

Human Problems Need Human Solutions:

The Case for Employer-Sponsored Child Care

“ It’s time to honor the entire person, and not just the role they fulfill.”

All working families across America are suffering from a child care crisis, with average costs that exceed what they spend on housing, healthcare, food and college.¹ These pressures are increasingly forcing workers to make heartbreaking decisions between their careers or their families.

Despite a historically tight labor market, there remains a significant disconnect between what employees want and need, and what employers provide them. Yet, it has never been more accessible for companies of all sizes to provide world-class on-site child care for their employees to help reduce this burden and immediately improve recruiting, retention and productivity efforts. Vivvi’s Working Parents Survey of 300 working parents highlights the staggering impact that the needs and demands of child care have on their lives, performance and careers.

The corporate war for talent **today** is going to have a massive impact on the winners and losers of tomorrow.

The mandate from employees is loud and clear: invest in your people today or risk falling behind forever tomorrow.

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Introduction

Child care is a crisis across the United States of America, and no employees are exempt. On average, families spend more on child care than on housing, healthcare, food and even college.² The continuing rise of child care costs, combined with the lack of accessibility and quality, unsurprisingly render it the single biggest pain point for working parents. It's also the most significant driver of absenteeism, headcount turnover and lack of productivity.

When families are faced with the heartbreaking decision of choosing between their families or their careers, their families will always win.

Faced with ever-increasing expectations from all stakeholders—employees, customers and investors—employers have as much to gain or lose as these working families. They also have the tools at their disposal to not only help honor the potential of their employees, but to help drive unrivaled recruiting, retention and productivity improvements.

The most effective of all these tools is providing high-quality, employer-sponsored on-and-near site child care for employees with children in the “crisis zone” of ages 0-5 years old. Leading companies like Patagonia have demonstrated immediate and enduring ROI from their investment in child care for their employees, with a 100% retention rate for new moms.³

Many employers recognize the importance of holistically addressing employees' needs with investments ranging from wellness programs, gym memberships, meditation, snacks, and more. What is clear from Vivvi's Working Parents Survey, and leading research from Harvard Business School⁴ and others, is:

- There are no pure technology solutions that address employees' most urgent needs.
- There is a material disconnect between employee expectations and needs, and their employers' perception and service of them.
- The impact (both positive or negative) of these efforts are not limited to working parents, but to all who interact with them within the organization.
- There will be clear winners and losers as top talent chooses to align with organizations that demonstrate a commitment to those actual needs.

The federal government (and several local governments) has long recognized the unique importance of providing child care to employees, **and provides robust subsidies in the form of credits and write-offs that cut the cost of offering employer sponsored child care by over 50%**. Yet by the most optimistic measures, only about 7% of companies offer any child care options for their employees.⁵ That is largely because until today, the only providers of employer-sponsored child care were built to serve only large enterprises (3,500 plus employees), demanding significant space, capital expenditures and long term commitments from employers.

Vivvi was created to change that devastating reality and to unlock world-class child care for companies of all sizes with no capital expenditures or long term commitments for the parents we serve or for the employers that rely on them. On a daily basis, the human side of the statistics this report presents are brought to life as working parents demonstrate that when employers view them as an investment and not an expense, their performance and that of their entire company soars.

In this whitepaper, we look at exactly what the costs are to families and their employers, and how employers investing in their people can unlock unrivaled productivity gains.

I. The Impact of Child Care on Working Parents

For working parents, finding child care arrangements often turns a time that should be filled with wonder and joy into an existential crisis. And that crisis is driven by costs, lack of quality options and lack of accessibility to any options.

In Manhattan alone, there is a 12.6x imbalance between the number of children under 2 and available seats for them in licensed child care programs.⁶ The majority of these programs have standard hours that begin around 9 AM and end around 3 or 4 PM at the latest, mandating that parents either leave work early, find additional arrangements or drop out of the workforce to their children's care needs.

This is reflected in the costs that families must endure—with average full-time programs costing over \$3,200 per month or full-time nannies costing well beyond that. For individuals and families that by any standards would be considered solidly middle to upper middle class earning \$250,000 annually, that means about 40% of their post-tax income is spent on child care alone. That these incomes are so robust are reflective of the fact that they are highly valued employees themselves. While these absolute figures are representative of prices in Manhattan, the relative percentages hold true across the United States, **where parents spend more on average on child care than they do on housing, healthcare, food and college.**⁷

Unsurprisingly, these burdens have a very clear impact on employees' lives, performance and career paths.

Parents are forced to curtail their own careers because of the costs and demands placed on them by child care.

13x

Imbalance between the number of children under 2 and available seats for them in licensed child care programs in Manhattan

\$3,200

Per-month average cost for full-time programs, with full-time nannies costing well beyond that

40%

Of post-tax income **spent on child care alone**

II. The Measurable Impact on Employers

While child care obviously burdens working families, it's not difficult to see that it also impacts their employers. In fact, child care and child care responsibilities are the single biggest driver of parent turnover, absenteeism and productivity loss among working mothers.⁸

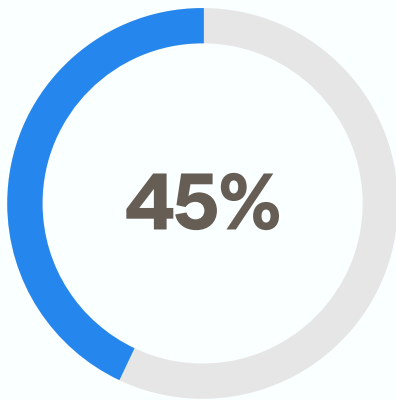
Absenteeism: According to research conducted by Cornell University, the average parent misses approximately nine full days and 15 partial days of work annually.⁹ In Vivvi's Parent Survey, these numbers were reinforced. **One prospective Vivvi client—a large technology company—saw average numbers far in excess of this—with the average parent missing about 24 full and partial days annually.**

Turnover: Child care responsibilities affect all parents. And although fathers increasingly spend their time on child care, it continues to have a disproportionate impact on working mothers who bear not only the mental and financial stress of child care, but also the physical impact of child bearing. It's not surprising then that according to numerous sources between 43% and 50% of full-time employed mothers never return to work after having their first child.¹⁰

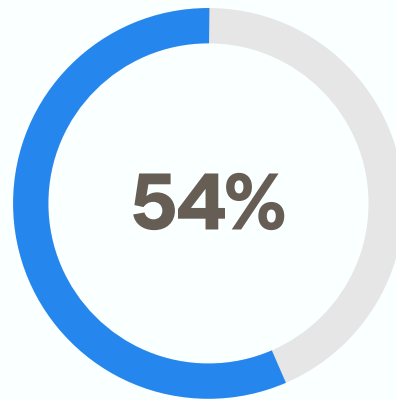
As if that statistic were not shocking enough, 78% of mothers cite children's needs and child care costs as the top reasons for having left their jobs—leaving **no room** for clever interpretation about why this stark reality exists.¹¹

Productivity Loss: Given all the odds stacked against them and the rising costs they face, parents disproportionately suffer from productivity losses even outside absenteeism and turnover. That includes being distracted at work, scheduling issues, worry and guilt, and even passing up career opportunities. On a day-to-day basis, these are the moments that, in aggregate, lead to some of the biggest organizational issues and excess costs.

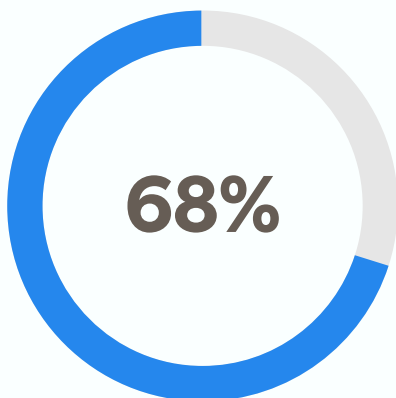
How Child Care Responsibilities Have Impacted Work Performance ¹²



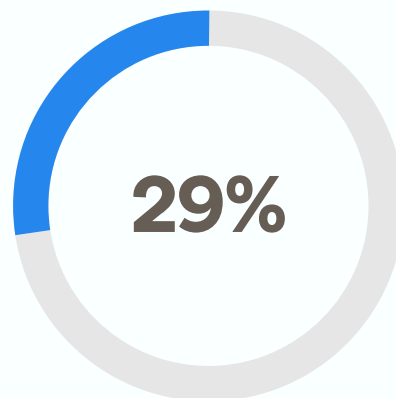
Lack of concentration



Worry or guilt



Scheduling issues



Passing up career opportunities

24 days

Of **work per year** missed by the average parent due to child care issues

43-50%

Of full-time employed women **leave the workforce** after the birth of their first child

III. A Challenge for the Entire Organization

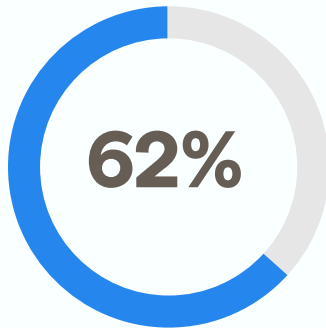
Parents represent approximately 33% of the total civilian labor force in the United States of America. And in our experience, parents of young children below 5 years of age represent between 50-75% of those parents within companies.¹³ Despite this representing a minority of employees, the extent to which any employer does or does not address their most pressing needs has a disproportionate impact on the organization as a whole from a productivity, morale and cultural perspective.

It's for these reasons that even non-parents or parents with older children within organizations overwhelmingly support the implementation of child care benefits for their colleagues, even without a corresponding benefit for themselves.

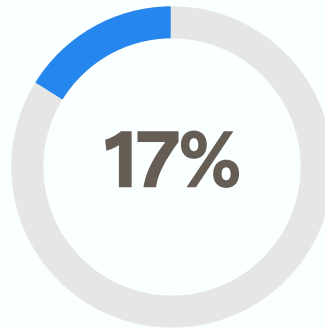
In organizations that identify as highly collaborative, especially in financial services, health care and technology, working parents who are forced to miss work, or who must deal with child care issues while at work are a bottleneck to key inputs and decision making—affecting those they work with, those who report to them and those to whom they report. **Simply put, when an employee's colleagues are supported, it allows them to do their jobs better.** And the statistics reflect this, with non-parent employees showing significant productivity increases when there are child care options available to their colleagues.

From a cultural perspective, employees are keenly attuned to their employers' attitudes and actions as it relates to the issues affecting their colleagues. **When a very specific group of employees experience disproportionate turnover, stress and anxiety, it weighs on the organization both practically and psychologically, creating a cultural vacuum.** To this end, providing employer-sponsored child care options has been shown to raise morale at 82% of companies.¹⁴

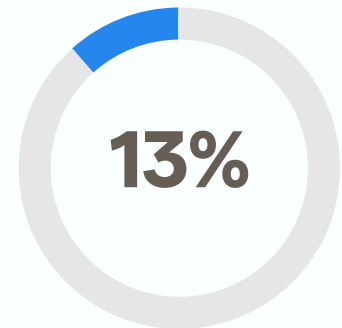
How Child Care Responsibilities Have Impacted Career Paths¹⁵



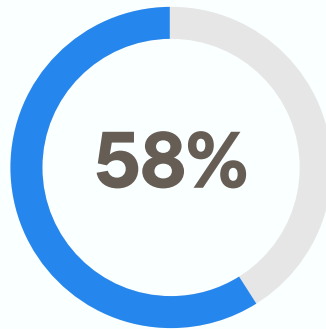
Avoided business travel



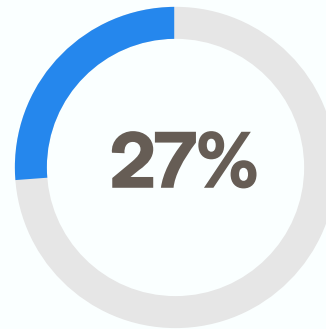
Avoided pursuing promotions



Passed over for promotions



Pursued more flexible work options



Changed jobs (including companies/career paths)

82%

Of companies have shown that providing employer sponsored child care options **raises morale**¹⁶

33%

Of the total civilian labor force in the United States of America are parents

“Child care does not affect me, but it would be great for my team. It would also boost my estimation of my company’s concerns for my employees.” - Vice President, Technology Company

IV. The Most Effective Recruiting, Retention and Productivity Tool

While many leading companies stock their kitchens with every snack and flavor of seltzer imaginable, employees (including non parents) are clear that these efforts don't mean much in the long run.

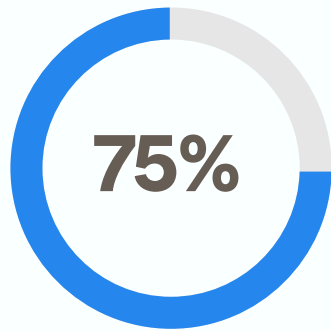
When deciding whether to stay at or leave a current job, or to take a new one, child care is one of the most important deciding factors for working parents. That 90% of surveyed parents want employer sponsored child care is particularly telling, and frankly, is not surprising given the burden it places on them.¹⁷

Parents surveyed also value child care at the same level as salary, equity, paid time off and healthcare when looking at a new role. And 76% of parents surveyed would leave their current jobs for one with child care options at the same pay, which should make all employers pay very sharp attention to employee needs.¹⁸

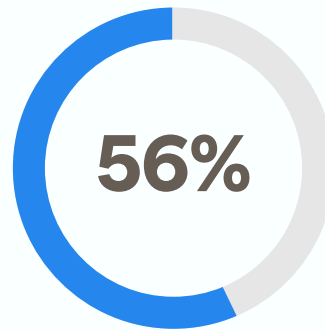
Third, there is a major impact of offering child care on employees' career paths and loyalty, with 75% more likely to remain at their current companies and 71% improving productivity. This is an eye-opening productivity enhancement for any employer.

Last, providing child care relief not only helps working parents be better at their jobs, but it also helps them save for their futures. By providing even a 25% subsidy, working parents can save over \$100,000 over the course of their enrollment—which for many is absolutely life-changing. And because the federal government subsidizes over 50% of employer costs, employers disproportionately benefit from this investment in its employees.

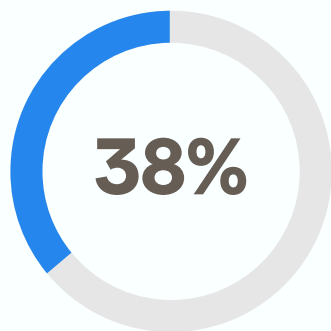
How Offering Child Care Benefits Would Specifically Impact Life and/or Career¹⁹



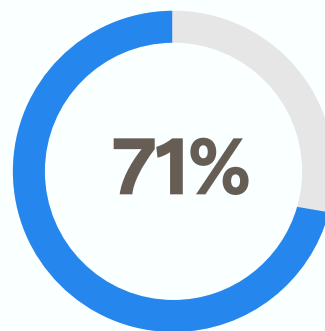
More likely to remain at the same company for the long term



Less likely to look for other jobs



More likely to return to work after birth or adoption



More productive at work

90%

Of parents want **employer sponsored child care**²⁰

76%

Of parents would **leave current roles for ones at equal pay** if given better childcare options²¹

V. The Bottom Line

While serving working parents' needs is certainly the right thing for employers to do—given their employees' demands and burdens—it is also the smart thing for them to do. As the single most effective recruiting, retention and productivity tool in existence.

By leveraging representative data about the impact of offering world-class child care to employees, we can quantify exactly how robust this investment can be for forward-thinking employers.

For even a small, but growing organization of 100 people, with an average salary of \$100,000, where 10% of their employees are parents of young children, the impact of providing child care is staggering:

Total Impact:

Retention Impact	\$450,000
Absenteeism & Productivity Impact	\$113,846
Recruiting Impact	\$33,200
Total Impact of Offering Child Care	\$597,046

Retention:

As noted above, 43-50% of full-time employed women leave the workforce after giving birth to their first child.¹⁰ Providing on-site child care, however, has been shown to reduce turnover by 37-60%²², and 75% are more likely to remain at the same employer for the long term if they have access to on-site child care.²³

Many studies, including a recent Harvard Business School²⁴ survey, estimate that replacing a professional employee costs approximately 150-200% of their salary and benefits. Applying the following formulas, the return from reduced turnover and the impact of retention is stark:

Parents with Children	10%
Average Turnover without Child Care	50%
Cost of Turnover (Salary)	150%
Average Salary	\$100,000
Cost of Turnover (Total)	\$750,000
Child Care Impact on Turnover	-60%
New Turnover Rate	20%
Impact of Child Care (Net Savings)	\$450,000

Productivity/Absenteeism:

The average parent misses 24 days of work annually due to child care issues.²⁵ Providing on or near site childcare options, however, has been shown to reduce absenteeism by 20-30%²⁶, and 71% of employees²⁷ report increased productivity when offering child care options:

Average Salary	\$100,000
Cost of Full Day	\$385
Cost of Partial Day (20% Missed)	\$77
Full Days Missed Annually Per Person	9
Cost of Full Days Missed Per Person	\$3,465
Partial Days Missed Annually Per Person	15
Cost of Partial Days Missed Per Person	\$1,155
Total Cost of Absenteeism Per Person	\$4,615
Total Cost Across All Employees	\$46,150
Absenteeism Reduction from Child Care	-30%
Productivity Increase from Child Care	+10%
Impact of Child Care (Net Savings)	\$113,846

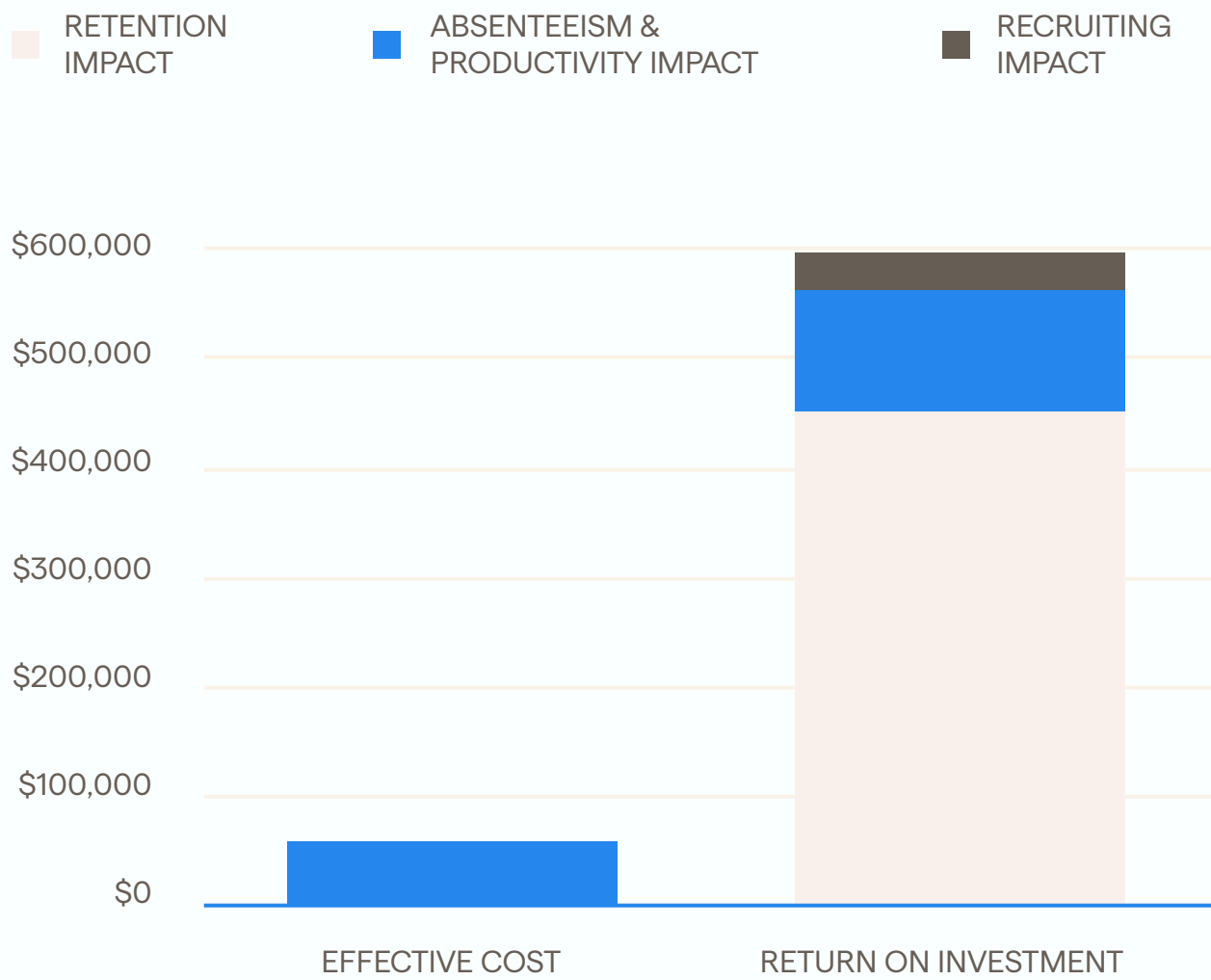
Recruiting:

Parents value childcare at the same level as salary, healthcare, paid time off and equity when choosing a new role, and 76% would take a job at equal pay if their new employer provided child care benefits.²⁸ Finally, applying the 15-20% of salary it costs to recruit a new employee, according to a study conducted by the Society for Human Resource Management²⁹, the impact on recruiting is likewise material:

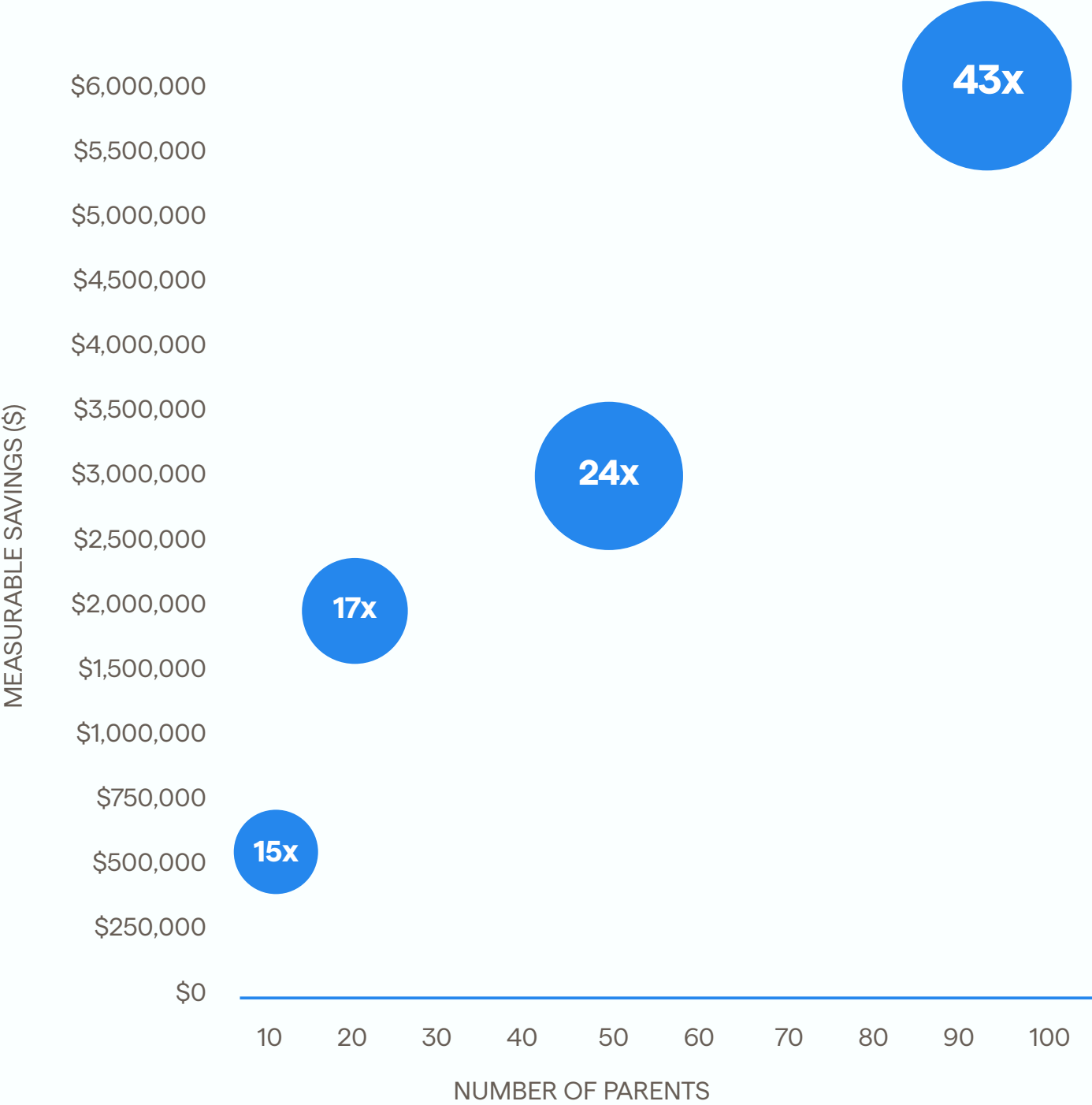
New Parents Recruited	2
Average Salary	\$100,000
Cost of Recruiting without Child Care	20%
Total Cost of Recruiting without Child Care	\$40,000
Recruiting Decrease from Child Care	-76%
Impact of Child Care (Net Savings)	\$33,200

Return on Investment:

The return profile of providing employer sponsored child care is unparalleled. As noted below, for only 10 seats, the overall return is nearly \$600,000, or a 15x Return on Investment.



For greater seat allocations, the ROI only rises as the impact is spread across a greater number of people, and employers gain the benefit of scaled pricing:



VI. Conclusion

Working families are suffering from a child care crisis that is profoundly and increasingly impacting their lives, wallets, performance at work and careers. Employers turning a blind eye to this crisis in a historically competitive talent landscape place themselves at risk of falling behind due to mounting turnover, absenteeism and recruiting costs as well as creating a crippling cultural vacuum. Traditional benefits like parental leave, PTO, snacks and wellness offerings are now table stakes for talent, who are demanding benefits aligned with their very urgent, very real life-needs.

Chief among those demands is high-quality, employer-sponsored on-or-near-site child care. Each component of that demand is critical to meeting employee needs and addressing the real underlying issue.

Parents demand quality above all else, which means a robust, licensed facility with trained faculty who will care for their children, not a “babysitting” app or service, or a cookie-cutter center run by inexperienced staff.

Employer sponsorship has the twofold impact of securing them space and reducing their costs. And providing it near the place of work allows parents the convenience and peace of mind to connect with their child throughout the day and to be fully present when working so that they can achieve their professional goals.

For too long, child care offerings for employers have been constrained to only the largest companies—expensive, requiring long term contracts and capital expenditures to build out dedicated centers that nonetheless fall short of parents' expectations of quality. At Vivvi, we've designed our offering to be accessible to companies of all sizes without any need for capital expenditures or long-term commitments from employers because we know that the child care crisis affects all organizations.

Whether it's our partners with 2,500 employees or partners with 15 employees—our mission remains to empower the best employers to honor the potential of their working families by reducing the burden of child care costs and unlocking their best selves.

While the child care crisis is indeed widespread, employers have the tools at their fingertips to not only change their employees' lives, but change their organizations to be the very best place for all employees to call home. Employers who make the critical choice to view their people as investments rather than as expenses have a material competitive advantage over others—and in a historic war for talent, those who do so are poised to leap ahead.

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