WORK

The Corporate Case for Child Care

American businesses cover just 1 percent of the skyrocketing cost of child care. It's time for that to change.

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After a year of pocketing near record-high profits, about $1.8 trillion according to the Federal Reserve, companies will save an additional $1.3 trillion over the next decade thanks to the new tax bill.

Some 200 companies have announced one-time $1,000 bonuses for workers, tuition payments for hourly workers, minimum wage raises to $15 an hour, stock shares, contributions to pension plans, and other benefits in an effort to share the wealth, so to speak, with their employees. The New York Times reports that the cost of such benefits, though laudable, amounts to a fraction of what companies will reap from the tax bill. (And let's remember, although one-time bonuses are nice, worker wages have been stagnant for the past 40 years and are, on average, 200 to 300 times smaller than top CEO earnings.)

Despite this windfall, employer-funded child care, one of the biggest costs and sources of stress for most American working families, isn't even on the table, even though it's employers that benefit from the labor that child care provides.

Unlike in other advanced economies, where child care is paid for by some combination of families, the government, and the private sector, American parents shoulder more than 60 percent of the cost of child care, according to an analysis by the Alliance for Early Childhood Finance. The government covers about 39 percent through subsidies to low-income families—though not nearly enough to cover all eligible children.

And corporations and philanthropies? They provide a scant 1 percent.

Yet fully 62 percent of American parents say they have a hard time finding and affording high-quality child care. The New America Care Report, calculated in conjunction with Care.com, found that the U.S. child care system is fragmented; uneven in quality; and, though costly for parents, subsidized by paying child care teachers poverty wages. The average cost of full-time care in child care centers is $9,589 a year, higher than the average cost of in-state tuition and nearly 20 percent of the median household income—twice what the U.S. Department of Health and Human Services considers affordable.

So what is corporate America's anemic 1 percent contributing? Overall, 7 percent of employers offer on-site or near-site child care, according to the 2016 Society for Human Resource Management's National Study of Employers, which is based on surveys of a nationally representative sample of more than 900 employers. Some big companies, such as Google, Cisco, and Home Depot, offer on-site care, but only at their headquarters. Most don't. Apple, which is expected to reap about $40 billion from just one change in the new tax law, took heat recently for spending $5 billion on a brand new campus with a luxury wellness center and custom door handles but no on-site child care center.

Only 2 percent of American organizations help employees pay for the high cost of child care with subsidies or vouchers, SHRM found. And 5 percent offer emergency backup care for when care arrangements fall apart—reserving a block of subsidized emergency slots at child care centers or reimbursing the cost of an emergency provider.

And child care arrangements do fall apart routinely, particularly for low-wage workers working nontraditional hours. Studies have found that nearly half of working parents miss an average of four days of work at least once every six months because of child care breakdowns, costing U.S. businesses about $4.4 billion a year in lost productivity and working families $8.3 billion in lost wages.

Forty-one percent of companies offer less costly resource and referral services, often a list of nearby child care options from a vendor, the SHRM report found. And 56 percent offer dependent care assistance plans, which don't cost corporations much beyond administering benefits, which they're already doing. These plans enable workers to set aside up to $5,000 of their *own* pretax dollars every year, regardless of the number of children, to help pay for child care. But this doesn't solve the supply problem.

That meager $5,000 cap and those meager corporate offerings haven't changed much in years. "I'm not surprised," said Ellen Galinsky, who heads the Families and Work Institute and has overseen the study since its inauguration in 1998. "While some companies are generous, on average, the things that cost more money, companies are much less likely to do. That's an overall pattern we've seen, especially since the recession."

Failing to support quality child care is already exacting a heavy cost on businesses, families, and the economy. The economist Sylvia Ann Hewlett has found that about one-third of highly educated, what she calls "high potential," American women drop out of the workforce every year, and 74 percent say the lack of decent child care is the primary reason why. And the lack of child care for lower-wage workers can force parents to choose between losing a job and settling for suboptimal care. It can also land them in battles with child protective services, one public defender said.

Additionally, a lack of affordable, quality child care will affect our future workforce. Brain research has shown that, from the first moments of life through the early years, a child's brain is laying the foundation for all future learning and resiliency through consistent, responsive interaction with a warm caregiver.

In recent months, the pro-business U.S. Chamber of Commerce has issued two separate reports on the corporate case for supporting high-quality child care, citing research that shows when companies provide support for child care, employee absences decrease, job satisfaction increases, and job turnover declines by as much as 60 percent.

That's certainly what I found when I talked to Aaron Block, a lawyer with Alston & Bird in Atlanta who chose to work for the firm because of its on-site child care—before he was even married. Now that his daughter is enrolled, he regularly pops over for dance recitals or to read to her class. "During the day, I can be more productive and focused at work because I know that she's in a place where she's safe, where she's happy," he told me. "Because ultimately that's why I'm working hard."

Patagonia, which has operated an on-site child development center at its Ventura, California, headquarters for 30 years, recently built a similar facility for its warehouse workers in Reno, Nevada. But on-site child care isn't the only option.

How else can corporations contribute?

• Invest in existing quality child development centers or in-home child care. As more workers work flexible hours or telecommute, companies such as Intel invest in a network of child care providers that might be nearer employees' homes and offer training, mentoring, and support to providers in exchange for giving Intel employees priority admission and emergency backup slots.

• Subsidize employee child care costs, offer tuition scholarships, and provide vouchers and reimbursements. Microsoft offers employees discounts at many child care development centers or subsidizes child care and backup care with national providers. Bright Horizons and KinderCare are two of the largest employer-sponsored child care providers in the country.

• Consider pooling resources with other organizations to form consortia to build or support child development centers or family care homes. That's what a group of companies, including Georgia Pacific, the Federal Reserve, a local department store, and a newspaper did in Atlanta.

• Use philanthropy, community partnerships, and local government leaders to invest in high-quality early care and learning. In Colorado, a group of top business leaders formed Executives Partnering to Invest in Children to spark more investment in these services. Among their initiatives, they provide a toolkit for employers to show them how to invest in child care expansion.

• Expand private paid family and medical leave offerings and support efforts for a public policy that would extend to small businesses. Infant care is the most expensive kind of child care, uneven in quality and very difficult to find. In other countries, paid family leave is essentially a means to provide infant care.

• Educate others in the business community on why providing quality child care is good for business. Sometimes all it takes is walking through some numbers, said Mark Schmitz, formerly of KinderCare and now a consultant who helps companies see the business value in investing in early childhood education. "You can show that if you invest $500,000 a year to subsidize child care, but you retain some talented people when they start their families and don't have to hire and train new employees, it's very easy to show that you've more than paid for that $500,000," Schmitz said. "A lot of times, that's when leaders will say, 'Aha. Got it. Let's move forward and do this.' "

At a recent event hosted by the Chamber of Commerce in Washington (where I moderated a panel on quality care), Art Rolnick, former senior vice president at the Minneapolis Federal Reserve Bank, presented his research showing that investing in early care and learning yields a 16 to 1 return on investment for taxpayers in the form of higher graduation rates and academic achievement, higher wages, and lower reliance on public assistance and incarceration rates. "Think about early childhood investments as economic investments," Rolnick urged business leaders in attendance.

That will take a mindset shift from our current view of child care as an individual problem. The federal government has refused to take a role investing in universal, quality child care ever since president Richard Nixon vetoed a popular, bipartisan bill that would have made quality care available on a sliding scale according to income and subsidized wages to attract quality teachers. Right now, child care providers earn about as much as busboys and parking-lot attendants.

Nixon argued that family care arrangements are a private matter and that mothers really belonged in the home. Pat Buchanan, the conservative Republican architect of the veto, told me not long ago when I was reporting on the U.S.'s dismal record on child care that their view was that mothers should be home with "cake and pie" everyday at 3 p.m. "The idea that both husband and wife are going to go off to work and tell the taxpayer to take care of junior? I don't think so!"

That hands-off attitude has spurred corporate America to action before. In the early 1990s, worried about the growing number of women entering the workforce, more than 21 companies created the American Business Collaboration for Quality Dependent Care and pledged to spend more than $100 million on improving access to high-quality child and elder care. “We were trying to address the talent issue,” said Ted Childs, a former IBM executive who was one of the leaders of the collaboration. “And the reason we got into it is that we felt the government was not going to do something, and we wanted to help address the problem and to establish the competitive example of being seen by women applicants and employees as responding to a challenge important to them.

“We put child care on the table as a legitimate business topic,” he said.

Over the years, lawmakers have made a few attempts to spur private-sector investment in child care infrastructure—federal and state tax credits for building on-site child care centers, for example. But, other than in a handful of states, the credits were poorly designed and rarely used, an analysis by the National Women’s Law Center found. Another provision in the 1981 tax bill to encourage companies to build more on-site child care centers became a way for companies to instead offer cheaper dependent care spending accounts, a strategic move, one researcher wrote, to keep corporate outlays down while still signaling a modicum of “family-friendliness and responsiveness to workers’ child care needs.”

Putting pressure on the federal, state, and local government to change—to invest more in child care subsidies and refundable child care tax credits to reach more working families, to design better policies and incentives to create better child care infrastructure, and to raise teacher pay and quality—is another way corporations can make a difference. Even pushing to raise the $5,000 cap on dependent care assistance plans. “It’s been stuck at that level since the 1980s,” said David Lissy, Bright Horizons’ executive chairman of the board. “In high-cost areas in particular, that only accounts for a small fraction of the cost of care. If we just adjusted that for inflation, that would help working families.”

The bottom line is child care, like education, is not a "market" that works. To do it well requires a lot of labor—one teacher for a handful of children. Paying for it will require more from both the government and private sectors. And done right, everyone will reap the benefits.

"If you look at child care funding as a three-legged stool—the amount parents ... can pay, the amount the government needs to pay to help those who can't afford to pay, and employers, we've pretty much pushed what a parent can afford to pay as much as I think is possible," Lissy said. "The opportunity for expansion is on the government and employer side."

Ted Childs is proud of his work on the American Business Collaboration. But that was years ago. Is corporate America, which CNN Money says has enjoyed a "big, fat" profitable year, doing enough now? "I'm going to say no," Childs said. "We've got senior leaders who think, with child care, 'We've been there and done that. We don't need to focus on that now.' We're trying to say, 'Well, you've been there, but you need to stay there.' We are not done yet."