Sample Report

A Memo Report

A MEMO REPORT

TO: David Kaplan

FROM: Elizabeth Martinez
Kevin Lee

DATE: October 25, 20--

SUBJECT: Employee Turnover and the Issue of Child Care

The purpose of this report, which you requested, is to show that turnover among working parents may be positively affected by the introduction of a child-care program. The topics covered in this report include the importance, options, and implementation of the program.

Turnover reduction can be addressed in many ways. This report focuses on providing a child-care program as a means of reducing turnover. In addition to secondary research, personal interviews were conducted and integrated into the report.

Importance

Should an employer be concerned with the child-care problems of employees? In one study's sample of working parents, 17% had quit a job because they could not find adequate child care and 65% said they could not work without child care (Whitlow et al. 28). Since turnover is costly in time and money, an employer should be concerned with employees' child-care problems.

Costs of Turnover

It costs an employer $6,000 per person to hire a new employee (Lubin et al. 43). This fact makes it pertinent for the employer to be assured of a long working relationship with each employee. Turnover costs average 1.5 times the annual salary of the position vacated, and of these costs 80% are hidden costs, such as the inefficiency of departing employees (Parks 58). The results of turnover problems in addition to rising training and development costs, deteriorating customer relations, and sinking reputations of companies include added costs of turn-over, poor morale among the best employees, and overworked human resources departments (Parks 58). The employer must be concerned with losses to the company of money, efficiency, productivity, and competitiveness.

 Copyright © Houghton Mifflin Company. All rights reserved.

David Kaplan
Page 2
October 25, 20--

Obviously, turnover has a ripple effect on the whole company. Child care is one area where employers can reduce turnover. The costs of child-care programs vary greatly, but one national survey of 204 companies reported that over 75% of the employers believed their benefits outweighed the costs of a child-care program (U.S. Dept. of Labor 10).

Changes in Demographics

Understanding demographics can aid the employers in cutting turnover costs while improving relationships with their employees. Two demography issues are of concern to employers. These issues are a shortage of skilled workers in the "post–baby boom" period and, as is indicated in Figure 1, the increasing percentage of women and couples in the work force (Garland et al. 82). "If current trends continue, the United States will face an unprecedented shortage of skilled, educated workers by the year 2010 and will rank seventh in global productivity by 2013" (Lubin et al. 43). These two facts converge to show employers that they must have a plan to retain their workers. Since many of these employees are also parents, employer-provided child care will benefit the employer and the employee.

Figure 1. Women and Couples in the Workforce

Data from Bureau of Labor Statistics (Garland et al. 82)

Copyright © Houghton Mifflin Company. All rights reserved.

Women with children younger than one year have been the fastest growing segment of the work force with over 48% of these mothers working in 1995 (U.S. Dept. of Labor 1). "In 1995, approximately 30.6 million children under 18 years of age lived either in households with a single parent who worked outside the home or in two-parent households in which the mother was employed outside the home. Out of that total group of children with working parents, 8.7 million were under 6 years of age" (U.S. Dept. of Labor 1). By 1997, there were 10.5 million children under the age of six with working mothers (Whitlow et al. 28). These trends are projected to continue with two-thirds of labor entrants between 1996 and 2010 expected to be women (U.S. Dept. of Labor 1).

These working parents are finding it hard to locate quality child care for many reasons. For instance, employees who are moved frequently have no network in the new communities to help them with child-care needs (Shaloub 1). Family members and neighbors are not available to care for working parents' children today as they have been in the past, so there is less informal care (Whitlow et al. 28). Overtime, travel, and night-shift requirements also put a strain on working parents who have to cope with child-care centers who operate on an 8:00 a.m. to 6:00 p.m. basis.

Demography is showing employers that work and family are no longer separate. One major corporation, Treadway, believes that people are their most important asset, and they recognize that many employees must continually balance work and family responsibilities (O'Connor, interview). A study by Murphy & Murphy found that helping workers resolve work and family conflicts were "very important" to 58% of the employees in their decision to stay at the company (Garland et al. 82). Studies have shown that when employees do not have to worry about their children, turnover is reduced (Whitlow et al. 28). One nationwide survey of 175 companies reported that 65% of the employers believed a child-care program lowered job turnover rates (U.S. Dept. of Labor 10).

Options

Employers considering a child-care program may choose from several alternatives. The choices made may differ substantially depending on the size, type, and make-up of the company. The needs within each business may also vary. To determine the best option,

 Copyright © Houghton Mifflin Company. All rights reserved.

the organization should assess its own individual requirements and limitations regarding child care, and then they should develop a program based on those findings (Massey 26).

Employer Provided

One option in child care is to build, remodel, or acquire a child-care center on or near the workplace. This offers the parents convenience and accessibility that fits their work schedules. A high quality program can reduce the Three O'clock Syndrome. "This refers to reduced productivity and higher error and accident rates as employees' minds focus on their children around the time school lets out" (U.S. Dept. of Labor 10). This type of program allows parents to visit their children or to respond to emergencies quickly. However, it may be the costliest of the child-care options (U.S. Dept. of Labor 10).

An on-site child-care center may be operated by the company or by a temporary or permanently contracted service. By keeping the center as part of the company, the employer retains control over the quality and functioning of the center. It also retains full responsibility and liability (U.S. Dept. of Labor 14). Another option is on-site temporary care, which is appropriate for seasonally busy businesses, such as accounting firms around tax-filing season. The employer furnishes an appropriate room, which is then prescreened by the temporary caregiver. The caregiver then supplies everything needed to care for the children (Smith 27). Finally, a company can hire a child-care management business to operate a center. By hiring professionals, the company can develop the program more quickly and avoid the daily problems associated with running a center. The company also saves money by not having to include child-care workers on its wage and benefits plans (U.S. Dept. of Labor 15).

Employer Coordinated

Some companies may prefer to take a less direct role in child care. "Zylox will not provide on-site care or reimbursement for dependent care expenses" (Employee Benefit Plan Summary 72). Instead, Zylox takes a supporting role in child care. This type of program may involve referrals, negotiations, and/or networks. This supporting role allows minimal liability and costs for the company, while providing a valuable resource to the employee (Scharff 72).

Copyright © Houghton Mifflin Company. All rights reserved.

Referral services may be very useful to employees who must relocate. Information on local child care and school systems allows employees to make proper arrangements prior to moving. Employers may arrange discounts with child-care centers for their employees. Morley Brewing Company decided that just offering referral services was not enough. They decided to focus on joining community-based agencies in order to build up the resources in the community (Massey 28). This type of program may be especially inviting where there are not numerous child-care vacancies near the workplace.

Employer Subsidized

A child-care allowance or subsidy is the most favored employer-sponsored program according to a Workplace Tempo survey conducted for the Employers Commission on Flexible Compensation (Scharff 13). This type of program is easy for the employer to administer and it allows the employees flexibility in choosing their child-care facility. Subsidies provide assistance by either paying the center directly or reimbursing the employee. Employers may pay either a flat amount per employee or a percentage of child-care expenses. The amount paid may be on a sliding scale based on the employee's wage (U.S. General Accounting Office 18).

An employer may also subsidize child care by offering flexible spending accounts. This type of account allows employees to reduce their taxable salaries by as much as $5,000 per year to pay for child-care expenses. This saves the employee federal and Social Security taxes. It saves the employer Social Security and unemployment taxes (U.S. Dept. of Labor 25).

Implementation

There is not one child-care plan that is right for every organization. Assessment of the needs of the employees and of the types of existing child-care facilities is the necessary first step in planning this benefit (Whitlow et al. 30). A cost analysis is appropriately conducted next. Costs of child-care programs vary greatly because of factors such as regional differences in the costs of child care and the program specifications of the employer (U.S. General Accounting Office 20). Once these issues have been resolved, the employer can implement the chosen program.

 Copyright © Houghton Mifflin Company. All rights reserved.

Preparing the Management Team

The management team responsible for the child-care program should "see themselves as the bridge builders, creators, model builders, and networkers solidifying the relationships between the workplace and workforce" (Martin 43). Their responsibilities include: determining the program philosophy, setting the program policies, managing the program finances, mobilizing the program resources, supervising the program operations, organizing the program staff, handling the program publicity, and evaluating the program progress (U.S. Dept. of Labor 45).

Educating the Employee

It is very important for the employees to know and understand how the child-care plan works. If the employees are unaware of the program or unsure of its quality, the program will not achieve its goals.

Communication is the key to success. "Through publicity campaigns, program administrators will need to communicate to employees information about the program services and the program philosophy, as well as reinforce the credibility of the new child-care program" (U.S. Dept. of Labor 54). This can be accomplished through postings on the company website, bulletins, newsletters, presentations, open-house tours, and toll-free telephone numbers (Gordon 94). These communications should continue throughout the life of the program in order to maintain good relations with the employees.

Evaluating the Program

The goal of the child-care program is to reduce turnover. Therefore, analysis of the program is necessary to conclude if that goal is achieved. Evaluations also allow administrators to locate problem areas, improve program quality, and meet the changing needs of employees (U.S. Dept. of Labor 56).

High costs of turnover and changes in demographics are causing employers to investigate the child-care problems of their employees. Employers are learning that by offering solutions to these problems, they can positively affect the retention of their employees. By assessing employees' needs, a company can decide which child-care options to pursue.

Copyright © Houghton Mifflin Company. All rights reserved.

Providing an on-site or near-site center allows employees close access to their children, but may be costly to the employer. Coordinating resources and referrals provides a valuable source of information to employees at a relatively low cost to the employer. Subsidies allow employees flexibility in choosing their child-care center and may be easier for the employer to administer than other child-care alternatives. Implementing the program requires the management to formulate the policies, communicate the plan to the employees, and evaluate the performance of the program.

For companies committed to reducing turnover by addressing the child-care problems of employees, it is recommended that a child-care program be implemented. A company that is not limited by its own resources should provide its own center. A company that chooses to limit the money that it spends on a program should research community resources that the employee may pursue. A company that wishes to limit the time it spends on a program should subsidize child-care expenses.

It has been a pleasure researching this subject, and we will be glad to assist you further if you need any additional information.

 Copyright © Houghton Mifflin Company. All rights reserved.

References

Garland, Michael, et al. "Work and Families: Organizations Respond to Workers' Needs--and See Results." Business Month, Issue No. 3325 (June, 2002), 80–86.

Gordon, Dawn. "Benefits Program Boosts Frontline Worker Retention." Personnel Perspective, Vol. 72, No. 2 (February 2002), 88–94.

Lubin, Zandy B., Schlow, Nancy K., and Shire, Jane E. "No More Revolving Door." Training and Development Notebook, Vol. 45, No. 2 (February 2001), 43–50.

Martin, Michelle. "Family Support Improves the Bottom Line." HR Gazette, Vol. 38, No. 1 (January 2002), 38–43.

Massey, Julie Carter. "Success in the Family Way." Managers' Review, Vol. 82, No. 7 (July 2002), 38–43.

O'Connor, Garth. Treadway Human Resources Manager, Austin,Texas (interview, October 13, 2002).

Parks, J. Douglas. "The Price of Turnover." Personnel Perspective, Vol. 69, No. 12 (December 2000), 58–61.

Scharff, Marion. "Winning with Child Care: Flexible Programs." Employee Benefit Plan Summary, Vol. 45, No. 2 (August 2001), 13.

Shaloub, Deanna. "Employers See Benefits of Child Care." Workplace Insurance, Vol. 27, No. 5 (February 2002), 1, 21.

Smith, Frank. "Providers Can Be On-Call or On-Site." HR Notes, Vol. 70, No. 3 (March 2002), 3.

U.S. Department of Labor. Women's Bureau, 1999. Employers and Child Care: Benefiting Work and Family. Washington, D.C.

U.S. General Accounting Office. Child Care: Employer Assistance for Private Sector and Federal Employees. Washington, D.C. The Office, 1999.

Whitlow, Charles S., Holmes, Marilyn M., and Nixdorf, Judy C. "An Assessment of Child Care Needs and Benefits." Employee Benefits Review, Vol. 17, No. 2 (June 2001), 28–30.

"Zylox Develops Dependent Care Program." Employee Benefit Plan Summary, Vol. 43, No. 8 (February 1999), 68–74.

Copyright © Houghton Mifflin Company. All rights reserved.

 Copyright © Houghton Mifflin Company. All rights reserved.