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The Child Care CRISIS

A shortage of child care options is causing stress for workers. But some employers are stepping up.

By Tamara Lytle

A single mother in California feared for her job as a UPS package handler each time she had to miss work because her child care provider fell through.

Just in time, UPS started a pilot program in 2022 to offer backup child care at its Lathrop, Calif., distribution center.

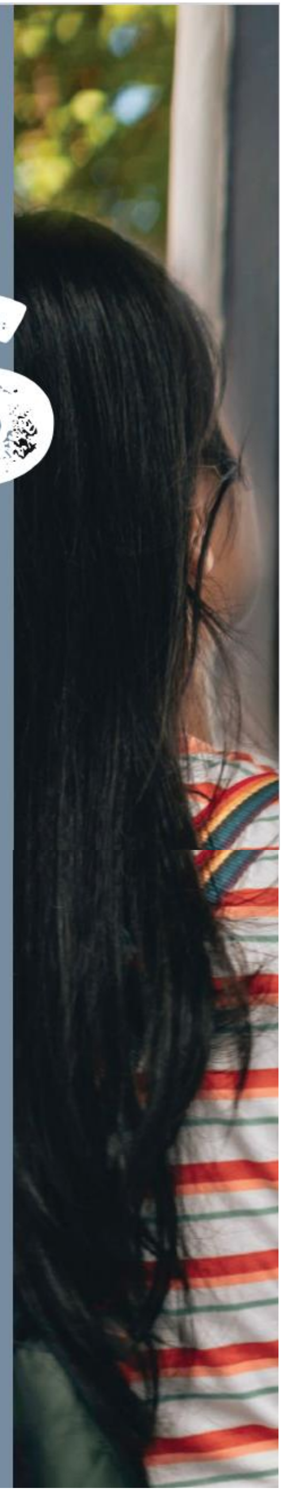
"Had this not happened, I would have had the decision of leaving my 6-year-old child at home or not showing up and losing my job," the woman told her bosses.

Her sentiments were shared by Danelle McCusker Rees, UPS' president of human resources and operations training, who says that's the problem that UPS officials sought to rectify when they started the program, which is now being expanded to other locations.

The backup child care option has reduced turnover, which saves on recruiting, McCusker Rees says. And it has helped the company with its inclusion, equity and diversity goals by providing a crucial benefit to female employees in particular: 90 percent of the workers who used the benefit in the pilot were women.

"The business case has been selling itself," says McCusker Rees, adding that the program caused a surge of excitement from a cultural perspective.

Businesses lose $23 billion a year in productivity because of child care challenges, according to the Miles Foundation in Fort Worth, Texas. The nonprofit helps lead and fund The Best Place for Working Parents, a network of business leaders who focus on family-friendly policies.



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Even before the COVID-19 pandemic, the nation's child care system was struggling, with teachers being lured away by higher-paying industries and providers scrambling to make ends meet. The government offered federal aid to child care centers during the pandemic, but it expired last fall—just as many companies began requiring remote workers to return to offices.

The situation has left many parents desperate. However, some employers, like UPS, are stepping up to support their employees.

12%

of workers had child care benefits from their employer as of March 2023.

Source: U.S. Bureau of Labor Statistics.

THE NEED

The loss of federal aid could lead to 3.2 million children without child care spots as programs fold, according to a June 2023 Century Foundation report. That could cause $9 billion a year in lost earnings for working parents who have to cut their hours or leave their jobs. And, in a domino effect, it could result in financial repercussions for the businesses that lose those workers.

"As companies are asking people to return to work, they need to offer a child care benefit if they're looking to meet employees where they are," says Jessica Harrah, chief people officer of KinderCare Learning Companies, based in Portland, Ore.

In a recent survey by Care.com, 80 percent of 500 HR executives said child care benefits have a positive influence on productivity, and 78 percent said they boost recruitment and retention.

However, such benefits don't help if there aren't slots available for care.

Already, 40 percent of families looking for day care are on waitlists, with an average wait time of six months, according to a study by the website BabyCenter.

When the pandemic hit, KinderCare saw the number of children in its facilities drop from 145,000 to 11,000. KinderCare temporarily shuttered most of its 1,000 centers nationally, but kept 300 open to serve essential workers.

The business has since rebounded, but finding quality teachers remains a challenge, Harrah says, especially as other industries draw workers away with higher pay. The problem, she says, is a tug of war between keeping costs down for working families and paying staff more to keep them working in child care.

KinderCare, which runs 80 onsite, employer-sponsored child care centers, has seen an 89 percent increase in interest from companies in employer-sponsored child care in the past year. And the number of KinderCare clients that offer care benefits jumped to 800 from 600 before the pandemic.

About 6,000 of KinderCare's own employees receive a child care tuition subsidy of 50 percent or more, and those using the benefit are 30 percent less likely to leave the company, Harrah says. Parents don't like disrupting their kids' lives, so the benefit drives retention, she explains.

However, Elliot Haspel, senior fellow at the think tank Capita in Denver, plays devil's advocate to the idea of companies providing subsidies and onsite care, arguing that employee subsidies don't increase the supply of child care workers.

"You're giving people a stipend to nowhere," says Haspel, author of *Crawling Behind: America's Childcare Crisis and How to Fix It* (Black Rose Writing, 2019). And onsite care creates inequities when far-flung employees don't have access to it and gig workers are left out, he says.

THE ABCs OF CHILD CARE BENEFIT OPTIONS

Companies that want to offer their workers help with child care have an array of options:

Onsite child care. Though it's not a common benefit, onsite child care offers convenience for workers, who can pop in and check on their kids during breaks. Some companies use third-party contractors to handle the actual care.

Emergency care. This option can be onsite or with a local care provider. Workers are absent less often when they have backup care for days when their regular child care arrangements fall through. The benefit is usually limited to a certain number of days per year.

Subsidies. This company-provided financial assistance can be used for onsite child care or for community providers. Companies can adjust the percentage they kick in depending on location, income or other factors. Some companies negotiate discounts for their employees with local day care centers and providers.

Dependent care flexible spending accounts. Workers can save on taxes when they set aside money in these accounts to pay child care bills. Even if companies aren't contributing to the accounts, employees get tax breaks for setting them up, says Sara Redington, chief philanthropy officer at the Miles Foundation. —T.L.

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Haspel believes that the child care system needs more public—not corporate—funding.

"It's the same reason we don't ask employers to provide elementary schools or fire service," he says.

Vermont has a new, $120 million annual child care program funded by payroll taxes paid by both employers and workers that offers free or reduced-price care, depending on the parents' income. Businesses lobbied for the program as a way to reduce absences among workers with child care jams and to increase productivity.

Companies have a stake in pressing for more available care, Haspel argues.

"Your employees need to have the care to go to work and be productive at work and not be stressed out about whether their child is safe," he says. "If you want to have a vibrant business, you're going to have parents as part of your workforce. You need to care about child care."

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EMPLOYER OPTIONS

Employment lawyer Ruth Vafek of Berger Singerman LLP in Tallahassee, Fla., says the pandemic inspired new public support for child care benefits as the challenges of working parents were better publicized and all types of employees started looking for more flexibility. Younger workers support the idea, even if they aren't parents, because they appreciate employers that offer work/life balance, Vafek says.

As employers weigh what type of child care benefits to offer, there's no one-size-fits-all answer, Vafek says. Options include onsite child care; subsidies for care, whether it's onsite or elsewhere; help with backup child care for when the usual provider falls through; and dependent care flexible spending accounts (FSAs).

Backup care. Dijanira McClosky, head of health and welfare benefits at New York City-based Guardian Life Insurance Company of America, surveyed employees to find out what they value most in benefits. The company did so by tapping into a new employee resource group focused on caregivers. The group has been a huge help in getting the word out about the backup care benefit that Guardian offers, McClosky says.

Guardian provides up to 20 days a year of emergency care with an array of options for how to use it. Those 20 days can include discounted use of a day care center run by contractor Bright Horizons when regular care falls through. For older kids, parents can use the benefit to keep them occupied on school holidays with free virtual camps run by Bright Horizons. Or parents can use it toward discounted care in their own homes, for summer day camps and after-school programs, or even tutoring. (One day of backup care equals four hours of tutoring.)

"In the past, employers have focused on child care, but the reality is, caregivers have needs beyond that and they evolve as your child grows," McClosky says.

About 7 percent of Guardian's 5,500 eligible workers have enrolled in the benefit—up from 4 percent in

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DANELLE McCUSKER REES

2019—and 36 percent of those who signed up actually used it, which McClosky says is higher than industry benchmarks. The number of days of backup care used jumped almost 70 percent between 2022 and 2023.

Emergency child care benefits can come in the form of a referral network, subsidies for going to local providers such as Guardian's offerings, or onsite programs like the one at UPS.

Onsite care. The shortage of day care slots led USAA, a financial services company for members of the military, to expand its child care benefits. USAA has four onsite child care centers around the country for its employees, and now employees are allowed to use them for grandchildren, not just children, says Wendy Salmon, senior vice president of total rewards for the San Antonio-based company.

The onsite centers are run by Bright Horizons. For workers who don't live near one of USAA's four child development centers, and for the approximately one-third of employees who work remotely, USAA has an arrangement with Bright Horizons that offers priority access to its centers around the country.

In addition, employees who earn $50,000 or less a year receive a reimbursement from USAA for up to $3,000 annually in child care expenses. Those making $50,000 to $100,000 receive an income-based subsidy of less than $3,000. In total, the reimbursements cost the company $4 million in 2022, the program's debut year.

"Our employees love it," Salmon says of the new offerings.

Onsite care comes with some flexibility for USAA to tailor the care offerings to its particular workforce. When it got feedback from workers in Colorado Springs, Colo., that they needed the day care center to stay open 30 minutes later, the company changed the hours, Salmon says.

But onsite child care centers also require an investment in the maintenance and upkeep of the grounds (including playgrounds) and the safety of the building.

Salmon concedes that onsite day care presents some legal issues, so a close partnership with the day care provider and with corporate security and risks teams is important. Issues to think about include who has access to the center while kids are there, accreditation and licensing, and background checks of the teachers. Vafek says companies also may need a separate insurance policy for an onsite center.

Some risks can be mitigated, Vafek says, by contracting with a third-party care provider. However, companies should carefully review their contracts, she adds.

Like Guardian, USAA also offers backup care. Employees in a pinch can bring their child to a Bright Horizons center at the cost of $2 an hour or have a Bright Horizons employee come to their home to care for their youngster for just $4 an hour. The benefit is limited to 60 hours a year because it's not meant to replace a regular child care arrangement, Salmon says. But 550 employees depend on it each year.

CHILD CARE BY THE NUMBERS

The most common child care benefits and policies provided by employers are:

- Dependent care flexible spending accounts **57%**
- Policies allowing parents to bring their children to work in emergencies *(as a backup to their regular child care provider)* **32%**
- Child care referral services that provide names of providers **13%**
- Policies allowing parents to bring babies *(under 1 year of age)* to work on a regular basis **6%**
- Subsidized child care centers or programs **4%**
- Nonsubsidized child care centers *(company-affiliated, onsite or nearby)* **3%**

Source: SHRM's 2023 Employee Benefits Survey, 4,217 U.S.-based SHRM members responding.

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PHOTOGRAPH COURTESY OF USAA

Dependent care accounts. Employer-provided child care subsidies can give companies offsets to their federal taxes, Vafek says. The exact tax breaks vary, so companies should check with their tax advisors.

Dependent care FSAs, like health savings accounts, can also give workers tax breaks. Companies need to communicate details such as whether subsidies are counted as taxable income and whether employees lose their dependent care FSA funds if they don't spend them.

"The critical thing is for employers to educate employees on the provisions, what they can and can't do, and the advantages," Vafek says.

WHAT WORKERS WANT

During the pandemic, women's overall workforce participation fell to a 33-year low, according to Sara Redington, chief philanthropy officer at the Miles Foundation. Benefits such as child care have had a huge impact on getting women to return to the workforce, Redington says.

"This is becoming, post-COVID, not just a 'nice to have,' but a 'must have,'" she says. "Family-friendly is this piece that actually could help solve multiple problems, not just the child care crisis that families and businesses are facing today, but really building healthier, happier, better, more prosperous employees, families and communities moving forward."

UPS saw its talent pool shrinking during the pandemic, and women were leaving faster than men. Despite a strong policy to promote from within, UPS was finding many women working part time were unwilling to take on full-time work, McCusker Rees says.

"Women were concerned about being able to grow their careers and grow their families at the same time," she says. "They felt like they had to make a choice and couldn't have both."

80% of HR executives report that child care benefits have a positive impact on productivity, and **78%** say they boost recruitment and retention.

Source: Care.com.

McCusker Rees found out what her employees needed through a focus group that took time to get to the bottom of the issues. Workers were sometimes reluctant to admit to their bosses that child care problems were causing them to miss work. Delving deeper, McCusker Rees found that daily child care wasn't the main stumbling block for employees. The bigger issue was handling emergencies when regular providers fell through.

Among the parents who used UPS' backup child care program in its first six months, there were 120 fewer absences, McCusker Rees says. Employee turnover dropped from 31 percent to 4 percent in that same period. The pilot started with part-timers on the 4 p.m. to 9 p.m. shift and was so popular that day-shift employees successfully lobbied for backup care.

The single mom in California who used the program not only stayed at UPS but moved up from being a part-time package handler to a full-time manager, McCusker Rees says.

UPS has opened new emergency day care locations in Pennsylvania and Ohio and plans more this year.

"We can't expand fast enough," McCusker Rees says. The program has helped differentiate UPS in attracting and retaining workers by underscoring the company motto, "You belong at UPS."

"We have to make that more than a tagline," she says. "This is one of the ways we share [that] we are focused on the entire human being—all of a person's needs." HR

LEARN MORE ABOUT CHILD CARE BENEFIT OPTIONS AT SHRM.ORG/DEPENDENTCARE

Tamara Lytle is a freelance writer in the Washington, D.C., area.