

Employer-Supported Child Care: Who Participates?

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Taryn W. Morrissey
Society for Research in Child Development Congressional Fellow

Mildred E. Warner
Cornell University

Author Information:

Taryn W. Morrissey
Society for Research in Child Development
Congressional Fellow
Senate Health, Education, Labor and Pensions Committee
Senator Edward M. Kennedy, Chairman
527 Hart Building
Washington, DC 20003
twm24@cornell.edu

Mildred E Warner
Dept. of City and Regional Planning
Cornell University
215 W. Sibley Hall
Ithaca, NY 14853
mew15@cornell.edu

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Abstract

Child care vouchers are becoming more common and can provide child care assistance to a wide spectrum of the population. There is little empirical research, however, on which workers participate in their employer-supported program. In this exploratory study, employees with children at one large university completed questionnaires to gather information on their child care arrangements and their experience with the employer's child care voucher program ($N = 949$). Results indicate that the employees who were most in need of child care assistance in terms of family structure, job type, and child care expenses were more likely to receive vouchers. Federal policy limiting the structure of employer-sponsored voucher programs appeared to present barriers to participation for certain groups of employees.

Keywords: Family Policy, Child Care Arrangements, Families and Work, Work-Family Balance, Logistic Regression

Employer-Supported Child Care: Who Participates?

The consequences of child care problems for employees and their productivity at work serve as a primary motivation for employers to provide child care assistance to their employees. In 1989, the Families and Work Institute published the *Productivity Effects of Workplace Child Care Centers*, one of the first studies to delineate the effects of child care on parent productivity (Families and Work Institute, 1989). Since then, firms have experimented with various initiatives to promote employee productivity, recruitment, and retention through child care assistance including on-site child care centers, employer-supported resource and referral networks, back-up or sick care provision, flextime, or portable child care subsidies or vouchers (Friedman, 2001).

Although on-site child care centers grew in popularity during the 1980s and 1990s, many employers, particularly small firms, have been reluctant to invest in centers due to their high sunk costs, continuing demand for operating subsidies, and the relatively small number of children served (Stoney, Mitchell, & Dichter, 2001). Voucher programs are more flexible and can be tailored to employee's individual needs. Voucher funds also can fluctuate relative to employee demand and market conditions. Furthermore, because vouchers can be linked to regular payroll operations, they are a tool easily implemented by all employers, regardless of firm size or the number of employees with children, and thus offer wider replicability than on-site child care.

There is a considerable body of research on the impacts of on-site child care, flex-time, and maternity/paternity leave on employees (Bygren & Duvander, 2006; Goff, Mount, & Jamison, 1990; Halpern, 2005). Likewise, there is a wealth of research on the effects of public subsidies, which constitute the largest form of public child care assistance in the U.S. (Kelly, 2003), on parental employment among poor families. In general, subsidy receipt has been

associated with the use of higher-quality and licensed child care (Crosby, Gennetian, & Huston, 2005), fewer work-hour problems (Press, Fagan, & Laughlin, 2006), and higher maternal labor force participation and improved employment stability (Meyers, 1993; Meyers, Heintze, & Wolf, 2002). By contrast, there are few studies on employer-provided portable child care vouchers.

Participation in Employer Work-Family Initiatives

Relatively little research has explored which employees elect to participate in their employer's child care initiatives. Previous studies have indicated that although many firms report having work-family initiatives on their books, few employees take advantage of them (Bond, Thompson, Galinsky, & Prottas, 2002). The social context of the workplace, namely the emphasis supervisors place on "face time" and on educating their employees about their benefits, have been strongly and negatively related to work-family program take-up rates (Berg, Kalleberg, & Appelbaum, 2003; Blair-Loy & Wharton, 2002; Bygren & Duvander, 2006).

In addition to the social context of the workplace, voucher participation rates may vary with employee demographic characteristics and their child care needs. Although fathers have taken on more child care responsibilities over the past few decades, mothers remain the primary caregivers in most households (Bianchi, 2000), and in turn, female employees with children may be more aware of their child care expenses and problems and may be more likely to participate in a child care benefit program. Similarly, single-parents may be more likely to apply for and receive child care vouchers, as they have one fewer adult caregiver living at home and lower average income than two-parent, dual-earner families (Brooks-Gunn & Duncan, 2000). Lower-income, hourly employees may be more likely to receive vouchers than salaried or higher-income employees, particularly in programs that determine voucher amounts using sliding income scales. To date, research has not examined racial or ethnic differences in employer-

provided voucher take-up rates, although public subsidy participation rates have varied with ethnicity. In particular, Hispanic families have used informal child care (e.g., relatives, neighbors) and have received subsidies less often than White families, whereas the opposite is true among African-American families (Crosby et al., 2005; Meyers et al., 2002).

Presumably, employees' child care needs influence their voucher receipt; larger families, especially those with infants and toddlers for which child care is particularly expensive (Phillips & Adams, 2001), may be more likely to receive vouchers than families with fewer, older children. Likewise, families using more expensive, licensed child care including centers, before- and after-school programs, and licensed family child care homes, may be more motivated to seek financial assistance to help keep up with the high costs of care. Indeed, families receiving public child care vouchers have used licensed forms of child care more often than their non-recipient counterparts (Crosby et al., 2005). Finally, parental satisfaction with child care influences child care use (Morrissey, 2008); parents who are less satisfied and report more challenges with their child care arrangements may be more likely to use a voucher to replace their current arrangement.

The Current Study

The current study collected detailed information on employees' child care arrangements, work-family issues, and experiences with their employer's child care voucher program at Cornell University, a large university with over 10,000 employees located in a small city. Given the relatively rural character of the area, the supply of center-based slots is limited, and thus licensed family care and informal child care constitute the two major sources of child care. With a broad spectrum of employee incomes, educational attainment, and background characteristics, examining a university as an employer provides a unique opportunity to examine the impacts of

employer-supported child care across a diverse group of families. The child care voucher program was designed to meet the needs of a diverse range of employees whose work schedules and child care needs and preferences varied. Occupations ranged from lower-paid janitorial and cafeteria staff to higher-paid academic researchers and professors. A team composed of representatives from the Chamber of Commerce, the local Child Care Resource & Referral (CCR&R) agency, the county Department of Social Services, and Cornell University helped design a portable voucher program to ensure that benefits would be as widely available as possible – across county lines, types of child care, and employees’ income ranges and employment demands (Shellenback, 2007).

Established in 2002, Cornell created the employee benefit of child care vouchers for employees. The university administers the benefit through the Flexible Spending Account (FSA), a federally-subsidized pre-tax account which employers are allowed to set up tax-free. Employees place pre-tax income in these accounts typically, but in this case, the employer contributes the funds. By law, FSAs are limited to \$5,000 per year (regardless of number of children), and only can be used to reimburse parents for child care costs from providers who provide a tax ID number and among families in which both parents are employed (full- or part-time), attending school, or looking for work. The funds the university contributes to eligible employees’ FSAs can be used to pay for any form of legal child care including child care centers, preschools, summer camps, licensed family child care homes, and license-exempt relatives, friends, or neighbors (i.e., informal caregivers who pass minimal safety inspections and have tax ID numbers). By using FSAs, the vouchers are processed through the payroll system and neither income nor payroll taxes are charged, allowing the employee to use all of the funds for child care. The employer also saves its share of payroll taxes, thus providing a financial incentive for

employers to use FSA accounts. All employees with children under age twelve are eligible for voucher benefits. The Human Resource department widely advertised the program, and made a special effort to ensure that immigrant employees understood and utilized their work benefits (Shellenback, 2007).

This survey assessed the 2007 grant year during which Cornell University awarded \$837,368 to cover 1,063 children in 619 families. All eligible applicants received a voucher of varying amounts, based on household income, employee's annual child care costs, and the number of children in paid care. Employees expecting a first child had to apply by the deadline and their voucher level was determined after the child arrived. Cornell's goal was that no employee would spend more than 20 percent of his or her household income on child care. Recipients' household income ranged from \$16,000 to \$146,900 ($M = \$72,000$), and their annual child care costs ranged from \$600 to \$27,800, averaging \$7,834. Vouchers awarded ranged from \$87 to \$5,000 per employee, and the average voucher was \$1,350.

Our case study design allowed for the examination of employee selection into the child care voucher program – specifically which employees received vouchers. We hypothesized that gender, marital status, employment type, child age, child care type and cost, and the social context of the workplace variables would uniquely predict the use of child care vouchers. Specifically, female, single-parent, and hourly workers with young children attending high-cost, formal child care, and employees who learned of the program in person (e.g., from a supervisor), would be more likely to apply for and receive vouchers. Previous research has suggested that ethnicity influences child care choice, as well, although we are unsure of the direction of the relationship with voucher use. Additionally, employees who report less satisfaction and more

challenges with their child care arrangements were hypothesized to be more likely to apply for and use vouchers.

Method

Of the 2,450 university employees to whom an online questionnaire was sent, 949 respondents who had partial or full custody of at least one child under age 13 completed the survey (40% response rate). The majority of respondents were married (86%), female (67%), and had two or more children under 13 (53%). The sample reflected the ethnic composition of the region with 81% describing themselves as White. Respondents were evenly split across three broad job types: hourly staff (35%), salaried staff (34%), and academic (31%). Using sample demographic data collected from employees with children at Cornell in 2009, the 2007 sample included here was generally representative of Cornell employees with children. The online questionnaire consisted of 77 questions focused upon demographic, child care, and program participation information. The variables included in this study are presented in Table 1 by program participation status.

Insert Table 1 here

Information was collected regarding the type of care, the child's age, and weekly cost of the primary child care arrangement. Respondents rated their satisfaction with their current child care arrangements using a 5-point Likert-type scale (1 = *very dissatisfied*, 5 = *very satisfied*) on nine child care issues: cost, hours, flexibility, reliability, convenience, quality of care, attention child receives, child's relationship with the caregiver, and my relationship with the child's caregiver ($\alpha = .88$). A child care satisfaction score was created by averaging responses to each item. Respondents were also asked if they had experienced challenges arranging care on ten items (1 = *yes*): finding high-quality care, finding affordable care, paying for my child care,

finding conveniently-located child care, finding child care with hours that match my work schedule, finding back-up child care when my usual arrangement breaks down, arranging child care for evening, night, or weekend work, finding reliable child care, finding care for infants, and finding pre-teen afterschool care ($\alpha = .71$). Items were summed to create a child care challenges score.

To examine the relative importance of types of selection factors, a five-step hierarchical random effects logistic regression procedure was used with four predictor blocks: employee characteristics, child characteristics, child care use, perceptions of child care, and awareness of Program.

Results

Descriptive results. A greater proportion of hourly staff and female employees reported receiving vouchers than not, whereas the opposite was true for academic faculty, males, and married or cohabitating households. Larger proportions of employees with toddler- or preschool-age children participated in the voucher program than those with infants or school-age children. Likewise, respondents whose children were in formal child care settings (centers, before/afterschool programs, and family child care homes) were more likely to receive child care vouchers than those using spousal care or informal arrangements with relatives, friends, or neighbors. Voucher recipients averaged higher weekly child care costs than did non-recipients. About half of voucher recipients (51%) and 41% of non-recipients reported they had learned of their employer's child care voucher program through personal contact with a supervisor, coworker, human resources staff, or local Child care Resource & Referral (CCR&R) staff.

Non-recipients reported overall greater satisfaction with their child care arrangements than did voucher recipients. This difference may be explained by the higher proportion of non-

recipients using unpaid or low-cost spousal or relative care in which children and parents are more likely to have close, sustained relationships with their caregivers. Voucher recipients encountered significantly more challenges to arranging child care than did non-recipients.

Regression results. Five logistic regression models were estimated predicting employer-provided child care voucher receipt from employee characteristics, child characteristics, child care use, perceptions of child care, and how respondents had heard of the voucher program. As shown in Table 2, most of the selection factors remain significant across the models. Academic faculty and married or partnered employees were less likely to receive child care vouchers than were hourly staff and single parents. Having a toddler or preschooler nearly doubled the likelihood of receiving a voucher, and the likelihood of receiving a voucher increased by more than half with each additional child in the family. Survey respondents with infants were marginally less likely to receive a voucher than those with school-age children and half as likely to receive vouchers as those with toddlers or preschoolers (details available from the corresponding author).

Insert Table 2 here.

Families using primarily spousal/partner care and those using informal arrangements with relatives, friends, or neighbors were 60 percent less likely to receive vouchers than those using center care. Families using low-cost care (\$0-75 per week) were more likely to receive a voucher than those using unpaid care or high-cost care (\$75 or more per week). This reflects the program's sliding income/cost design. After controlling for other child care and demographic variables, the relationship between voucher receipt and respondent-perceived challenges to finding child care was no longer significant. How respondents learned about the voucher program remained a significant predictor of voucher receipt. Employees who learned about the

voucher program through personal interactions were 40% more likely to participate than employees who learned about the program through other means (e.g., e-mail, flyer).

Discussion

In general, employees who faced structural and financial difficulties in finding, securing, and affording child care were likely to receive a voucher from their employer. Hourly workers, large families, and families with young children were more likely to receive vouchers than were higher-income, smaller families with school-age children. Additionally, the social context in the workplace was important for predicting whether employees participated in the child care voucher program. Employees who had learned about the voucher program through personal contact, such as from a supervisor, were 40% more likely to receive a voucher than were those who had heard through less personal means. This result may indicate an effective strategy for communicating about benefits and enrolling participants. Alternatively, employees highly motivated to obtain child care assistance may have been more likely to ask their coworkers about the benefit. Human resource strategies that reach out to employees directly or train managers to communicate with employees, particularly hourly workers, about participating in work-family initiatives have been more successful in increasing enrollment rates (Blair-Loy & Wharton, 2003).

Implications, Limitations, and Future Research

Results of prior studies suggest that employers who institute child care voucher programs may experience benefits to their workforce and bottom line. Attention, however, must be paid to the design of the program in order to maximize the enrollment of employees who could benefit most. Employees with infants, for which child care is particularly expensive (Phillips & Adams, 2001), were *less* likely to receive vouchers than those with toddlers or preschoolers, which may reflect timing problems when childbirth occurs after the once-a-year FSA deadline. Furthermore,

because award amounts are based on estimated child care expenses, families with infants may have difficulty estimating their child care costs, or fail to apply because child care costs are not yet foremost in their minds. Likewise, the \$5,000 FSA limit may be too low to encourage employees to change child care arrangements. These policies were not directly examined in the present study and remain avenues for future research. Furthermore, changes in these policies require changes in federal law and are beyond the control of a single employer.

However, several program design elements within employer control can improve program participation. Based on our analyses, we recommend the inclusion of three important features: (a) portable vouchers, which are more accessible to a wide range of employees with different needs; (b) a sliding payment scale that can accommodate differences in household income, number of children, and type of care; and (c) pairing the child care voucher with information on child care quality and availability, through community collaboration.

This study took advantage of a unique opportunity to examine what kinds of employees chose to participate in their employer's child care voucher program. Several limitations, however, restrict the generalizability of results. Although universities employ a broad range of employees in terms of education, income, and age, large non-profits and universities are more likely to provide child care benefits than small, private employers (Kelly, 2003). Cornell University is located in a small city in a predominantly rural area; participation rates in employer child care initiatives may differ in large, urban areas, as the availability of formal child care options and public subsidies vary with geography (Gordon & Chase-Lansdale, 2001). Although the non-experimental research design allowed for the investigation of selection into the child care voucher program, more in-depth data comparing voucher recipients and non-recipients were not available. There is a general lack of empirical work on employer work-family initiatives,

particularly experimental designs, and investigating the impacts of these programs remains an important area for future research.

Conclusion

Few employers have a workforce large enough to build on-site child care centers, but most employers can structure a voucher within their FSA program. This study indicates that employer-supported child care vouchers can reach those employees most in need of child care assistance, particularly hourly and single-parent employees, and that program design can encourage participation by those employees facing greater child care challenges. If additional research corroborates the present findings, however, several features of federal tax policy could be reformed to enhance program effectiveness. Employers must look beyond their own program design to the need for broader public policy change.

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Table 1
Respondent Descriptive Statistics by Child Care Voucher Receipt (N = 949)

	Received Child Care Voucher	Did Not Receive Voucher	Total Sample
Employee characteristics:			
Salaried staff	33.78%	34.68%	34.15%
Hourly staff	40.31%***	27.55%	34.57%
Academic faculty	11.90%***	26.37%	18.35%
Academic non-faculty	14.01%	11.40%	12.94%
Female	73.33%***	58.37%	66.74%
Married or cohabitating	84.54%**	91.87%	87.80%
White	79.39%	82.30%	80.59%
Asian-American or Asian	8.02%	7.66%	7.95%
African American or Black	2.67%	2.15%	2.44%
Hispanic or Latino	2.86%	1.20%	2.12%
Other race/prefer not to report	7.06%	6.71%	6.88%
Child characteristics:			
Number of children in family	1.65 (.66)	1.64 (.75)	1.64 (.70)
Child is an infant	17.08%*	23.46%	19.17%
Child is a toddler	27.51%**	18.96%	22.82%
Child is a preschooler	38.52%**	28.91%	32.96%
Child is school-age	56.93%	61.37%	56.69%
Primary child care arrangement:			
Before/after school program	30.17%**	20.85%	25.05%
Child care center	34.72%***	16.59%	25.66%
Family child care	23.53%***	11.37%	17.44%
Older sibling	1.71%	3.08%	2.23%
Paid relative or friend	11.76%*	16.82%	13.39%
Unpaid relative or friend	3.98%	6.64%	4.97%
Spouse/partner	11.01%***	32.94%	19.98%
Other care	11.57%	12.80%	11.66%
Weekly child care costs for 1 st child (including spousal/unpaid care)	\$103.74*** (\$97.09)	\$72.51 (\$101.75)	\$90.01 (\$100.31)
Weekly child care costs for 1 st child (excluding spousal/unpaid care)	\$116.74 (\$95.34)	\$111.16 (\$108.16)	\$114.77 (\$100.00)
Awareness of voucher program:			
Learned about program through personal contact	51.42%***	41.18%	47.17%
Average satisfaction score	4.10 (.67)*	4.19 (.73)	4.13 (.70)
Total child care challenge score	4.07 (2.21)**	3.62 (2.06)	3.88 (2.16)
<i>N</i>	527	422	949

Note: Means and standard deviations are presented for continuous variables; percentages are provided for categorical variables. * $p < .05$. ** $p < .01$. *** $p < .001$.

Child care use:							
Child care center (reference)							
Before/after school program			.07	1.07			-.23 .80
			(.21)				(.27)
Family child care			.56**	1.76			.13 1.13
			(.21)				(.25)
Older sibling			-.34	.72			-.84 .43
			(.49)				(.63)
Relative or friend (paid/unpaid)			-.35	.70			-.91** .40
			(.20)				(.27)
Spouse/partner			-.76**	.47			-.89** .41
			(.24)				(.34)
Other care			-.14	.87			-.51 .60
			(.22)				(.29)
Unpaid care (no cost)			-.89***	.41			-.76* .47
			(.25)				(.31)
Care costs less than \$75/week (reference)							
Care costs \$75 - \$150/week			-.21	.82			-.47 .63
			(.22)				(.27)
Care more than \$150/week			-.09	.92			-.29 .75
			(.21)				(.28)
<i>Perceptions of child care:</i>							
Child care satisfaction score					<.01	1.00	-.09 .91
					(.10)		(.13)
Child care challenges Score					.10**	1.10	.06 1.06
					(.03)		(.04)
<i>Awareness of voucher program:</i>							
Heard about voucher program in person						.41**	1.51 .35* 1.42
						(.14)	(.17)
Constant	.50	.16	.66**	-.04		.30**	.89
	(.26)	(.17)	(.22)	(.47)		(.10)	(.74)
χ^2	61.83***	26.75***	110.38***	9.20*		8.46**	127.29***
Df	8	4	9	2		1	25
N	931	949	949	853		850	764

Note: e^B = exponentiated B. * $p < .05$. ** $p < .01$. *** $p < .001$.