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Jefferson's Early Childcare Investment Policy Initiative

You're Invited: Asking Erie's Business Community to talk about Child Care

By Karen Grimm-Thomas
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In her March editorial for the Jefferson Educational Society, my Early Childcare Investment Policy Initiative colleague Andrea Heberlein clearly articulated the larger economic case for Erie, as well as Pennsylvania and the entire country to invest in quality child care. The cost of quality care has become out of reach for even middle-class families and the persistently low wages of child-care educators have resulted in a mass staffing shortage that has left most child-care programs operating with limited capacity.

The struggle to find and pay for stable child care is costing Pennsylvania, its businesses, and working parents a staggering $6.65 billion annually. But what does that figure mean for Erie businesses? Why should Erie employers be thinking about quality care for children from birth to three years of age? Why should they accept this invitation and claim their seat at the table?
At its simplest, investing in Erie-based child care is an investment in Erie's workforce that provides a real return on investment (ROI).

The ROI associated with the positive impact that early learning has on children's development has been cited often. Research by Dr. James Heckman, the Nobel Laureate, and Henry Shultz, a professor of Economics at the University of Chicago, shows an ROI of 13% for investments in high-quality, early childhood programs. Though these figures indicate that investments in young children are more profitable than those that governments put into roads and other infrastructure projects, they represent long-term investments for the good of all.

In addition to the well-established benefits for children, there is a lesser known and more immediate ROI that employers who support their workforce in meeting the challenges related to child care can expect to see. In a recent study, Boston Consulting Group (BCG) and Moms First calculated the ROI on child-care benefits offered by five companies: Etsy, Fast Retailing, Steamboat Ski Resort, Synchrony, and UPS. These organizations were selected because they represent different industries (e-commerce, retail, hospitality, financial services, and supply chain management, respectively). They also offered diverse types of child-care benefits, ranging from back-up care to subsidies to help pay for child care fully, to what many people think of when they think about child-care benefits: on-site employer-paid child care.

What they found was striking.

First, any benefit, no matter how small it may seem, resulted in a positive ROI for the company. This held true whether they provided the benefit to salaried or hourly workers. Notably, the five companies saw ROIs that ranged from 90% to 425% of the investment. The authors reported that retaining as few as 1% of eligible employees targeted by the child-care benefit covered the cost of offering that benefit to all eligible employees. Similarly, a recent study by Vivvi and the Fifth Trimester found that companies saw nearly $18 in benefits for every $1 that they spent on support for employees with children.

These studies debunk the widely held belief that child-care benefits are purely a cost center and illustrate how they are a profit center. Employers that provide child-care benefits can expect to see immediate and lasting gains in numerous areas, including decreased costs associated with absenteeism, overtime, turnover and training as well as profits related to increased productivity.

It is essential to consider both the direct and indirect returns of providing child-care benefits when calculating ROI. Some benefits, such as increased productivity, may be easier to quantify, but others, such as improved employee morale and company reputation, may be more challenging to measure. These indirect benefits are still valuable contributors to overall ROI. Employees surveyed for the BCG and Moms First study described a feeling that their employer cared. This feeling translated into 86% indicating that they were more likely to remain with the company, with 78% alluding to a career-boosting piece of mind that made them see their organizations in a new, more positive light.

Interestingly, the study did not factor in family leave policies that support new working parents – policies that are often seen as low-hanging fruit. One can only imagine the increases to the already impressive ROI these more common and less complicated benefits might generate.

This data clearly show that employers who support working parents enjoy a competitive edge that is vital in a tight hiring landscape. The ability to attract and retain a qualified workforce, including young mothers, is greatly enhanced. They also illustrate the potential that employers can unlock in their young parenting workers. Contrary to the commonly held belief that new parents, more specifically new mothers, are more likely to drop out of the workforce, these studies reveal that young parents are motivated to work and make money to provide for their young families. The caveat is that they need supports to do so. Employers who offer these supports prosper from both a financial and social perspective.

This unmatched ROI appears unfortunately to be the best kept secret in corporate America. Just 12% of U.S. workers have access to any kind of employer sponsored child-care benefit. Among part-time workers and those in the lowest income quartiles, that number drops to 6%. A full 75% of companies do not provide the kinds of benefits that meet the needs of the 70% of "deskless workers," who most likely have the highest need for support while simultaneously facing the steepest consequences when their child-care arrangements fall short.

Back to my original question: "Why should Erie employers be thinking about quality care for children from birth to three years of age?"

If they are anything like the 81% of companies that reported that they are experiencing moderate or significant recruitment and retention issues due to child care as highlighted in the February 2024 report by Pennsylvania's Early Learning Investment Commission and the Pennsylvania Chamber of Business and Industry, they are already feeling the negative impacts of our current child-care shortage and have nothing to lose and everything to gain. My colleagues and I working as part of the Jefferson Educational Society's Early Childcare Investment Policy Initiative would argue that Erie businesses are uniquely positioned to improve access to child care for all of Erie's children by improving access for their employees. Partnering with the high-quality child-care providers who are already providing care in the city of Erie to operate at full capacity will make more care available for their workforce and unlock the potential that they can bring to their organization. Strengthening the existing system will allow child-care providers to expand and fill the current gap in the care available to Erie's infants and toddlers – something that will benefit the city overall.

As Andrea shared in her March editorial, Erie's rank of No. 371 in Policom's recent Metropolitan Statistical Area (MSA) strength indicators, like many other

Pennsylvania cities, places it on the lowest tier of economic growth and standard of living. The good news is that Erie businesses have the power to change that if they choose to support the child-care needs of their workforce. The first step is to accept their invitation to sit at the table.

ABOUT THE AUTHOR

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