or more full-time HR employees; HR staff plays an important role in establishing and overseeing many organizations' ESCC benefits, therefore, this question was used as a proxy for inferring which organizations might be more likely to have the institutional capacity to develop and maintain new employee benefits. Median staff salaries varied moderately across organizations: median salaries for executive staff ranged from $75,000-$99,999 (n=3) on the lower end to $200,000 or more (n=4) on the higher end, with an average salary range of $100,000-$149,999 and a median of $150,000-$199,999. For middle management, median salaries ranged from $50,000-$74,999 (n=6) on the lower end to $100,000-$149,999 (n=3) on the higher end, with an average and median salary range of $50,000-$74,999. While better-paid staff often provide the impetus for organizations to implement new ESCC programs, lower-paid staff likely stand to benefit from such programs to a greater degree.

ESCC Benefits

Although the majority of respondents provided an Employee Assistance Program (EAP) (85%, n=11) and/or a Dependent Care Expense Account (DCEA) (77%, n=10), only one respondent provided subsidized, on-site care, and none provided a company voucher or back-up care (Figure 17). While EAPs and DCEAs may have some value for some families, they likely only marginally increase access and affordability for the families who most need assistance with paying for high quality care. These findings highlight the potential for organizations to significantly expand their current offerings.

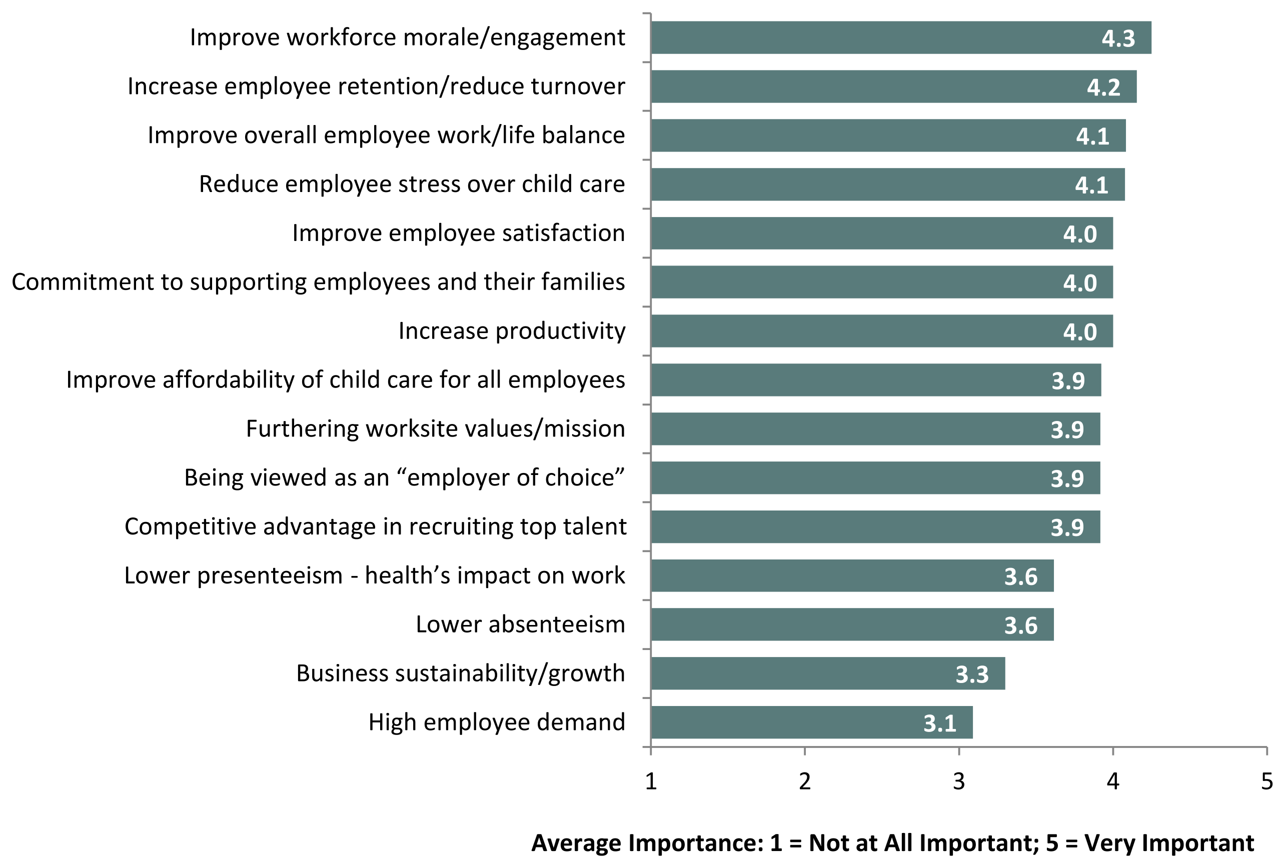
Figure 17. ESCC Programs Provided by Surveyed Organizations (N=13)



When asked why their organizations did not provide ESCC benefits, the two organizations that provided responses both cited size (one organization had 12 full-time employees and the other had 9) as a prohibitive factor. When asked what types of ESCC benefits they were considering implementing, three employers identified EAPs, two identified DCEAs, two identified subsidized on-site care, three identified vouchers for off-site care, one identified emergency back-up care, and five reported they were unsure what their organizations' plans were.

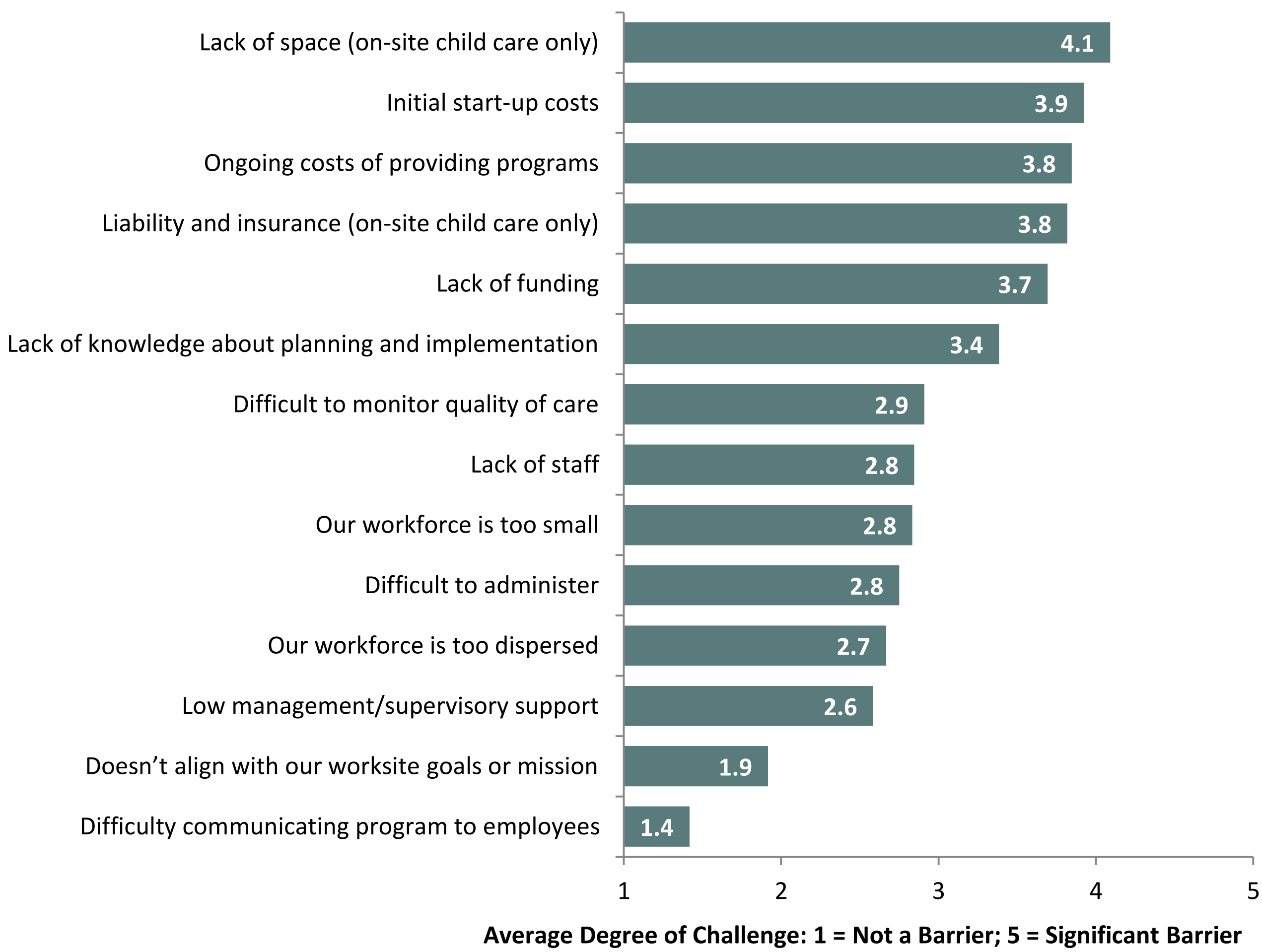
As detailed in Figure 18, respondents felt there were multiple reasons to implement an ESCC program, with workforce morale and turnover ranking the highest. Interestingly, respondents indicated that high employee demand was the least important reason for implementing an ESCC program. This may be because employees are unaware of potential ESCC benefits and consequently do not express much interest in them; alternately, employers may be more receptive to other arguments (e.g., quantifiable projections of future savings) in favor of ESCC than they are to employee organizing and petitioning.

Figure 18. Employers' Reasons for Implementing an ESCC Program (N=13)



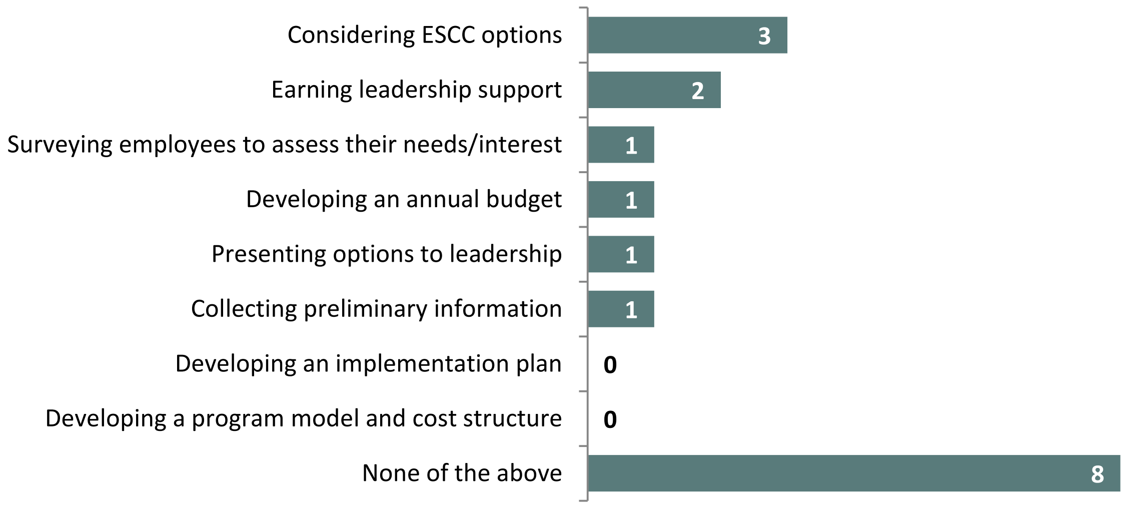
Respondents also described what they perceive as the largest barriers to implementing new ESCC programs. Of the six options that respondents identified as moderate barriers or greater (three or above on average), two were specific to on-site child care, while an additional two (initial start-up costs and lack of knowledge about implementation and planning) primarily apply to on-site care (Figure 19). These findings suggest that employers may be more open to exploring ESCC benefits that require less organizational involvement and risk; voucher programs may be well-suited to the needs of such employers, given that vouchers comprise little more than reimbursements to employees with eligible expenses.

Figure 19. Employers' Perceived Challenges to Implementing an ESCC Program (N=13)



Respondents detailed the steps they have taken to date toward addressing child care options for employees. One respondent reported collecting preliminary information on available options; three reported considering ESCC options and alternatives; one reported presenting options to organizational leadership; two reported earning leadership support and commitment to providing an ESCC benefit; one reported developing an annual budget or securing dedicated funding; and none (n=12) reported surveying employees to assess their needs or interest in an ESCC option, developing a program model, or developing a detailed program model. More than half (62%, n=8) reported having taken none of the above steps (Figure 20).

Figure 20. Completed Phases of ESCC Program Planning and Design (counts) (N=13)



Some employers collaborate with nearby ECE programs (generally centers) to facilitate enrollment for employees' children; often such arrangements also include discounts for employees, provided by either the program or the employer; a majority of respondents (62%, n=8) reported there were high-quality ECE providers near to their offices. Another option is to form employer consortiums to establish a sufficiently-sized pool for an ESCC center; six respondents indicated they would be willing to consider such an approach to providing ESCC for their employees.

Finally, respondents were asked to rate their commitment to ensuring their employees had access to high-quality ECE, and their confidence in their ability to provide the same. On a five-point Likert scale, from not at all committed (1) to extremely committed (5), responses ran the gamut from one to five, with an average response of 2.8 and a median response of 2. Similarly, responses regarding confidence, from not at all confident (1) to extremely confident (5) ranged from 1 to 5, with an average response of 2.8 and a median response of 2. While these results suggest that most respondents are not, at present, sufficiently interested in or capable of implementing new ESCC options for their employees, three respondents rated themselves at four or five across both measures, suggesting they may be well positioned to initiate a new ESCC program.

Lessons Learned

Based on the findings presented here, the Research & Evaluation Group at PHMC presents the following Lessons Learned as guidance for local Philadelphia employers and policy makers:

Different types of ESCC are best suited to different types of organizations. On-site centers can be effective and provide high-quality care, but small organizations are often unable to afford the costs of a center and/or are unable to fill all of the slots. Furthermore, ESCC programs are not mutually exclusive. The military successfully runs a network of on-site centers, and supplements the slots in these centers (which quickly fill up) with subsidized slots in off-site centers and family day care homes. Other potential combinations might involve Child Care Resource and Referral (CCR&R) services in conjunction with Dependent Care Expense Accounts (DCEA) or company-sponsored vouchers.

Case study findings can encourage conversation among local employers regarding the range of ESCC options. Although the majority of surveyed local organizations provide an Employee Assistance Program (EAP) and/or a Dependent Care Expense Account (DCEA), only one respondent provides subsidized, on-site care, and none provided a company voucher or back-up care. While EAPs and DCEAs may have some value for families, they likely only marginally increase access and affordability for the families who most need assistance with paying for high quality care. Additionally, while more highly paid staff often provide the impetus for organizations to implement new ESCC programs, lower-paid staff likely stand to benefit from such programs to a greater degree.

Organization survey findings suggest that employers may be more open to exploring ESCC benefits that require less organizational involvement and risk. Voucher programs may be well-suited to the needs of such employers, given that vouchers comprise little more than reimbursements to employees with eligible expenses. Another option is to form employer consortiums to establish a sufficiently-sized pool for an ESCC center; six out of thirteen surveyed organizations indicated they would be willing to consider such an approach to providing ESCC for their employees.

ESCC can be used for employer recruitment and retention purposes. Organizations can distribute information on child care programs at recruitment events and new hire orientation. Email campaigns, newsletters, and presentations also serve as effective dissemination tools. Online informational hubs, like that maintained by the University of Arizona’s Life & Work Connections division, advertise child care benefits to current and prospective employees.

Philadelphia employers can use ESCC project findings to discuss and finalize well-informed benefit offerings for local employees. When asked what types of ESCC benefits they were considering implementing, three surveyed employers identified EAPs, two identified DCEAs, two identified subsidized on-site care, three identified vouchers for off-site care, one identified emergency back-up care, and five reported they were unsure what their organizations' plans were. Conducting a needs assessment with current employees, forming a cross-departmental advisory committee, and discussing multiple ESCC options and financing should serve as a starting point for local employers.

Challenges engaging employers in the data collection process serve to inform future ESCC work. The Economy League of Greater Philadelphia and the Chamber of Commerce for Greater Philadelphia worked to engage regional employers throughout the project period but organization recruitment proved difficult. Lack of interest in the topic contributed to low participation rates in the Organizational Readiness Survey. R&E Group staff at PHMC also experienced difficulty engaging many large companies in the case study process. Among local and national employers there may not be general consensus about the benefits of ESCC. Local Philadelphia employers interested in offering on-site child care can consider applying to the Fund for Quality with a qualified child care provider. The Fund for Quality provides planning and capital grant awards for high quality child care development. Recruitment for participation in this initiative should be carefully considered and alternative channels for engagement, different than those used in the Project, should be adopted. For example, employers participating in and benefiting from the Fund for Quality can be asked to refer non-participating Philadelphia companies to the initiative and share the Menu of ESCC Options for Employers.

The Trump administration's child care proposals may influence local employer engagement. Trump's October 2016 'Contract with the American Voter' presents plans for an Affordable Childcare and Eldercare Act which would incentivize employers to provide on-site child care as well as establish tax-free dependent care savings accounts for young dependents, with matching contributions for low-income parents.[xxvi] Future federal initiatives may be used to garner local attention and engagement in employer sponsored child care options. The child care community is committed to monitoring the administration's fulfillment of campaign promises.

[xxvi] Information on Donald Trump's 'Contract with the American Voter:
https://assets.donaldjtrump.com/_landings/contract/O-TRU-102316-Contractv02.pdf;
https://apps.washingtonpost.com/g/documents/politics/donald-trumps-contract-with-the-american-voter/2268/

Citations

[1] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[2] Morrissey, Taryn W., and Mildred E. Warner. "An exploratory study of the impacts of an employer-supported child care program." *Early Childhood Research Quarterly* 26.3 (2011): 344-354.

[3] Vandell, Deborah, and Barbara Wolfe. *Child care quality: Does it matter and does it need to be improved?* Vol. 78. Madison, WI: Institute for Research on Poverty, 2000.

[4] Warner, Mildred E., and Raymond HJM Gradus. "The Consequences of Implementing a Child Care Voucher Scheme: Evidence from Australia, the Netherlands and the USA." *Social Policy & Administration* 45.5 (2011): 569-592.

[5] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[6] Gould, Elise and Tanyell Cooke. "Child Care Is out of Reach for Working Families." *Economic Policy Institute.* (2015).

[7] Vandell, Deborah, and Barbara Wolfe. *Child care quality: Does it matter and does it need to be improved?* Vol. 78. Madison, WI: Institute for Research on Poverty, 2000.

[8] Galinsky, Ellen, et al. "National study of employers." *New York, NY: Families and Work Institute.* (2008).

[9] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[10] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[11] Deitch, Cynthia H., and Matt L. Huffman. "Family responsive benefits and the two-tiered labor market." *Working families: The transformation of the American home* (2001): 103-130.

[12] Glass, Jennifer, and Tetsushi Fujimoto. "Employer characteristics and the provision of family responsive policies." *Work and Occupations* 22.4 (1995): 380-411.

[13] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[14] Michel Sonya. "Children's Interests/Mothers' Rights: The Shaping of America's Child Care Policy." *WorkingUSA* (1999): 97-100.

[15] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[16] Child Care Aware of America. "About Child Care Resource and Referral." Retrieved from: http://www.childcareaware.org/parents-and-guardians/parent-information/about-child-care-resource-referral

[17] Galinsky, Ellen, et al. "National study of employers." *New York, NY: Families and Work Institute.* (2008).

[18] PhiladelphiaChildCare.org. "Finding Child Care." Retrieved from: http://www.philadelphiachildcare.org/finding-child-care/

[19] Floyd, Major Latosha, and Deborah A. Phillips. "Child care and other support programs." *The Future of Children* 23.2 (2013): 79-97.

[20] Fortune. "100 Best Companies to Work For 2012: Best Benefits, Child Care." Retrieved from: http://archive.fortune.com/magazines/fortune/best-companies/2012/benefits/child_care.html

[21] U.S. Dept. of Labor, Women's Bureau. "Employers and Child Care: Benefiting Work and Family." (1989). Retrieved from: https://books.google.com/books?isbn=0788102907

[22] City of Philadelphia Business Services. "Child Care Facility License." Retrieved from: https://business.phila.gov/child-care-facility-license/

[23] Pennsylvania Department of Human Services. "Early Learning Provider Requirements." Retrieved from: http://www.dhs.state.pa.us/provider/earlylearning/earlylearningproviderrequirements/index.htm

[24] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." American Journal of Sociology 109.3 (2003): 606-649.

[25] Internal Revenue Service. "Tax Topics - Topic 602 Child and Dependent Care Credit." Retrieved from: https://www.irs.gov/taxtopics/tc602.html

[26] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[27] Galinsky, Ellen, et al. "National study of employers." *New York, NY: Families and Work Institute.* (2008).

[28] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[29] Kelly, Erin L. "The Strange History of Employer-Sponsored Child Care: Interested Actors, Uncertainty, and the Transformation of Law in Organizational Fields1." *American Journal of Sociology* 109.3 (2003): 606-649.

[30] Internal Revenue Service. "The Credit for Employer-Provided Childcare Facilities and Services." (2013). Retrieved from: https://www.irs.gov/pub/irs-pdf/f8882.pdf

[31] Campbell, Nancy Duff, et al. "Be All That We Can Be: Lessons from the Military for Improving Our Nation's Child Care System." (2000).

[32] Floyd, Major Latosha, and Deborah A. Phillips. "Child care and other support programs." *The Future of Children* 23.2 (2013): 79-97.

[33] Child Care Aware of America. "We Can Do Better." (2013). Retrieved from: http://usa.childcareaware.org/wp-content/uploads/2015/01/wecandobetter_2013_final_april_11_0.pdf

[34] Floyd, Major Latosha, and Deborah A. Phillips. "Child care and other support programs." *The Future of Children* 23.2 (2013): 79-97.

[35] Campbell, Nancy Duff, et al. "Be All That We Can Be: Lessons from the Military for Improving Our Nation's Child

Care System." (2000).

[36] Floyd, Major Latosha, and Deborah A. Phillips. "Child care and other support programs." *The Future of Children* 23.2 (2013): 79-97.

[37] Campbell, Nancy Duff, et al. "Be All That We Can Be: Lessons from the Military for Improving Our Nation's Child Care System." (2000).

[38] Floyd, Major Latosha, and Deborah A. Phillips. "Child care and other support programs." *The Future of Children* 23.2 (2013): 79-97.

[39] Campbell, Nancy Duff, et al. "Be All That We Can Be: Lessons from the Military for Improving Our Nation's Child Care System." (2000).

[40] Campbell, Nancy Duff, et al. "Be All That We Can Be: Lessons from the Military for Improving Our Nation's Child Care System." (2000).

[41] Floyd, Major Latosha, and Deborah A. Phillips. "Child care and other support programs." *The Future of Children* 23.2 (2013): 79-97.

[42] Fuller, Bruce, et al. "An unfair head start: California families face gaps in preschool and child care availability." (1997).

[43] Chevalier, Arnaud, and Tarja K. Viitanen. "The causality between female labour force participation and the availability of childcare." *Applied Economics Letters* 9.14 (2002): 915-918.

[44] Gordon, Rachel A., and P. Lindsay Chase-Lansdale. "Availability of child care in the United States: A description and analysis of data sources." *Demography*38.2 (2001): 299-316.

[45] Campbell, Nancy Duff, et al. "Be All That We Can Be: Lessons from the Military for Improving Our Nation's Child Care System." (2000).

[46] Campbell, Nancy Duff, et al. "Be All That We Can Be: Lessons from the Military for Improving Our Nation's Child Care System." (2000).

[47] University of Arizona. "Life and Work Connections." Retrieved from: http://lifework.arizona.edu/sites/default/files/ChildCare/%2715%2716%20Voucher%20Guidelines%20rev%208-3-2015.pdf

[48] Johns Hopkins University. "Dependent Care Voucher Program." Retrieved from: http://benefits.jhu.edu/other/dependent.cfm

[49] Loyola University Maryland. "Child Care Voucher Program." Retrieved from: http://www.loyola.edu/department/hr/benefits/additional/childcarevoucher

[50] SAS Institute. "US Employee Benefits and Programs." Retrieved from: https://www.sas.com/content/dam/SAS/en_us/doc/other1/benefits-brochure.pdf

[51] Cisco. "Work/Life Integration." Retrieved from: http://www.cisco.com/web/about/ac49/ac55/inclusion/work-life-integration.html

[52] Fraga, Lynette and Michelle McCready. "Parents and the High Cost of Child Care." Child Care Aware of America.

(2014).

[53] Laughlin, Lynda. "*Who's Minding the Kids? Child Care Arrangements: Spring 2011*." Current Population Reports, P.70-135. U.S. Census Bureau. (2013).

[54] Dawson, Ann Gilman. "An Experimental Study of the Effects of Employer-Sponsored Child Care Services on Selected Employee Behaviors." (1984).

[55] Kossek, Ellen Ernst, and Victor Nichol. "The effects of on-site child care on employee attitudes and performance." *Personnel psychology* 45.3 (1992): 485-509.

[56] Lehrer, Evelyn L., Teresa Santero, and Sumaria Mohan-Neill. "The impact of employer-sponsored child care on female labor supply behavior: Evidence from the nursing profession." Population Research and Policy Review 10.3 (1991): 197-212.

[56] U.S. Bureau of Labor Statistics. "Economic News Release: Employee Tenure Summary". U.S. Department of Labor. (2016). Retrieved from: https://www.bls.gov/news.release/tenure.nr0.htm

We would like to recognize and thank
the individuals and organizations
that helped in the data collection and analysis process
including case study interview participants,
local employer survey participants, key stakeholders, and
experts who shared their time and ideas.

PHMC
a nonprofit
institute for
public health