

employers



and

child care

Options for business

employer benefits

Today in Maryland, 66.2% of women in the workforce have pre-school-age children, and 89.6% have school-age children. In the United States, more than 65% of workers are either single parents or members of dual income families with young children. In order to attract the employees they need, many companies have initiated services, benefits, and policies that help working parents.

Research has shown that businesses that help their employees find affordable child care can realize many benefits: increased productivity, recruitment advantage, lower job turnover, fewer absences, improved employee/ employer relations, better community relations.

In addition, employers have discovered that costs related to assisting with employee child care can usually be deducted from taxable income.

Businesses interested in offering some type of child care assistance can choose from a range of options. In considering the alternatives, employers should consult their fiscal advisors. There is no best choice, only the one best suited to the needs of each individual company and its employees.

responsive personnel policies

A number of employers have adopted personnel policies that respond to the needs of working parents. Alternative work schedules are the most popular of these approaches.

Some frequently cited variations are flextime (flexible daily starting and stopping times), compressed time (more hours per day but fewer days per week), task contracting (employee must complete work in given time frame, but need not specify hours or time worked), job-sharing, or regular part-time.

Other policies include generous sick leave or maternity leave.

Benefits

- Alternative work scheduling reduces company's overtime expenditures
- Provides opportunity for parents to work and care for children

Considerations

- Flextime may create challenges for supervisors of large groups of employees working at different times
- Flextime relies on honesty of employees
- Jobs must be kept covered while employee is on leave

flexible benefit plans

Most often called "cafeteria plans," these offer the greatest amount of flexibility, allowing employees to choose benefits best suited to their needs.

A typical cafeteria plan offers employees a core of fixed benefits along with a group of optional benefits from which they may choose up to a prescribed dollar limit. Child care assistance is often one of the optional benefits.

One method for offering child care assistance is through salary reduction. With this method, employees set aside a fixed portion of their before-tax income for dependent care costs. They are then reimbursed for child care costs out of those funds. This benefit may also be offered separately even if a company does not have a cafeteria plan.

Benefits

- Can be tailored to meet diverse needs
- Once in place, may be less expensive than traditional benefit plans
- Salary reduction can mean savings in payroll and Social Security taxes
- With salary reduction, employees pay for child care with before-tax dollars

Considerations

- Administrative start-up costs may be higher than for traditional benefit plans
- An employee's taxable income and dependent care costs will determine the relative merits of a salary reduction plan versus dependent care tax credits

resource and referral

The most pressing problem for working families today may be finding and selecting quality child care suited to their needs, preferences, and ability to pay.

An organization may help its employees find suitable child care by contracting with a local referral agency, joining a consortium of companies that jointly underwrites administrative costs, or developing an in-house referral capacity.

Referral services include developing and maintaining lists of child care providers, supplying specific information about each provider, and counseling parents about their identified options.

Benefits

- Makes existing child care services more accessible to families
- Allows employees the chance to investigate several options and select the arrangement of their choice
- May encourage child care facilities to obtain licensure
- Contracting this service is the least costly way for employers to get involved

Considerations

- May lead to requests for additional services
- Consortium model requires full cooperation and commitment of all member employers
- Requires some administration in keeping information current
- Involves some cost to collect and publish information

reimbursement program

Employers who wish to implement a reimbursement program may select from among several choices. An employer may provide a voucher worth a specified dollar amount to help defray child care costs, or he may purchase enrollment slots from a child care provider and resell the spaces to the employee.

The employee who receives a voucher selects the child care arrangement of his choice. The employer purchasing slots selects the child care facility.

In either case, the employer may fully fund or partially subsidize the employee's child care costs.

Benefits

- Provides affordable day care for employees' children
- Is ideal for small businesses with relatively few employees
- Works well for businesses with employees in multiple locations
- Offers employees flexibility
- Minimizes corporate liability

Considerations

- May be difficult to purchase slots in locations preferable to employees
- May need to reserve and guarantee spaces a year ahead
- Community child care may not be available, accessible, and in ample supply

consortium center

Several employers may decide to share the costs of establishing a day care center near the worksite or in a suitable neighborhood location.

Companies may provide financial support by contributing seed money for initial construction or rehabilitation of a facility, underwriting the center's operating costs, or subsidizing tuition costs.

They may also offer assistance through representation on the board of directors or by contributing expertise in management, finance, and personnel.

Benefits

- Spreads costs among member employers
- Provides greater client pool

Considerations

- Requires full commitment and cooperation of all member employers
- All members share liability

Tax Incentives

A consortium arrangement may be established as a profit or non-profit organization or partnership. Tax benefits vary depending on the model chosen. Businesses should consult tax laws and/or a tax advisor to determine the most advantageous tax treatment.

on-site child care

Located at or near the work site, a child care facility may be operated as a division of the parent company, a subsidiary, or an independent profit or non-profit corporation.

Financial support may include start-up costs, operating expenses, and subsidies for tuition. The employer may hire professional staff or contract with a child care management firm.

The company may also offer assistance in areas of management, finance, or personnel.

Benefits

- Improves employee morale due to greater access to their children and child care teachers
- Increases availability of child care spaces for children of company personnel
- Is good public relations

Considerations

- Requires a large initial financial investment and commitment for continued funding
- Requires detailed planning surveys to determine need
- May be underutilized at times

Tax Incentives

On-site child care involves capital expenditures which are not themselves tax deductible but can be depreciated or amortized. Companies should consult tax laws and/or a tax advisor to determine the most advantageous tax treatment.

for more information

The Maryland Child Care Resource Network exists to support the child care needs of communities. The thirteen sites throughout the state provide services for families, providers of child care, employers and others by being hubs for many child care activities. Those sites also provide permanent, locally adaptable structures through which public and private groups can work together to improve the quality and accessibility of child care and larger work/life issues.

Maryland Child Care Resource Network sites include:

Anne Arundel County Child Care Resource Center
410-269-4466

Baltimore City Child Care Resource Center
410-685-5150

Carroll County Child Care Resource Center
410-751-2769

Child Care Choices (Frederick County)
301-662-4549

Child Care Links (Baltimore County)
410-288-4900

Howard County Child Care Resource Center
410-313-1940

Lower Shore Child Care Resource Center
(Somerset, Wicomico, Worcester Counties)
410-548-3279

Montgomery County Child Care Resource Center
301-279-1260

Open Doors Child Care Resource Center
(Cecil and Harford Counties)
410-297-6590

Prince George's Child Resource Center
301-772-8420

Resources for Children and Families
(Allegany, Garrett, Washington Counties)
301-733-0000

Southern Maryland Child Care Resource Center
(Calvert, Charles, St. Mary's Counties)
301-373-8433

Upper Shore Child Care Resource and Referral Center
(Caroline, Dorchester, Kent, Queen Anne, Talbot Counties)
410-822-5400 ext. 346

Additional information on the Maryland Child Care Resource Network is available through Maryland Committee for Children at 410-752-7588.

*This brochure is a project of
The Maryland Child Care Resource Network.*

Funding for this publication of the Maryland Child Care Resource Network was made available by the Maryland Department of Human Resources, Maryland's Business Community, and Maryland Committee for Children.