Childcare Access in Greater Dubuque, Iowa

The business case for investment in quality childcare and potential solutions for expanding access

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Prepared for the Community Foundation of Greater Dubuque
Roadmap

1. **The business case** for investing in quality, affordable childcare
   - Supporting today’s workforce
   - Developing tomorrow’s workforce

2. **Recommendation**: Build coalition to drive action on childcare
   - Identify high-impact opportunities for expanding childcare supply and affordability, tailoring interventions to specific communities
   - Coordinate advocacy efforts aimed toward employers, government, and the public
   - Galvanize resources for investment in key interventions
We need to re-conceptualize childcare as critical infrastructure that supports working families and drives economic growth. Our approach to early childhood development has not kept pace with changes in the American workforce.

- From the mid-1970s to 2012, workforce participation rates for mothers of young children rose from 40% to 65%.
- In Iowa, 3 out of 4 households with children under age 6 have all parents working.

Yet childcare is inaccessible to many who need it.

Childcare Costs in Iowa

- 89% of the income of someone making minimum wage
- 23% of the median household income

Iowa’s labor shortage makes the need for childcare increasingly urgent. Access to quality early childhood education is critical for attracting and retaining a quality workforce.

Why does childcare matter for employers?

Early childhood education is an business investment with clear ROI

“The benefits – financial and otherwise – pay for themselves every year. As a CEO, it’s not even a question in my mind.” Rose Marcario, Patagonia CEO

Case Study: Patagonia (Outdoor apparel retailer)
- Offers onsite childcare at headquarters in Ventura, CA and at distribution center in Reno, NV
- % of childcare operating costs recouped through the following channels:
  - Tax benefits: 50%
  - Employee retention: 30%
  - Employee engagement: 11%
- 100% return-to-work rate for female employees who had children at Patagonia in past 5 years (US average is 79%).
- Additional intangible benefits observed by CEO include stronger employee loyalty & workplace culture of trust
- ROI may be under-estimated: JP Morgan Chase Bank calculates 115% ROI; KPMG estimates 125% for its clients

Case Study: Oliver Wyman (Global management consulting firm)
- Participates in program that subsidizes cost of childcare (center-based or in-home)
- Employees pay $25/day for back-up center care or $8/day for in-home care

“These costs are more than covered by the avoided loss of productivity when parents don’t have to worry about how to handle child care emergencies.”
Danit Schleman, Senior Manager at Oliver Wyman

Sources: Fast Company (“Patagonia’s CEO Explains How To Make On-Site Child Care Pay For Itself”); Quartz (“This is what work-life balance looks like at a company with 100% retention of moms”); Care.com (“Family Matters: The Business Case for Investing in the Transition to Parenthood”)
Driving workforce participation and productivity today

Workforce participation and recruitment

Dubuque employers struggle to fill vacant positions. 28% report unfilled positions are increasing.

Childcare access is a primary barrier to workforce participation, especially for low-income households and women:

- Single parents making >$10.82/hr lose childcare assistance
- 70% of poor, nonworking adults w/ young children are not working due to family responsibilities
- For each 10% increase in child care expenses, employment rate of married mothers decreases 5-6%
- 83% of millennials would leave their jobs for one with more family-friendly benefits

Impact on employment by income level
2016 survey of Dubuque-area parents

- Turned down a job because they could not afford child care
- Turned down a job because they could not find child care

Absenteeism and retention

Childcare boosts productivity and firm performance.

- One Dubuque-area employer estimates that childcare issues cause 50% of absenteeism
- Childcare-related absenteeism in the US costs businesses $4.4 billion a year
- After providing childcare, 85% of employers report improved recruitment and 2/3 report reduced turnover

Sources: Greater Dubuque Dev. Corp; Iowa Policy Project, American Enterprise Institute (2016); Zilliak et al (2008); Care@Work Better Benefits Survey, Project HOPE Childcare Needs Assessment; in-person interviews; Child Care Aware, Child Care Partnership Project Employer Toolkit
Driving workforce participation and productivity today

Providing childcare benefits boosts retention, productivity, and attendance

Case Study: Children’s Healthcare of Atlanta
(Healthcare provider in Georgia)
- Adopted childcare options to meet needs of employees (82% women, 64% working mothers)
- Implemented a robust dependent-care benefit plan; options included:
  - subsidized, full-service, near-site childcare
  - back-up care options for infants
  - childcare credits to employees through Bright Horizons (provider of employer-sponsored childcare)
- Employee retention increased to 89% from 83%
  - Retention eventually increased to goal of 92%
- Return-to-work rate after maternity leave increased to 95% from 64%
- 93% say back-up care enhances productivity
- 90% say it makes Children’s an employer of choice

Case Study: Union Bank (1,200-employee bank in California)
- Offers onsite childcare
- Employees using onsite childcare had 2.2% turnover rate
  - Turnover was 9.5% among employees who used other arrangements
- Employees utilizing onsite childcare missed 1.7 fewer days of work than parents who did not use the center

“I was so worried about how I was going to find care for my kids while my regular caregiver was out of town. This is such a stress-free benefit for a working and worrying mom!” - Children’s Healthcare employee

Sources: Sunshine House ("Employer-Sponsored Care" https://sunshinehouse.com/about-us/employer-sponsored-care);
Bright Horizons ("The Ultimate HR Challenge" https://www.brighthorizons.com/resources/pdf/fos_webinar_template_final.pdf)
Building a high-quality workforce for tomorrow

Social-emotional skills and workforce success

Soft skills provide a critical foundation for success at school and work. Nationwide, 62% of business decision-makers have more difficulty recruiting candidates with soft skills than technical skills.

- 55% of Dubuque-area employers consider work ethic a major skills gap;
- 50% cite communication skills;
- 90% of decision-makers believe soft skills are developed more easily in early childhood than later in life.

“Many children enter school unprepared to succeed, and schooling largely cannot close initial gaps.”

US Chamber of Commerce Foundation

Returns to job training vs preschool

Higher returns to early education

Early childhood education is the most cost-effective investment for business and society. Studies in Chicago and Michigan show 16-18% annual returns to quality early childhood programs, through increased earnings and tax revenues, more efficient K-12 education, and decreased crime and welfare payments.

Overall Recommendation: Build coalition to expand childcare access

CFGD is well-positioned to establish and lead a local taskforce of business, community, government, and philanthropic leaders to **craft a vision and long-term plan for investment in childcare**.

Key functions of the taskforce could include:

1. **Identify high-impact opportunities** for expanding childcare supply and affordability, tailoring interventions to specific communities

2. **Coordinate advocacy efforts** aimed toward employers, government, and the public

3. **Galvanize resources** for investment in key interventions
1. Identify community-specific investment opportunities

Communities with higher poverty across Greater Dubuque tend to have better availability of childcare

- When tailoring childcare solutions, communities can be roughly grouped as follows:
  - **Lower poverty, lower availability**
    - Bellevue, Dyersville
  - **Higher poverty, better availability**
    - Peosta, Maquoketa, Cascade, Dubuque

- **Other availability issues:** Lack of available sites in Dubuque that comply with regulations for setting up new centers; lack of options for parents who work second shifts or weekends; greater shortage of infant care than for other age groups

Sources: in-person interviews, Childcare Resource & Referral, ACS 2016 5 year estimates, datausa.io
1a: Increase childcare supply in lower-poverty, low-availability areas

In lower-poverty areas with few childcare spots available, efforts should be made to **encourage new childcare centers to open**

<table>
<thead>
<tr>
<th></th>
<th>Dyersville</th>
<th>Bellevue</th>
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<tbody>
<tr>
<td>Ratio of childcare spots to children &lt;9</td>
<td>0.30</td>
<td>0.46</td>
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<tr>
<td>Poverty Rate</td>
<td>6.6%</td>
<td>10.8%</td>
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- Establish a **Professional Employee Organization (PEO)**: a network to assist in-home providers with a menu of services (e.g. substitute pool to allow provider time out of the home, training, consultations, connection to peers, childcare subsidy administration, business and administrative support)
  - Increases availability of childcare by recruiting new in-home providers
  - Brings childcare providers together to facilitate knowledge sharing and provide peer support
  - Establishing and running a network may require philanthropic or private funding to ensure in-home providers can afford membership in the network

- Motivate individuals who want to start an **in-home center** through larger grants and marketing childcare as an entrepreneurial activity

- Advocate for public and private actors to invest in new **childcare centers**; local employers could provide funding support in exchange for priority placement of employees’ children
  - Investigate possibility of setting up parent-run **childcare cooperatives**
  - Investigate opportunities for **multigenerational care centers**, in partnership with existing senior homes
1b: Improve affordability in higher-poverty, better-availability areas

<table>
<thead>
<tr>
<th></th>
<th>Dubuque County</th>
<th>Dubuque</th>
<th>Cascade</th>
<th>Maquoketa</th>
<th>Peosta</th>
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</thead>
<tbody>
<tr>
<td>Ratio of childcare spots to children &lt;9</td>
<td>0.48</td>
<td>0.63</td>
<td>0.73</td>
<td>0.89</td>
<td>1.0</td>
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<tr>
<td>Poverty Rate</td>
<td>12.5%</td>
<td>16.8%</td>
<td>13.3%</td>
<td>23.3%</td>
<td>13.0%</td>
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In communities with higher poverty and greater availability of childcare, focus more on making childcare affordable for everyone through public and private interventions:

- Advocate for greater public investment in affordability mechanisms, e.g. phased-out childcare assistance to incentivize workforce participation
- Make the business case for greater investment by local employers, e.g:
  - offer a **Dependent Care Spending Assistance Plan (DCAP)**, in which a portion is withheld from pre-tax income to cover dependent care, potentially saving employees 20-40% on childcare costs
  - provide **vouchers or reimbursements** for employees to use centres near their residences
  - reserve **spots** for employees at a childcare centre near worksite
2. Coordinate advocacy toward employers, government, and public

a. Employer Engagement *(deep-dive on slide 13)*
   - Some, but not all, employers are aware of the “cliff-effect”; employers that pay low salaries tend to be better informed
   - CFGD could educate employers about how changing the cliff effect could help them retain and hire workers and encourage employers to call their elected representatives

b. Legislative Action *(deep-dive on slide 14)*
   - Educate legislators about the childcare cliff effect and lobby for changes
   - Framing this as an effort to bring parents back into the workforce and boost economic development could be the most effective strategy

c. Public Awareness
   - Generate more publicity about childcare issues such as the cliff effect by asking the Telegraph Herald to publish an article on the issue
   - Encourage local business leaders to publish op-eds, as they can be particularly effective advocates for investment in childcare
2a: Engage employers on options for childcare investment

Continue to engage employers in conversations about childcare in the following ways:

● **Educate employers on the business case for childcare investment**
  ○ **Present the business case** for investing in the current and future workforce
  ○ Encourage employers to **calculate their own costs of recruitment, absenteeism and lost productivity** that can be attributed to childcare (using Excel model)

● **Help employers understand the options for getting involved**
  ○ Educate employers on **options for employer-led solutions** that do not require them to “get into the childcare business” (e.g. Dependent Care Spending Assistance plans and other forms of financial assistance, outsourced management of onsite childcare, financial support to defray capital costs of new centers, etc.)
  ○ Follow up with and generate publicity around the proposed ACC and Hirschbach **joint childcare venture** in Dubuque and other examples of employer leadership

Source: In-person interviews and e-mails
2b: Advocate for cliff-effect legislation reform

**Current Situation:** Parents lose assistance at 145% of the poverty line
- Single parents: loss of $4890
- Married couple: loss of $8905

**Proposed Reform:** Extend eligibility to 200% of the poverty line
- Single parents: loss of $409
- Married couple: loss of $1581

The childcare “cliff effect” discourages individuals from participating in the workforce, seeking raises, or seeking more highly paid work -- with direct implications for employer ability to recruit workers and for economic growth.

To mitigate this effect, advocate for an increase in eligibility to 200% of the poverty line and for gradual withdrawal of assistance above the threshold.

Source: Reducing Cliff Effects in Iowa Child Care Assistance, Iowa Policy Project
3. Galvanize resources for investment in key opportunities

- **First identify available funding mechanisms for early learning** -- federal, state, local, private -- and determine key gaps and untapped funding sources

- **Establish a fund for investment in childcare** (or influence usage of existing philanthropic funding)
  - e.g. Low Income Investment Fund (LIIF) in California is a CDFI with a program for financing and developing childcare centers; provides technical assistance and grant and loan capital to providers

- **Facilitate formation of innovative partnerships**, e.g:
  - **Employer leadership table**: Top business leaders in Colorado formed **Executives Partnering to Invest in Children (EPIC)** to motivate employer investment in childcare
    - EPIC developed a [toolkit for employers](#) on providing childcare assistance to employees
  - **Employer childcare consortium**: In Atlanta, a [group of employers](#) pooled [resources](#) to support a childcare center in a space inside a department store for their employees (participating employers included the department store, the Federal Reserve, Georgia Pacific, a bank, two newspapers)

Sources: “Playbook for Becoming an Early-Learning Community” (Obama White House), LIIF website, “The Corporate Case for Childcare (Slate), “The Child-Care Dilemma” (TIME)
Next Steps

Additional next steps in each category could include:

1. Identify high-impact opportunities
   - Research programs that encourage people to open up in-home or larger childcare centers
   - Analyze need for backup care compared to full-time care; backup care may be a sufficient solution in some contexts

2. Coordinate advocacy efforts
   - Continue childcare cliff-effect advocacy efforts
   - Continue outreach and education efforts toward stakeholders e.g.
     - help employers calculate the direct and indirect costs of childcare related turnover, absenteeism, and hiring problems
     - discuss promising forms of employer financial assistance, e.g. Dependent Care Spending Assistance Plans

1. Galvanize resources for investment
   - Follow up with Hirschbach and ACC to learn about their reasoning behind opening up on-site childcare centers and offer support throughout the process (leverage as an example of employer leadership)
   - Review philanthropic or public sources of funding to subsidize childcare startup and operating costs