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What Will It Take For Employers To Offer On-Site Day Care?

In a tight labor market where good employees are at a premium, isn't it about time that on-site child care becomes the norm?

[PHOTOS: COURTESY OF CLIF BAR & COMPANY]

BY GWEN MORAN

4 MINUTE READ

Now that the monthly child care bill for two-child households exceeds the cost of rent in most of the country, parents have a hefty obstacle to clear in order to head back to the office, especially after a second baby. As companies scramble to adopt parent-friendly benefits to retain employees with children in a tight labor market where wages are rising, isn't offering affordable, on-site child care a no-brainer?

It's not as easy as it looks, says Nannina Angioni, who is a labor and employment attorney and partner of the Los Angeles-based law firm Kaedian LLP. She often consults with companies that are considering employee benefits like child care. But the logistics are far more complicated than hiring a few babysitters. Once employers start to see the many regulatory requirements, logistics, and expense, they often lose their enthusiasm for the idea, she says.

THE HURDLES TO ON-SITE CHILD CARE

"Employers face such obstacles as complying with ocal licensing laws, increased liability for potential child injuries, vetting child care providers, and ensuring there is sufficient space and utilities for the children, among many other considerations," she says.

First, you need an appropriate space, and the furniture, supplies, toys, and materials to make it a safe and engaging space for children. In addition, insurance premiums go up: Securing workers' compensation insurance for desk staff is quite different than coverage for a team of physically active child care providers, she says. Employers may also grapple with whether to provide all-day infant and toddler care, which can be more expensive and have more liability than simply providing after-school care for school-age children.

THE FINANCIAL BENEFITS

However, there are some financial benefits for companies, says Bradford Hall, managing director of Hall & Company CPAs. Companies that create qualified on-site child care facilities may claim a tax credit of up to 25% of the facility expenditures, plus 10% of any resource and referral expenditures in a calendar year, up to a limit of $150,000. The credit has some conditions, including that the facility must operate for 10 years or the credit can be recaptured, so it's a hefty commitment, Hall says. Employers may also deduct any remaining expenses related to the child care facility as a business expense. Child care fees from employees using the service may also offset the cost.

There may also be indirect financial benefits. A 2014 study published in the *Journal of Managerial Psychology* found that employee performance was higher and absenteeism was lower among employees using on-site child care than employees using an off-site center or who had no children.

MAKING IT WORK

Since September 2010, organic food and drink maker Clif Bar & Company has offered on-site child care at its Emeryville, California, headquarters, where roughly 330 of the company's 400-plus employees work. Clif Base Camp, as it's called, can accommodate up to 64 children and averages roughly 44 each day. Claudia Perkins, Clif's vice president of human resources, says that employees pay for the cost of using the center at rates "roughly 15% to 20% less" than comparable area facilities.

Clif Base Camp Child Care at Clif Bar & Company headquarters

Clif parters with child care services provider Children's Creative Learning Centers (CCLC). The center has 13 teachers and assistants and serves children aged 6 weeks to 6 years. CCLC handles operations and compliance issues. Perkins says that Clif Base Camp helps working parents, especially those who are returning from leave—Clif gives up to 26 weeks for the primary caregiver, and up to 16 for secondary care givers–and shows that the company is serious about its family-friendly culture.

Having on-site day care saves employees time and is ranked highly as a benefit among employees, the majority of whom are aged between 30 and 40, and who have trouble finding affordable child care in the Bay Area, she says. Such benefits contribute to the company's low 5% turnover rate. However, to be successful, on-site child care has to be a benefit that your employees want and will use, she says.

"Companies considering offering on-site child care should survey parents to understand their needs and wishes," she says.

EXPLORING OTHER OPTIONS

For companies that simply can't swing the expense of on-site child care, there are other ways to help working parents cope. Subsidies are one way: Employers can contribute up to $5,000 to the cost of each employee's child without the subsidy being added to the employee's taxable income.

If there is enough demand, employers may negotiate a special rate with area child care centers, but Angioni warns that may be seen as an endorsement of the center and carry liability if anything goes wrong. So, it's best to involve legal counsel in such arrangements.

At Watertown, Massachusetts-based Bright Horizons, which provides a variety of care services including on-site day care centers, CEO David Lissy says the company is seeing increased demand for backup child care for employees to use when their own child care options "break down." Companies can reserve a number of spots in the center, which employees can use if the nanny is sick or the kids have a day off school.

But there's no perfect solution, Angioni says. It's a problem that employers continue to face.

"There's not a quarter or a month comes up that one of my clients doesn't say, 'How can we fix it?' That's the number one reason for tardy employees and absenteeism. You're at work, and you can't think because you know your child at home has the chicken pox. The solution is something that we're always looking at ways to try to conquer," she says.

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Gwen Moran writes about business, money and assorted other topics for leading publications and web sites. She was named a Small Business Influencer Awards Top 100 Champion in 2015, 2014, and 2012 and is the co-author of *The Complete Idiot's Guide to Business Plans* (Alpha, 2010), and several other books. More

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