

**Child Care Benefit Options: Reducing Absenteeism and Staff  
Turnover of Full Time, Day-Shift Employees.**

for

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by

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## Introduction

The issue of recruiting and retaining quality staff for day-shift positions was once again the number one item on the agenda at last month's faculty directors' meeting. As in previous years, costs related to staff turnover accounted for a substantial portion of operating losses for fiscal year 2012. These associated losses include the costs of advertising for positions, hiring and retraining staff, as well as overtime and lost productivity. These are even more pronounced when absenteeism and frequent tardiness are taken into account. Above and beyond these quantifiable costs, however, is the negative effect on the morale of overworked, over-stressed employees who consequently are unable to provide the highest possible level of care to our clients.

The directors unanimously agreed that childcare is an essential concern to our workforce and a primary factor affecting these losses. Regular internal surveys and H.R. studies strongly support this analysis. Within our young and predominantly female workforce, our statistics suggest that 25-40% currently care for pre-school aged children requiring full time care. Providing some kind of childcare benefit to our employees would alleviate many of these concerns, reduce absenteeism, improve morale and help us attract and retain quality personnel, particularly for the critical day shift.

The Personnel Department was directed to perform a thorough cost-benefit analysis on potential programs through which our organization can provide for the childcare needs of our employees in the most satisfactory and cost-efficient manner possible. The study vetted a number of childcare models that have been widely implemented by employers. Most of these options fall into one of three broad categories: Single Employer, Consortium, or Community Partnership.

**Building and operating a full service day care center for each of our facilities** is the most popular option with both board members and with employees. The plan requires considerable start-up and ongoing operational costs, although outside funding could offset some of these. The centers would directly serve employees at no cost to themselves, and if built on-site could utilize currently unused rooms in each building.

Our evaluation cited three additional alternatives suitable to the scale and makeup of our organization:

**Purchasing space in local childcare programs, with negotiated discount pricing.** The company pays for program slots and pays the price differential.

**Dependent Care Assistance Program (DCAP) – Flexible Childcare Spending Accounts,** funded by voluntary pre-tax employee contributions, company bonuses and/or matching funds.

**Flexible or alternative work schedules.** Employees work core daytime shifts for part of their schedule, in return for flexible hours the remainder of their week.

## Methods for Evaluating Options

In evaluating the feasibility and efficacy of each option, we considered the following core criteria.

**Costs to the company to set-up and manage the program.**

**Accessibility and cost to employees and availability of quality services in all markets.**

**Degree of control and oversight over quality of care and staff qualifications.**

**Effect of each program on morale and productivity.**

**Visibility of the program: positive influence on public and community relations, and on our ability to recruit exceptional candidates.**

Our research analyzed a range of studies, reports and proposals outlining the costs, benefits, advantages and disadvantages of a wide variety of childcare alternatives implemented by businesses over the last decade. These studies also provided background data, analytics and calculations for determining the anticipated costs of turnover and estimating savings of implementing a particular plan.

We referred especially to two particular studies: *Child Care Options*, (Child Care Advantages, 2001), and *Employer Options for Child Care*, (Penn State, 2001). The latter also provided several excellent tools for assessing the childcare needs and preferences of our employees, including a valuable survey for assessing employee childcare needs.

We provided the Penn State Survey to employees across our network, the findings of which proved highly illuminating.

Based on results from the Modesto facility:

An estimated 24 out of 96 of our full time-day shift employees, or 28 percent, are parents of young or school-aged children, 75% of whom earn fifteen dollars per hour or less.

80% of these parents reported that their childcare concerns contributed to anxiety and stress at work and was a factor in missed work, tardiness, or a decision to leave.

22 employees stated they would take advantage of on-site or other employer provided childcare options. This number represents 91% of employees with young dependent children who participated in the survey.

Out of 7 current vacancies at the Modesto facility, we estimate that 6 of those seven would likely have remained if an affordable and convenient childcare option had been available. Company wide, that amounts to an expected 85 percent reduction in staff turnover once a suitable childcare solution is put in place.

## Results of the Evaluation

Based on our feasibility and cost analysis of available employer child care models, we narrowed these options to four programs optimal for an organization of our scale, budget and unique staff requirements: (1) Directly Managed Day Care Centers, (2) Pre-purchased and discounted care in existing faculties, (3) DCAP flexible spending accounts, or (4) Alternative / Flexible Work Schedules.

These options are evaluated by the following criteria:

- Cost
- Access and affordability,
- Quality control
- Effectiveness on morale and turnover
- Visibility

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**Costs of the Program to the Company and to Employees.**

The **company day care option** requires the highest startup and ongoing operations costs to the company and practically no out of pocket costs to employees. **Flexible Work Schedules** are also an inexpensive option for employees but also require high start up administration costs to the employer.

***On-Site / Off-Site Child Care Center***

Operated by employer or by a non-profit or for-profit provider. Start-up costs may include building and construction, equipment, insurance, hiring and training of staff. Long term operating budget also includes teacher and administrative staff salaries and benefits, food, supplies, maintenance and insurance. Although startup funds are not presently available, we are able to budget several thousand per month for operational costs, with the possibility of available government matching funds. In addition, some of our startup needs like equipment or furniture may be available via community donations.

***Purchase Program Space with Existing Childcare Provider***

Company is responsible for contributions to the program that cover the cost of unused spaces and allow the provider to make services available to employees at a discounted rate. No startup or management costs to the company, as this plan utilizes the resources of an existing provider, however costs may still be expensive for low-wage workers. Costs vary with size and scale of facility and care provided.

***Dependent Care Assistance (DCAP) Flexible Spending Account***

Similar to other flex account programs, employees voluntarily contribute a portion of their salary on a pre-tax basis, into an account set up to cover part or all of childcare costs. Company may also fund the account as an added benefit or bonus separate from salary, match employee contributions, or some combination of each. Costs to the company and employees vary based on how the program is set up and funded. Added tax benefits include lowering the tax liability of both employees and employer.

***Alternative / Flexible Work Schedules***

Does not require employer to provide or pay for childcare. However, the company may incur high startup administration costs just to implement the program. Does not directly address the core problem of preventing turnover and finding replacement staffers for the day shift. Added flexibility may allow impacted workers to retain their jobs, saving recruitment, hiring and retraining costs down the road.

### **Availability and Accessibility of Care:**

**Day Care centers** are the most convenient and accessible direct option and would be free for all employees to use. **External Care Providers** can be inconsistent, depending on the availability and quality of services in the local area.

#### ***On-Site / Off-Site Child Care Center***

Day Care Centers are on-site, in the facility itself or close by. They can serve all ages, from infants 6 months and older to pre-kindergarteners. Many are also capable of providing before and after school services, or even drop in care for employees who normally have other child care arrangements. In some areas, transportation from and to school may be available.

#### ***Purchase Program Space with Existing Childcare Provider***

Employees pay a negotiated rate for childcare services with an existing, third party provider, however fees may still be too high for many parents. Employee care choices are limited to providers chosen by the company, and options may be limited or hard to access in some locations for other reasons such as transportation.

Although individual programs must be carefully vetted, this is the model put forward in the Penn State study as ideal for small companies and large companies with multiple units, making it a solid option for PrimaCare.

#### ***Dependent Care Assistance (DCAP) Flexible Spending Account***

Ensures funds for childcare services are available. Allows maximum freedom for employees to choose childcare that serves their children's needs, even home care, provided there are sufficient funds in the account to pay for it. If funded primarily by pre-tax contributions, it may be difficult for lower wage employees to deduct enough of their salary to cover these costs. Does not affect the price of childcare services, although program could be combined with another option. Company may offer additional subsidies for those with greater financial or care needs.

#### ***Alternative / Flexible Work Schedules***

No cost to employees, but does not provide or pay for care. Encompasses a variety of options including flex time, part time, flexible leave policies and job sharing that may make it possible for some employees to spend more time personally caring for their children without losing their jobs or income. Especially beneficial as a temporary solution for employees with infants and very young children (under 6).

### **Quality Control: Assessment and Reliability of Services**

**Company managed day care** offers the highest level of control, while **the external care and DCAP options** again vary based on what services are available in the local market.

***On-Site / Off-Site Child Care Center***

Because the employer recruits, hires and trains all teachers and staff and manages day-to-day operations of the center with complete oversight, it can ensure the highest levels of service and personnel. Employees have additional piece of mind knowing that their children are nearby, and being looked after by only the most well-trained and professional caregivers.

***Purchase Program Space with Existing Childcare Provider***

Third party childcare facilities may provide high quality, reliable care, but reliability and standards can vary and the company has no direct oversight. Hiring practices, proximity to work site and general quality of care can differ wildly from location to location, especially in smaller, more remote areas. Facilities may serve only certain age ranges, or may be unable to provide for children with some special needs.

***Dependent Care Assistance (DCAP) Flexible Spending Account***

Services may vary in quality and quantity by locality. No oversight or control of facilities, services or hiring practices.

***Alternative / Flexible Work Schedules***

Gives some employees the option of spending more time personally caring for their children when alternative options are not available. Alternative scheduling could make covering all necessary shifts difficult and complicate transitions between shifts, which has the potential to negatively effect patient care.

**Effects on Morale and Productivity, Reduction in Turnover and Absenteeism:**

According to the Penn State study, alleviating anxiety and stress around childcare has a strong positive effect on productivity and quality of work. Directly providing these essential services demonstrates a strong commitment and loyalty to employees, significantly improving workplace morale and helping the company attract and retain elite talent.

**Flexible Scheduling** offers parents options for personally attending to their children's needs. **Day Care Centers** demonstrate commitment to employees and allow workers to be near their children during the day, while **DCAP accounts** can help alleviate the cost of childcare and offer parents the greatest choice in addressing the needs of their own children.

Effects on Morale (Continued)

***On-Site / Off-Site Child Care Center***

Reduces absenteeism and tardiness due to unreliable childcare arrangements. Having day-care on site in the nursing facility allows parents of especially young children to spend time with their children over lunch and personal breaks.

***Purchase Program Space with Existing Childcare Provider***

As previously stated, this option limits employee choices and may produce lingering anxiety over the actual quality of the childcare provided. Additionally, services may be limited or inaccessible in smaller, more rural locations. However, employees understand that the company has verified providers, and childcare needs can be provided for at deeply discounted rates.

***Dependent Care Assistance (DCAP) Flexible Spending Account***

Flex benefits are "Use it or Lose It", which may negatively affect employee morale. A joint Management-Employee Committee to help plan and administer the service may build confidence in the program.

***Alternative / Flexible Work Schedules***

Alleviates pressure to find other childcare options, one of the primary factors in absenteeism and tardiness among employees with young children. Increases morale and productivity and reduces anxiety and stress.

**Visibility of the Program:**

**Day Care Centers** are the most visible program in the eyes of the general public and a marketable recruitment tool to prospective employees. **DCAP and Flextime** are also internally visible programs internally. Utilizing **External Childcare Services** demonstrates goodwill and collaboration within the local community.

***On-Site / Off-Site Child Care Center***

A full-time company day-care center is a highly visible, added benefit for all employees, generates a great deal of positive public relations for the company and is has great appeal for recruiting and retaining qualified personnel, especially in the nursing care sector.

***Purchase Program Space with Existing Childcare Provider***

This program generates positive PR and goodwill by supporting existing providers in the local community.

***Dependent Care Assistance (DCAP) Flexible Spending Account***



Good public relations tool for the employer, and a visible benefit for employees.

***Alternative / Flexible Work Schedules***

Flexible scheduling is a very visible and attractive option for current and prospective employees and a potential boon to recruiting efforts.

**Conclusions**

As a provider network in the care industry, it is especially important that PrimeCare provide for the childcare needs of our highly skilled, largely young, female workforce. By doing so we are more likely to retain and recruit the very best employees, keep them satisfied and happy in their jobs and minimize quantifiable losses associated with missed work and the cost of recruiting, hiring and training new staff.

Each of the options evaluated in detail above has definitive advantages and disadvantages.

**Alternative-Flexible Work Schedules** promote high morale, as parents are able to spend more time personally attending to their children's needs. They can entail high costs to the company without providing any direct childcare benefit.

**Dependent Care Assistance Accounts** offer unparalleled employee choice in choosing their own care, as well as significant tax benefits, but do not reduce the actual cost of care.

**Purchasing program space with existing providers** guarantees professional childcare at reduced rates to the employee with no setup or management costs to the employer, Services can vary wildly between localities, however, and may not be equally accessible to all employees.

**Company run Day Care Centers**, whether on or off-site, provide the greatest benefit in terms of quality control, accessibility and proximity at the lowest possible expense to employees. Offering these services directly would have a profoundly positive effect on worker morale, generate generous P.R., and be highly attractive in our recruiting efforts. This option entails higher costs to implement and operate in comparison with the alternatives, but matching funds and donations may help offset much of this overhead.

## **NEXT STEPS**

Our data strongly supports the feasibility and overall benefit of providing on-site day care centers in each of our nursing care facilities. All four models are viable options for our organization, and we recommend further evaluation of each plan, factoring current and expected rate of turnover (R.O.T) and estimated savings in turnover costs verses the short and long term costs of implementing each program, utilizing the detailed formulas provided in the Penn State Childcare study.