Bipartisan Policy Center

Child Care is a Business Affair

Perspectives from Business Leaders on Child Care Policies

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Summary

Finding affordable, high quality child care was a problem for millions of American families before COVID-19 further complicated their struggles to balance caregiving responsibilities with work. In fact, child care as a public policy concern and as a necessary ingredient for the success of American workers and the American economy has drawn increased attention in recent years. There has been a growing interest in and support for family-friendly initiatives such as paid parental leave, public pre-K, and expanded programs to help low-income families access child care services. Nonetheless, resources and policy commitments continue to fall short. In many parts of the country, low- and middle-income parents still lack good child care options that meet their needs, creating an ongoing workforce challenge as the U.S. economy emerges from the pandemic.

Through its Early Childhood Initiative, the Bipartisan Policy Center has been active in policy debates about child care and early education since 2014, issuing numerous reports and recommendations for state and federal action to better meet the nation's need for a robust and equitable child care system. The specific focus of this report is the role businesses and employers play in that larger endeavor. For several years, BPC has worked with the business community on early childhood issues and to bring employer voices into the policy debate about how the child care market can be improved to work better for workers and companies. This report summarizes input gathered through a series of roundtable discussions with business leaders during 2019 and 2020. In addition to presenting ideas and perspectives on child care from these discussions, we offer policy recommendations that are informed by the business community's views and experience in this area.

Several broad points capture recurrent themes from our discussions with business leaders and can help frame future efforts to find bipartisan solutions to America's child care challenges:

- Families, government, and businesses have a shared stake in—and a shared responsibility for—expanding access to affordable, high quality child care. All these parties must therefore be part of the conversation about how we can better meet America's child care needs.

- Most business leaders are aware that child care is a critical issue for their employees, and understand that access to child care can improve worker productivity, morale, recruitment, and retention. But some are less sure how child care access affects their business specifically, or what their role should be in addressing this issue.
- Business size affects business resources and ability to support workers' child care needs. Many small business owners view their employees as "family" and are keenly interested in helping them overcome child care challenges. But smaller businesses may not be able to provide child care support or services in the way larger businesses can.

Given these differences, no single approach or policy solution will be appropriate for all businesses, communities, and situations. Business leaders are united in saying they want to help, but they need options.

The remainder of this paper provides additional background and context on these issues, summarizes key takeaways from the roundtable discussions, and suggests next steps and recommendations for business owners, state and local leaders, and federal policymakers.

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The Broader Context: America's Child Care Challenge

Of the nearly 24 million children ages 5 and under who live in the United States, nearly two-thirds live in households in which all parents work.[1] Quality child care is a necessity for these families; it is also crucial for the near- and long-term health of the American economy—so businesses can hire the talent they need and children can get the start in early life that allows them to grow up to be successful members of society.

Though the benefits are clear, the supply of affordable child care that fits parents' and children's needs continues to fall far short of demand in many communities around the country. Because of the child care business model, many providers operate with razor-thin profit margins, and staff working at child care centers are often paid poverty-level wages. The remainder of this section provides a brief overview of some of the main challenges that confront parents and child care providers in the United States today. A better understanding of these challenges is critical to develop and implement creative solutions for reconciling the tensions that exist between cost, quality, accessibility, and improved conditions for child care workers.

CHALLENGES FOR PARENTS AND CHILDREN

Affordability. Child care is among the most significant expenses for households with young children: Families with children under age 6 spend, on average, 20% of household income on child care, and families with incomes below the federal poverty line spend more than a quarter (26%).[2] Before the pandemic, more than half of parents said it was difficult to find child care within their budget, including 18% who said it was very difficult. More recently, just over two-thirds of parents (67%) reported the maximum weekly amount they can afford to pay for child care is less than $200 per child, or $10,400 annually—including more than a quarter (27%) of parents who said the most they could afford was $100 per week, and 12% who said they can afford nothing at all.[3]

Accessibility. The supply of child care providers is poorly distributed, and demand often outpaces availability, leaving too many parents with poor choices, or no choices at all, about child care. BPC's research shows that in 35 states, including the District of Columbia, an estimated 3.5 million children ages 0-5 with all available parents in the workforce lack access to a child care program in their community—almost one in three. The gap is more pronounced in rural areas, and in many lower-income neighborhoods. Finding care is particularly difficult for parents of infants; other families face major challenges in terms of getting to care providers and/or because they have children with special needs.

Flexibility. Over a quarter of parents (29%) need child care outside traditional work hours (i.e., 8 a.m. – 6 p.m.); half of these parents need to use child care in the evening. Flexibility is more likely to be an issue for low-wage workers, including many Hispanic and Black parents who are disproportionately employed in service occupations where they may be required to work nontraditional hours and, in many cases, have difficulty predicting their schedules in advance (44% of health care professionals and 31% of service, retail, or sales workers need child care outside traditional work hours; 29% of working parents report that they are made aware of their work schedules no more than two weeks in advance). Most center-based child care programs, however, offer only limited hours of operation, and most public pre-K programs are aligned with the school day and year, not parents' work schedules. Almost one-quarter of parents (22%) said they had to compromise on their need for flexibility in arranging child care services.[4]

Quality. While quality is a priority for all parents, the best programs are often also the costliest and most oversubscribed. Quality child care requires safe facilities with developmentally appropriate elements, trained child care teachers (and assistants), staff-to-child ratios that ensure all children get the attention they need, and well-designed curricula. Parents report that the most important considerations when selecting a child care provider include safety, quality of caregivers and teachers, accreditation or licensing status, reviews and reputation, and individualized attention provided to each child. Not surprisingly, each of these factors is directly related to the quality—and cost—of care.[5]

CHALLENGES FOR PROVIDERS

Child care in the U.S. is overwhelmingly private, and many child care providers operate as small businesses, often in a challenging market environment. Child care providers are also diverse: They include large centers, small in-home providers, and faith-affiliated programs.

In contrast to other types of businesses, child care providers—because of their inherently high staffing requirements—face unique constraints when it comes to improving their bottom line. If providers raise their rates, they risk putting their services out of reach for many of their customers, many of whom are already barely able to afford child care. At the same time, providers have few options to reduce expenses, given the payroll-heavy nature of their cost structure. Even though wages for many teachers and caregivers are low, labor is a high and relatively inflexible cost for most child care businesses given the low staff-to-child ratios these businesses are required—for good reasons—to maintain. Meanwhile, other steps providers could take to better meet their customers' needs—for example, by providing more flexibility in operating hours—would further increase their costs.

In fall 2019, BPC conducted a nationwide survey of working parents to develop a baseline, quantifiable understanding of the challenges parents face in accessing and affording child care, including how these challenges affect their ability to work and provide for their families. The findings provided a starting point for our conversations with business owners and helped make a data-driven case for how access to child care has direct impacts, both on employees, in terms of their ability to take a job, keep that job, and work needed hours; and on companies, in terms of their ultimate productivity and success. BPC has since conducted five additional surveys to dive deeper into parents' experiences with child care and illuminate challenges that exist for working parents.

More information and results from the BPC surveys are available at: https://bipartisanpolicy.org/parent-survey-resource-center/

The Business Case for Fixing America's Child Care System

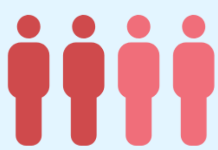
Access to high quality, affordable child care enhances these parents' well-being, satisfaction, and productivity, and helps the companies they work for be more successful and profitable. Conversely, parents who lack stable child care arrangements may be forced to reduce their work hours, turn down promotions or job offers, or even leave the labor force—all outcomes that have negative impacts on employers as well as families, especially at a time when sectors of the U.S. economy are suffering from severe post-pandemic labor shortages.

As previously mentioned, BPC has calculated that one in three children with all parents in the labor force lack child care in their community. Building off of that analysis, BPC estimated the economic burden of America's child care gaps on households, businesses, and tax revenues is as much as $62,700 per missing slot. Our 2021 report, The Economic Impact of America's Child Care Gap, explains this impact across 35 states including Washington, D.C. [6]

68% of parents say child care affected their ability to stay in the workforce

20% of parents say they have quit a job to stay at home with a child in order to afford child care expenses

57% of parents said child care responsibilities had impacted their ability to work over the last month, **73%** of whom said they have missed over 8 hours, or one full day of work



45% **Nearly half** of parents who need child care during non-traditional hours missed over 9 hours of work

A few additional statistics help to underscore the less visible but very real, multidimensional impacts of a child care system that is failing to meet the needs of workers and employers alike:

- A 2019 report by ReadyNation estimated that U.S. businesses lose approximately $13 billion each year due to child-care-related issues that cause employees to miss work, leave work early, or entirely quit their jobs.[7]
- The loss of an employee has been estimated to cost companies between one-half to two times as much as the employee's salary, both because of the need to recruit, interview, hire, and train a new

replacement; and because the company loses its investment in the knowledge and skills of the employee who leaves.[8]

- Studies predict as many of half of all U.S. workers intend to look for a new job in 2021, seeking better compensation and benefits (35%) or a better work/life balance (25%). Women and employees with children at home report higher levels of burnout during the pandemic, which could also be a contributing factor.[9]

On the flip side, providing child care benefits can increase employee retention, productivity, and loyalty. For instance, the outdoor-clothing retailer Patagonia has offered on-site care for the children of its employees (ages 2 months to 9 years) since 1983. The company credits this program with helping it to achieve higher employee retention and engagement, more women in managerial positions, greater employee loyalty, and a stronger workplace culture built around trust and community.[10]

Despite evidence for such benefits from a number of similar initiatives, the Bureau of Labor Statistics reports that only about 11% of all workers overall have access to employer-sponsored child care. And access to this benefit varies: In 2020, just 5% of workers in the lowest 25% of the wage distribution and 5% of workers in companies with fewer than 50 employees work for companies that provide or sponsor child care for employees. By contrast, a quarter of employees in the largest companies had access to such a benefit.[11]

Child Care and Work After COVID-19

BPC's business roundtables were held before the onset of the COVID-19 pandemic; thus, our conversations with businesses did not explicitly consider how that crisis might affect America's child care needs—both in the months and years immediately ahead, but perhaps also permanently. The evidence to date is that there are likely to be at least some near-term changes—related to employee preferences and workplace hours and location—that could affect child care needs, at least for workers in industries where remote or hybrid work arrangements are feasible. In May 2021, as much of the country was looking toward the recovery stage, BPC conducted a survey of parents in households where all resident adults were employed. At that time, a majority (58%) of parents surveyed were able to work remotely for at least a portion of the week, and most were taking advantage of this flexibility: Just 15% of parents who could work remotely were choosing to work on-site or in the office full time. Moreover, parents seemed eager to keep this flexibility: 60% said they would want to continue working remotely at least part of the time, and about half that group

(29%) said they preferred to work fully remote. By comparison, 37% said they wish to work on-site or in the office full time.[12]

For their part, many employers seem to be embracing these changes. An April 2021 survey by The Conference Board found that almost 40% of organizations planned on having 40% or more of their employees working primarily remotely one year after the pandemic subsides. Further, 55% of organizations said they are willing to hire full-time remote workers if they can occasionally commute to the office, while a quarter were willing to hire full-time remote workers anywhere around the country.[13]

Employers have responded to the additional child care challenges brought on by the pandemic. A survey conducted by the Society for Human Resource Management in May 2020 found that most organizations were implementing or considering allowing flexible hours (86%), full-time remote work (71%), or reduced hours (63%) to respond to their employees' child care needs. Far fewer employers, however, were planning to offer direct financial support: Just 9% were considering or already providing subsidies for child care, and 7% were considering or already providing on-site services. A majority (60%) of surveyed organizations said they would handle child care accommodations on a case-by-case basis, and just 1 in 10 said they planned to retain their new child care policy indefinitely.[14]

A shift to remote and hybrid work may be one of the more significant and lasting aftereffects of the pandemic. That shift could have impacts for the child care market if it affects overall demand for child care outside the home or parents' locational preferences for child care services. After COVID-19, parents who still need child care throughout the week, for example, might prefer their provider to be closer to home rather than closer to work. Others might need less child care, especially if they can keep their child home when they are working remotely.

Overall, however, it seems clear that many preexisting child care challenges will remain. In some places, affordability may become an even bigger issue if care providers choose not to reopen or have trouble finding qualified staff. A more fundamental issue is that remote or hybrid work is much less likely to be an option for many of the families that were already having the most trouble meeting their child care needs. Hourly, low-wage workers; workers from disadvantaged groups or rural communities; and workers employed in certain types of industries such as health care, retail, and service are the least likely to benefit from pandemic-related workplace changes, and the most likely to continue to face problems of access to affordable, quality child care in the hours they need.

The Business Perspective on Child Care: Takeaways from the BPC Roundtables

The business community has a unique role, and a specific opportunity, to lead the way in developing and implementing family-friendly policies that support workers, make economic sense for companies, and strengthen the communities where they operate as well as the broader economy. Business leaders also have a unique vantage point for judging which child care programs and practices are likely to be successful; most beneficial to employers and employees; and most conducive to establishing viable business models for the delivery of flexible, affordable, high quality child care services.

BPC began engaging with members of the business community to gather insights, expertise, and ideas on these issues in 2019.[15] Between late 2019 and early 2020, BPC hosted seven roundtables around the country with over 65 business leaders from small, medium, and large companies.[a] Several broad themes emerged throughout these discussions; a few key takeaways are summarized below. We note that BPC did not conduct a formal survey of roundtable participants—the summaries that follow are based on notes and impressions gathered by BPC staff at the roundtables and in other conversations with business leaders over the course of our engagement initiative.

Key Takeaway #1: Business leaders express varying levels of awareness about child care issues and options.

Many roundtable participants were aware of a lack of affordable child care within their communities and were concerned about the negative impact this could have on their employees. Some saw child care as a "bottom line" issue for their business because of its direct relevance for employee satisfaction, morale, and productivity. Other participants were not as well-versed in these issues and did not know how to assess the pros and cons of actively seeking to expand access to child care for

a Locations included St. Louis, MO; Cleveland, OH; and Atlanta, GA, all in partnership with Public Private Strategies, as well as Des Moines, IA; Oklahoma City, OK; Missoula, MT; and Pittsburgh, PA. Plans were underway in at least four additional states, but unfortunately, the project was cut short in 2020 due to the COVID-19 pandemic.

their employees. As one business leader in Pittsburgh commented, “We need concrete numbers and data to help make the case.” Some companies, for example, might want to conduct a cost/benefit analysis before considering a child care policy or program.

Key Takeaway #2: Businesses are differently situated when it comes to supporting their employees’ child care needs.

Among roundtable participants from large- and medium-sized companies, many recognized the importance of child care and indicated that they thought their companies were in a position to offer employees some financial assistance to access child care. A few larger companies we spoke with had gone so far as to survey their employees about what type of child care benefit might work best. Two companies in Pittsburgh, for example, had conducted surveys and reached different conclusions about whether employees would rather have an on-site child care option versus receive financial assistance to cover costs at a provider of their choice.

A leader of a large bank told us that high turnover because of child care challenges was a problem in many of the bank’s entry-level positions. The bank would be interested in offering child care benefits to address this issue, but its affiliate branches—which essentially function as small businesses—lack the resources or capacity to implement the types of solutions that a large, central office might.

Participants from small businesses, by contrast, saw their companies as being at a distinct disadvantage when it comes to offering family-friendly policies or benefits. (Our roundtables in St. Louis, Cleveland, and Atlanta, which were held in partnership with Public Private Strategies, were specifically designed to elicit perspectives from small businesses—most participants represented companies with fewer than 10 employees.) Many of these participants also expressed the view that small businesses are too often “left out” of existing programs or solutions. With more limited budgets and smaller HR departments, and with less representation in associations and industry groups, the view was that small business voices are too often absent in policy discussions around child care and other important worker issues.

> “INSTEAD OF THE BIG GUYS GETTING A TAX CUT, GIVE IT TO THE LITTLE GUYS.”
> —OHIO SMALL BUSINESS OWNER

A common view among small business participants was that their companies lacked the opportunities and resources of a large corporation to offer child care or other family-friendly benefits such as paid parental leave. “The small businesses of America truly can’t afford to pay into some big new system. These small businesses fail at a very alarming rate. And the ones that make it still have challenges. Large businesses have economies of scale and have all sort of benefits already,” explained one small business owner in Oklahoma.

At the same time, small business owners expressed a strong sense of duty to their workers, and several said they tried to offer support on a case-by-case basis to employees who needed it. Most were acutely aware both of their workers’ child care challenges and of the impact of those challenges on employee productivity and morale.

Key Takeaway #3: Business leaders view some child care solutions as more realistic and appealing than others.

> “YOU HAVE TO START WITH SMALL BUSINESSES IN ORDER TO LIFT UP THE ECONOMY.”
> —MISSOURI SMALL BUSINESS OWNER

Several roundtable participants spoke about on-site child care as perhaps the best option for their employees. As one put it: “On-site is ideal for our parents, especially with the youngest kids.” Others were less sure: “I think about this as a deeply personal choice, and we [learned] parents choose something in their neighborhood as opposed to something close to their office,” said another participant. Still others noted that the ability to offer on-site care or other forms of support presented an opportunity for companies to compete in employee recruitment.

A business leader in Oklahoma told us: "You don't want a businessman running child care, because it's dollars and cents to them. We care about the bottom line, not about raising children." In his view, this is what makes it important that child care professionals operate child care programs, and why many business leaders hesitate to become involved. He noted that most successful business leaders have failed many times, but there is no margin of error when it comes to children and child care.

More generally, however, it was clear from the roundtable discussions that offering on-site care was viewed as a realistic option by only a subset of the largest employers. Though several participants thought on-site care might be the best option for parents, most also expressed hesitancy about the idea of running a new business or offering a new service in an area where they lacked expertise and capability. Several noted that child care was a liability they didn't want to take on, and said they did not want to have to add a new hire just to figure out how to operate a child care program for a subset of employees. Some business leaders also said they lacked space to host a program on-site, and some didn't know if they would have enough children to fill such a program.

"IF FOR INFANTS WE CAN MOVE TO MEANINGFUL PAID FAMILY LEAVE WHERE NEW PARENTS CAN GET SEVERAL MONTHS OFF, IT WOULD LESSEN THE BURDEN ON CHILD CARE PROVIDERS AND ON THE BUSINESS COMMUNITY AT THE SAME TIME." — PITTSBURGH BUSINESS OWNER

Among other policy options for addressing child care needs, roundtable participants were largely supportive of paid parental leave and tax incentives for businesses that offer family-friendly benefits. In fact, many business leaders expressed greater familiarity with leave policies than with other child-care-related issues or options. Overall, there was considerable support for longer leave times and paid leave as a way to help families, reduce the need for infant care outside the home, and promote recruitment and retention of employees. One Oklahoma business owner, for example, acknowledged that proposals for more generous leave were controversial not only in national-level discussions, but also within the local business community; nonetheless, he believed "longer maternity leave would be helpful, until families can find child care."

Parental Leave Policies in the United States

Today, 79% of workers don't have access to a defined paid parental or family caregiving leave benefit through their employer, according to the U.S. Bureau of Labor Statistics. The United States is the only OECD country that does not offer paid maternity leave, and one of only two that does not offer paid paternity leave. The federal government requires companies with more than 50 employees to offer their employees 12 weeks of unpaid, job-protected leave under the Family and Medical Leave Act (FMLA). This includes leave for the birth or adoption of, or bonding with, a child, and is available for both men and women, within one year of such event. Employees may take this leave in addition to any paid vacation or sick leave their company offers. However, small companies under the FMLA threshold are not required to offer their employees anything. As of 2021, just nine states and the District of Columbia have enacted paid family leave programs. Despite this, many employers recognize the importance of offering their employees paid parental leave, sometimes for longer than 12 weeks. The Business Roundtable supports federal legislation to "ensure paid family and medical leave benefits are available to as many working Americans as possible," while Main Street Alliance, a key small business organization, operates a Small Business for Paid Family and Medical Leave Coalition.

Tax incentives were frequently identified as the ideal method for supporting businesses that offered family-friendly policies. Many business leaders have experience accessing such credits and saw this as less burdensome than applying to a new program. Many also saw tax credits as a more equitable form of incentive than other types of policies. Importantly, roundtable participants from both small and large businesses voiced support for tax credits.

At the same time, business leaders recommended that any tax incentives be flexible enough to respond to the needs of individual employers and employees, which might vary depending on several factors including the type of industry and the characteristics of the local community. Thus, several cautioned against a "one-size-fits-all" or "cookie-cutter" approach to designing tax policies and other incentive programs.

Existing Tax Provisions for Employer-Sponsored Child Care

Employer-Provided Child Care Credit. The Employer-Provided Child Care Credit helps businesses offset the cost of providing child care for their employees. Companies can claim a credit equal to 25% of qualified child care expenditures, plus 10% of qualified child care resources and referral (CCR&R) expenditures, capped at $150,000 per year. Qualified expenditures include operating a child care program or acquiring, constructing, rehabilitating, or expanding a care facility. CCR&R expenditures often mean connecting the employee with child care providers.

In 2013, the most recent year for which data is available, employers claimed $16.7 million for this credit, or around 0.02% of all general business tax credits claimed for the year. This low takeup rate reflects the limited child care assistance provided by employers in general. Learn more here.

Employer Exclusion for Child and Dependent Care Costs. Employees can set aside up to $5,000 per year from their wages for employer-sponsored child and dependent care benefits, not subject to income or payroll taxes (and under the American Rescue Plan, Congress temporarily increased this amount to $10,500 for 2021). This benefit is often offered in the form of a Flexible Spending Account (FSA), but could also include direct payments by an employer to a child care provider, on-site care offered by an employer, or direct reimbursement of an employee's child care expenses. FSAs can be used with flexibility to pay for child care, pre-K, summer camp, and before- or after-school programs.

Data from the Bureau of Labor Statistics indicates that about 42% of civilian workers had access to a child and dependent care FSA in 2019. These workers are generally higher-compensated employees at larger companies. Learn more here.

Key Takeaway #4: Business leaders largely agree that addressing child care needs is a shared responsibility and they are interested in innovative approaches.

Many business leaders view child care as a social and public good—one that has direct consequences for businesses but that is ultimately a much larger issue for the nation as a whole. "Fixing the problem for businesses would mean fixing the fundamental issues facing society," one business owner in Montana stipulated. At the same time, business leaders see themselves as important stakeholders whose perspectives and ideas must be part of the broader policy discussion. As one roundtable participant put it: "As businesses who are directly impacted, we need to be at the table."

> "IF THIS IS A NATIONAL PROBLEM, AND IF WE AREN'T LOOKING TO A NATIONAL SOURCE, THEN WE MIGHT BE PUTTING THAT BURDEN ON PLACES WHERE THERE ISN'T CAPACITY."
> —BUSINESS OWNER IN MISSOULA, MONTANA

In terms of which sector of society should bear the burden of improving child care options and expanding access to child care, the general business view was that this is a shared responsibility. Many roundtable participants saw a major role for government, and viewed increased public funding as at least one obvious way to help families address affordability challenges. At the same time, they saw a role for businesses in designing and offering unique family-friendly benefits as one way to recruit and retain a high quality workforce. "A sole federal role takes away the business competition, which is really important, and a healthy thing. I don't want to lose that option," said one business owner in Iowa. Others emphasized the need to develop solutions that respond to the circumstances and preferences of local communities while also driving quality improvements by giving parents more choices and options.

> "BUSINESSES ARE MORE THAN WILLING AND HAPPY TO HELP; MAYBE BE PART OF A SOLUTION WITH MONEY OR IDEAS, BUT THEY DON'T WANT TO TAKE IT ON THEIR OWN."
> —BUSINESS OWNER IN MISSOULA, MONTANA

In that context, many roundtable participants saw an important role for local governments and individual business leaders in addressing specific problems that could hinder child care access in some communities. For example, local government and businesses may be best positioned to address zoning and other local regulations, transportation, facilities, staffing, and industry-specific challenges. Additionally, residential property insurance, property taxes, business liability, and other locally controlled issues that might be part of the problem are best solved at the local level. Many business leaders, for example, thought that local communities could take the lead in finding new space or repurposing existing facilities for child care services.

In the spirit of shared responsibility, roundtable participants proposed and discussed a number of creative solutions for improving child care and making child care more accessible. Some of the ideas that entailed direct business involvement and that were viewed as most promising are summarized below.

- Employ child care workers on the company payroll as a way to increase teacher pay and benefits, and to help provide on-site care for employees. This option was raised as an alternative to on-site care where the company contracts for a slot, holding it for an employee's child. Proponents of this approach recognized that it might only be viable for larger companies with a dedicated staff or a department to handle logistics, and that could keep the program full with employees' children.
- Participate in a shared service model or co-op with other companies as a way to share in the responsibility and liability of funding and running a child care program. This was seen as a particularly relevant option for smaller or medium-sized businesses that lack the ability to do something on their own, or that have don't have enough employees with young children to justify an on-site child care option, but still want to do something more robust than offer financial assistance. These companies also thought this type of solution would help them attract the type of employees they were looking for, as opposed to simply increasing wages.
- Write off donations made to improve child care infrastructure, including contributions to facility construction or maintenance, as a way to contribute to community development.
- Pay into a "flexible demonstration fund for business involvement," as one business owner in Pittsburgh put it, which might allow companies to be engaged in more locally driven, innovative solutions. Many companies agreed that there were many creative ideas that could be pursued at the local level, and felt they could support their communities in these efforts.

Some roundtable participants also had specific ideas about new ways to offer direct public financial support to working parents.

- Provide a stipend to all new parents, regardless of income, to help with the transition of having a new child and going back to work. This idea is based on acknowledging that new parents face large new expenses, and if businesses want to help keep parents in the workforce, one way to ease the burden might be by offering flexible assistance. Some larger companies already offer a benefit of this type, but this practice could be more widely implemented.
- Enhance tax credits specifically for child care. While some federal tax credits such as the Child and Dependent Care Tax Credit exist to help parents or other care providers, some roundtable participants thought there could be a more robust system in place that reached more families and covered more of their expenses.[b,16]

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b For more information on how the Child and Dependent Care Tax Credit helps parents afford child care, as well as how it could be improved to reach more families, read our report, The Effects of the Child and Dependent Care Tax Credit on Child Care Affordability.

Recommendations and Next Steps

Based on our roundtable discussions with business leaders and our previous work on child care issues, BPC recommends several next steps aimed at strengthening our nation's child care system.

RECOMMENDATIONS FOR BUSINESSES

A family-friendly workplace improves employee productivity, morale, and retention, and can help businesses recruit the best workers. Individual companies can take several steps to realize these benefits and strengthen child care systems in their communities. Businesses should:

- Identify employees' child care needs and consider how these needs impact the company's ability to recruit and retain successful employees. How do job requirements, workplace location, and business hours impact employees' ability to find reliable child care?
- Quantify the impacts of child care challenges on your business, in terms of reduced productivity, missed work, and higher staff turnover.
- Consider a range of employee benefits and company policies to help workers manage child care challenges, including paid parental leave and flexible hours or work locations. Businesses should compare the costs of these benefits and policies to the expenses or lost revenue they incur when employees face breakdowns in child care. Similar cost/benefit analyses should be applied to dependent care assistance plans, flexible spending accounts, child care stipends, flexible scheduling, flexible work hours, or other policies.
- Engage with local business leaders, area chambers of commerce, and community foundations or other organizations to explore shared solutions that would help expand availability of affordable, high quality child care in the surrounding community.[c] Seek out partnerships with other local companies that might be interested in exploring collective solutions.

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c Community foundations are grant-making public charities that focus their philanthropic efforts in a defined local geographic region. They play an important role in responding to the unique needs of an area and can mobilize local partnerships, funders, and resources to drive sustainable change. Learn more here.

RECOMMENDATIONS FOR STATE GOVERNORS, LEGISLATORS, AND AGENCIES

States government officials are uniquely positioned to understand the child care needs and challenges facing their regions, identify solutions, and engage with the business community. They should:

- Facilitate the development of a state-level business advisory council to elevate the voices of employers, better understand business and economic development challenges, and engage businesses in potential solutions.
- Ensure that state agencies are collecting accurate, up-to-date information on the supply of and demand for child care across the state, including by age of child, hours of operation, location, and other important parameters.
- Direct state economic development offices to assess lost economic activity and revenue due to the lack of affordable, reliable, available child care across the state.
- Identify potential barriers to expanding access to child care, such as zoning, insurance, lack of facilities, or other issues, and explore potential strategies to remove barriers.
- Together these recommendations reflect a recognition that access to affordable, high quality child care is critically important, not only for working parents and their children, but for the short- and long-term success of American companies, the health of the U.S. economy, and the well-being of communities and society as a whole.

Most business leaders view the task of strengthening child care systems in America as a shared responsibility—one in which employers can and should play a role, together with government, workers and parents, community leaders, and others. As one participant at a BPC business roundtable in Iowa put it: “There are so many people who could be responsible, that nobody is stepping up. Who is accountable?” Based on BPC’s work with business leaders on this issue, the answer has to be “everybody.”

Case Studies in Employer-Led Child Care Initiatives

Colorado Employer-Based Child Care Facility Grant Program. In June 2021, Colorado created the Employer-Based Child Care Facility Grant Program to encourage employers to construct, remodel, renovate, or retrofit on-site or near-site child care facilities. The goals of the program are to support workforce participation, and to provide safe, stable, and quality child care for the employees of participating businesses. The program is funded at $8.8 million and requires a 50% match from for-profit companies or a 25% match from nonprofit organizations. Awards will be provided on a rolling basis no later than September 1, 2021, and the program will run through July 1, 2024. Companies that wish to participate must submit an application including a business plan, a description of how the business will provide care during nontraditional hours or infant and toddler care, and plans for how the child care program will remain financially sustainable beyond the period of the grant, among other components. The state may prioritize awards to companies that design their programs to advance other objectives, such as serving lower-income families, improving child care quality, increasing compensation for early childhood staff, or others.

MyVillage and Bozeman Health (Missoula, Montana). Bozeman Health is a regional health care provider with more than 2,400 employees. According to Edie Willey, Bozeman Health chief people officer: “One of the most consistent pieces of feedback we’ve heard from our employees is the need for child care.” This point is echoed by John Hill, Bozeman Health president and CEO: “We’ve heard from our employees that having child care options would help alleviate stress.” But when assessing its options, the company decided that opening an on-site child care program did not make sense, nor did it meet the diverse needs of working parents employed at the hospital who live in neighboring counties. Instead, Bozeman Health forged a partnership with a local child care startup, MyVillage, with the goal of increasing the number of in-home child care providers in and around the hospital and offering employees early priority placement for their children. Bozeman Health estimated that 100 employees would enroll children in MyVillage programs in 2020, with expanded numbers in 2021.

Submittable (Missoula, Montana). After surveying employees in 2019 about their child care needs, the company learned that 35% of its employees were parents, and that many team members planned to have children in the near future. To develop a plan for supporting these parents, the team researched other local businesses with on-site child care to understand potential options. Ultimately, Submittable decided to build an on-site child care program for employees with infants and toddlers. The program’s hours are aligned with the company’s 8:30 a.m. to 5:30 p.m. workday, and it uses a play-based learning approach. It has been well-received by employees.

As one Submittable employee put it: “The obvious benefits of the daycare are around employee retention and attracting talent. The less obvious are harder to quantify but are equally important. We all know stress kills creativity. On-site childcare reduces pre-work and post-work driving at times when traffic is at its worst ... parents are welcome and encouraged to visit (or not visit) their children any time throughout the workday, depending on what they prefer.”

Bill and Melinda Gates Foundation. Several companies that BPC has talked with have highlighted the parental and child care program implemented by the Bill and Melinda Gates Foundation as an aspirational model. In 2019, after analyzing a number of options and gathering employee feedback, the foundation updated its employee benefits so that new parents get six months (24 weeks) of paid parental leave. Upon returning to work, employees also get a $20,000 stipend to help with child care costs and other family needs.

Goldman Sachs. Goldman Sachs opened its first on-site child care center at its New York office in 1993. The center was originally designed to be used in situations where an employee’s child care fell through or was a last resort, with the company offering each employee 20 days of free child care a year. Responding to feedback from employees who wanted more child care options, the company expanded the facility in 2010 and offered parents four weeks of free child care as well as full-time subsidized child care. The company also works with local child care providers to offer subsidized rates to Goldman Sachs employees. At the beginning of the pandemic, the company announced that it would be offering 10 days of COVID-19 family leave to allow employees to care for family members due to illness or child care needs.

State-Level Business Collaboratives

Colorado. Philanthropists in Colorado, led by the David & Laura Merage Foundation, created the Care For All Children campaign, with the goal of building a strong coalition of business executives, citizens, and politicians to advocate for affordable child care in Colorado and in other states around the country. Additionally, a group of business leaders committed to "a future where child care and workforce preparedness are not roadblocks to business success and economic growth" and created EPIC – Executives Partnering to Invest in Children. Together, and with others, their work has been instrumental in expanding access to child care and early childhood education, including a successful ballot measure—Proposition EE—to increase tax on tobacco products to fund education programs, including universal access to pre-K. With Proposition EE's passage, the number of 4-year-olds in public pre-K could increase to 75% or more depending on the number of families who opt in. Children in the program would be guaranteed 10 hours a week of preschool, while children from low-income families or those with other risk factors would have access to more hours each week or other support services if the tax yields additional revenue as is expected.

Iowa. Under the leadership of the Iowa Women's Foundation, business leaders from across the state have collaborated to identify business-focused solutions that address the lack of quality, affordable child care in Iowa. The Iowa Business and Child Care Coalition seeks to incorporate business leaders in solutions to address the shortage of child care. Business leaders who are offering child care benefits to their employees, or who are exploring how they can collaborate to support the child care industry and their own employees, are encouraged to participate. Absences and employee turnover cost businesses $781 million per year across Iowa, and another $158 million annually in tax revenue is lost due to child care issues. The coalition produced a toolkit explaining to business leaders and others why investing in child care pays off, why it is a workforce issue, and why they should be involved in the pursuit of expanding child care across the state.

Massachusetts. In 2021, about 70 employers across Massachusetts joined a new coalition aimed at promoting early childhood funding and policies at the state and federal level, as well as private-sector programs for working parents with young children, called the Massachusetts Business Coalition for Early Childhood Education. "The impetus, broadly described, is really to advocate for and to help create a more robust system of early child care and education in Massachusetts," said Bob Rivers, one of the coalition's five co-chairs, and chief executive of Eastern Bank. "Right now, the system is very fragmented, and relatively underfunded compared to other aspects of the educational system, and has been particularly decimated in the midst of the pandemic." Businesses of all sizes currently participate, and the Massachusetts Business Roundtable hosts the coalition's website. The coalition plans to advocate for policies that will benefit families, employers, and young children.

Nebraska. First Five Nebraska has shaped the conversation in Nebraska for nearly a decade, beginning with the creation of the Nebraska Early Child Business Roundtable in 2011. Their business engagement efforts have led to strong ties with the Nebraska Chamber of Commerce & Industry, which identified early care and learning as a key strategy for economic growth, particularly in the wake of COVID-19. In 2020, it launched "My Nebraska Story," a public awareness campaign to encourage employers, economic developers, and policymakers to take a more active role in developing local early childhood infrastructure. First Five and the University of Nebraska–Lincoln Bureau of Business Research has calculated the extent of the economic impact the lack of child care had on the state's workforce and economic growth. The result was the "The Bottom Line," a research study that determined the pre-COVID economic fallout of child care gaps in Nebraska. It found $745 million in direct annual losses on employers, families, and state tax revenue; over 3,300 fewer jobs; and $639 million in lost family income across the state.

Pennsylvania. The Pennsylvania Early Learning Investment Commission is a partnership of business leaders dedicated to making the success of every child in Pennsylvania a top priority. The Commission is focused on ensuring a high quality start for all children, with an articulated set of policy goals including increasing child care availability, particularly for low-income working parents, improving quality of providers, ensuring a sustainable business model for child care businesses, and ensuring an equitable approach to early childhood programs. In 2019, it partnered with ReadyNation to release a report that inadequate infant and toddler care imposes substantial, long-lasting consequences across Pennsylvania, costing employers, taxpayers, and parents across the state $2.5 billion annually.

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