



IOWA WOMEN'S
FOUNDATION



WHY CHILD CARE MATTERS TO IOWA BUSINESSES

June 2018 – Data Analysis

ADDITIONAL EDUCATIONAL RESOURCES

Iowa Child Care Resource and Referral: Iowa resource for employers <https://iowaccrr.org/communities/>

Iowa Economic Development.com: <https://www.iowaeconomicdevelopment.com/Programs/Business>

US Chamber of Commerce (2017) “Leading the Way: A Guide for Business Engagement in Early Education” <https://www.uschamberfoundation.org/reports/leading-way-guide-business-engagement-early-education>

Bugbee, Kaita. “How much does child care cost?” 3/28/18 <https://www.care.com/c/stories/2423/how-much-does-child-care-cost/>

“How on-site childcare can give companies a winning edge.” *JLLrealviews* (blog), 4/26/18 <https://www.jllrealviews.com/trends/workplace/onsite-childcare-gives-companies-winning-edge/>

Kendall, Lewis. “Following national trend, Zoot opens on-suite daycare.” *Bozeman Daily Chronicle*. 5/12/18 https://www.bozemandailychronicle.com/news/business/following-national-trend-zoot-opens-on-site-daycare/article_81ccb6b7-c4b6-5bbf-becb-918a3f64f752.html

Krishnamoorthi, Rep. Raja (D-IL). “Using the market, not tax dollars, to expand on-site childcare.” *The Hill*. Last modified 5/10/18. <http://thehill.com/blogs/congress-blog/labor/387145-using-the-market-not-tax-dollars-to-expand-on-site-childcare>

“Lack of Child Care remains an economic stumbling block for Iowa women.” *The Gazette* Last Modified 4/7/18. <http://www.thegazette.com/subject/news/business/lack-of-child-care-remains-an-economic-stumbling-block-for-iowa-women-20180407>

Malik, R. and Hamm, K. (8/30/17). “Mapping America’s Child Care Deserts.” Center for American Progress <https://www.americanprogress.org/issues/early-childhood/reports/2017/08/30/437988/mapping-americas-child-care-deserts/>

Norvell, Kim. “Iowa Families can’t find child care, leaving parents out of the workforce.” *The Des Moines Register*. 5/17/18. <https://www.desmoinesregister.com/story/news/2018/05/17/child-care-iowa-shortage/607685002/>

Oldham, Jennifer. “Child care is corporate America’s business” *Slate*. 5/7/18 <https://slate.com/human-interest/2018/05/why-more-corporations-are-making-child-care-their-business.html>

Raice, Shayndi and Eric Morath. “Iowa’s Employment Problem: Too Many Jobs, Not Enough People” *Wall Street Journal* 4/1/18. <https://www.wsj.com/articles/iowas-employment-problem-too-many-jobs-not-enough-people-1522580400>

Schochet, L. and Malik, R. “Two Million Parents Forced to Make Career Sacrifices Due to Problems with Child Care” (blog), 9/17/17 <http://capcityfreepress.blogspot.com/2017/09/two-million-parents-forced-to-make.html> (data provided by Center for American Progress)

Smith, Sandra. “The opportunity Cost of Unfilled Jobs.” 3/3/15 <http://insighttalentsolutions.com/2017/09/08/the-opportunity-cost-of-unfilled-jobs/>



EXAMPLE: DATA ANALYSIS - TURNOVER

How much does it cost to replace employees that leave due to child care issues?

USING A SIMPLISTIC EXAMPLE WITH AVERAGE COST TO HIRE AND TRAIN REPLACEMENTS

Company A in Storm Lake, IA employs
2,000 workers;
average salary of \$30k

According to the US Labor Dept.,
average turnover rate =

15.1% annually

Company A can expect
approximately

300 workers
to leave every
year

Assuming 25%
are parents who
leave due to child
care issues =
75 employees @
average annual
salary of \$30k



Average cost of
~30% of a worker's
annual salary to
hire and train a
replacement (Work
Institute – 2017
Retention Report)

It will cost the company a total of approximately

\$675k/year

to replace these 75 employees who left due to child care issues.

Reducing this by only 20% could immediately yield over \$135k/year in value

Note: For additional methods on calculating the same for your organization in a more specific manner, refer to the below articles as well as this template (https://docs.google.com/spreadsheets/d/1BikDho6Odqp7uD6_q3050-T5jayx3orSKPM1ZXwUySl/edit#gid=0), which can be further broken down by job type/role/etc.

https://www.huffingtonpost.com/entry/how-much-does-employee-turnover-really-cost_us_587fbaf9e4b0474ad4874fb7

<http://insighttalentsolutions.com/2017/09/08/the-opportunity-cost-of-unfilled-jobs/>



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EXAMPLE: DATA ANALYSIS – PRODUCTIVITY LOSS

How much does the loss in productivity due to child care related issues cost businesses?

USING A SIMPLISTIC EXAMPLE WITH HOURLY WAGE AS A PROXY FOR PRODUCTIVITY

Assumptions:

- Company in Storm Lake, IA employs 2,000 workers. **25% (500 employees) are parents with children < 18 years old**
- Average salary of \$15/hour** (~\$31k per year), assuming average of 8 paid work hours per day

APPLY AVERAGE PRODUCTIVITY IMPACTS DUE TO CHILD CARE ISSUES

45% of parents are absent from work ~ 9 days/year on average * 8 hours per day = **72 work hours**

+

65% of parents have their schedules affected
~15 times/year on average * assumed ½ of day or 4 hours
= **60 work hours**



CALCULATE LOST PRODUCTIVITY IN HOURS

45% * 500 employees = 225 employees * 72 work hours =
~16,000 hours lost due to absences

+

65% * 500 employees = 325 employees * 60 work hours =
~19,500 hours lost due to schedule impacts

TOTAL of more than 35,000 productive hours lost

Using hourly wage as a proxy for productivity, it will cost the company approximately

\$530k/year to account for losses in productivity based on child care issues.

This does not include the fact that these absences and impacts can result in employee turnover and other impacts.

Reducing this by 20% could immediately yield over \$100k/year in value



EXAMPLE: TAX BENEFITS OF EMPLOYEE SPONSORED CHILD CARE*



* General guidance only. Consult your tax attorney/legal counsel for further information.

Source: Forbes; Fast Company

EXAMPLE: CHILD CARE FACILITY ESTIMATED COST/BENEFIT

In a tight labor market, offering on-site or company sponsored child care can be a major competitive advantage.

EXAMPLE ESTIMATED ANNUAL CHILD CARE FACILITY COST/BENEFIT:

Assumptions:

- Company-sponsored child care facility can accommodate 60 children ages 0-8
- Utilizes simplistic math; e.g. does not include start-up costs, any additional relevant annual expense deductions or benefits in employee acquisition/turnover, etc
- Assumes workers pay \$500 per child per month @ \$6k total annual cost, which is approximately 30% below the Iowa state average in 2017 (iowaccrr.org)
- Assumes 10 FTE in the facility who look after a reasonable # of children/staff

CHILD CARE FACILITY ANNUAL COSTS :

Salaries & Benefits (10 FTE @ \$35k/yr)	(\$350,000)
Other Operating Costs	<u>(\$150,000)</u>
Total:	(\$500,000)

LESS FEES AND CREDITS:

Fees Collected from users (\$6k/child * 60)	\$360,000
Less Annual Tax Credit	<u>\$150,000</u>
Total estimated gain/(loss):	\$ 10,000

ADDITIONALLY, EMPLOYERS WHO INVESTED IN CHILD CARE SERVICES:

85%

Say that it **improved recruitment**

Say turnover reduced by **37-60%**

66%

49%

Say employee **productivity increased by 20-30%**



EXAMPLE: FLEXIBILITY IN THE WORKPLACE

Providing equal flexibility in the workplace can have a positive effect on worker engagement and productivity.

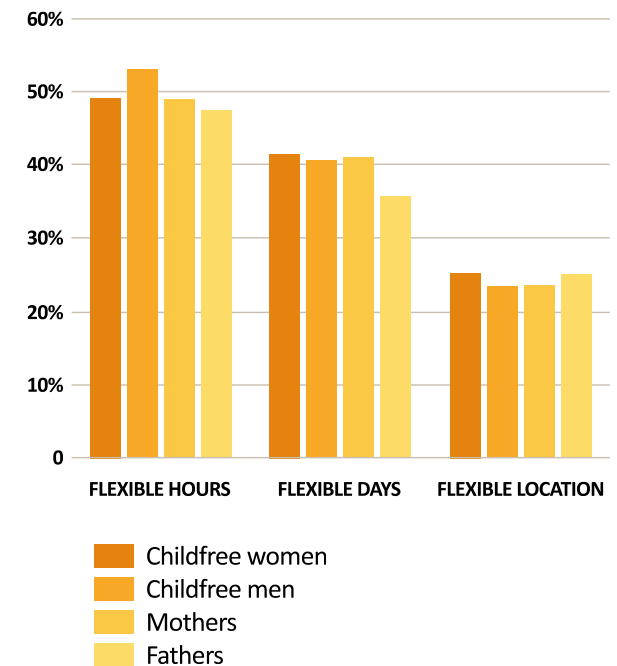
Flexibility allows workers to spend more time with their families without necessarily having to cut back their work hours.

Less than 50%
ARE ABLE TO CHANGE THEIR HOURS OR DAYS

Yet the majority of the workforce, especially parents, do not have the ability to change the hours, days, or location of their work.

Less than 25%
ARE ABLE TO CHANGE THEIR LOCATION

Access to workplace flexibility for workers ages 25-44, by parental status, 2011



ECONOMIC CONDITIONS – FAMILY DATA

The structure of the average American and average Iowa family has changed...

2/3

of the children under the age of five now live in homes where both parents work, compared with fewer than 1 in 10 in 1940

37%

Iowa married couple families with children under 18

63%

Iowa families comprised of **single females** with children under 18

13%

Iowa married couple families with children under 18 **below the poverty level**

37%

Iowa's single females with related children **under the age of 18** living below the **poverty level**

EVERY
\$1

invested in child care can expect an estimated return of

\$4 TO \$17

in future costs of remedial and special education, the juvenile crime system, and welfare support



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Source: Glynn, S. "Child Care: Families Need More Help to Care for Their Children" US Chamber of Commerce Foundation, June 2017

Source: Child Care Council. Shonkoff, J. & Phillips, D. (2000) *From Neurons to Neighborhoods: The Science of Early Childhood Development* (Natl. Acad. Press, Washington, DC).

Source: <http://www.iowadatatcenter.org>

YOUR EMPLOYEES NEED YOUR HELP

In Iowa, child care for one infant/toddler is higher than the cost of in-state public college tuition. This expense is an insurmountable barrier for many families, especially single-parent households.



VS.



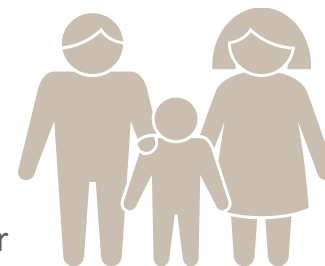
\$8,200

average annual in-state tuition at Iowa's three public four-year universities

\$9,984

average annual cost of child care for one infant/toddler in a licensed center

A family earning the median household income in Iowa would spend 14% of their income on infant/toddler child care in a licensed center.



14%

Household income spent on child care



33%

Household income spent on child care

For a single-parent earning the per capita income in Iowa, infant/toddler child care in a licensed center costs 33% of their earnings.



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