

# Employer Factsheet

## Investment Case for Quality, Affordable, Childcare

- The unemployment rate in Dubuque County is extremely low, currently at 2.5%<sup>1</sup> yet Iowa's workforce participation rate was only 69.7% as of April 2018. With an extremely tight labor market, an investment in quality, affordable childcare could bring more parents into the workforce.
- According to a 2016 survey of Dubuque area parents, 49% of low income parents turned down a job because they could not afford childcare and 43% of low income parents turned down a job because they could not find adequate childcare.
- After providing childcare, 85% of employers report improved recruitment and 2/3 report reduced turnover.
- An investment in early childhood education will help prepare the future workforce that Dubuque needs.
- The childcare "cliff effect" discourages individuals from participating in the workforce, seeking raises, or seeking more highly paid work. Legislation to fix the "cliff effect" by gradually phasing out the benefit with growing income would help both low income parents and employers.

## Calculation of Turnover Costs

- When calculating the total costs of employee turnover due to childcare, keep in mind that childcare is a sensitive issue that some employees may not feel comfortable talking about at work.
- One Dubuque area employer that encourages open communication about childcare issues estimates that 50% of her employee turnover is due to childcare issues.
- The average cost of replacing an employee earning \$50,000 or less is 19.7% of their total annual salary<sup>2</sup>.
- Going forward, it is best to gather more data about the reasons why employees leave your company. This could be conducted through exit interviews or surveys.

## Potential Childcare Models

- It is possible to offer on-site childcare without "getting into the childcare business" by outsourcing it to an outside provider. (e.g. Bright Horizons)
- Companies that are too small to provide a childcare center can partner with other local companies to create a joint venture.
- Employers can contribute up to \$5,000 tax-free annually towards their employee's childcare expenses as a dependent care benefit<sup>3</sup>.

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<sup>1</sup> *Local Area Unemployment Statistics*, Iowa Workforce Development. Retrieved from <https://www.iowaworkforcedevelopment.gov/local-area-unemployment-statistics>

**2**

Boushey H., Glynn S. (2012, Nov. 16). *There Are Significant Business Costs to Replacing Employees*, Center for American Progress. Retrieved from <https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>

<sup>3</sup> Internal Revenue Service (2017, Dec. 19). *Child and Dependent Care Expenses*. Retrieved from <https://www.irs.gov/pub/irs-pdf/p503.pdf>