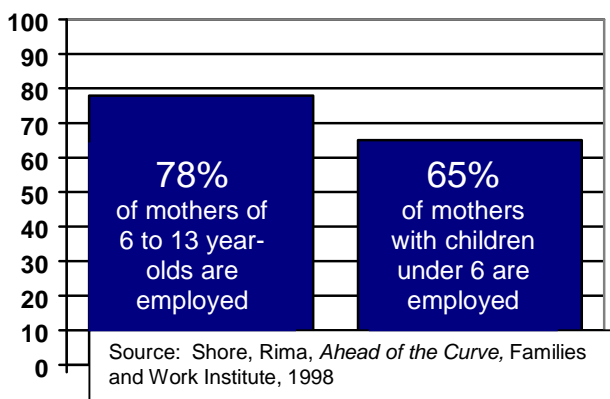




It's Good Business to Invest in Child Care

In light of current economic trends and changing workforce demographics, many businesses are concerned about child care. Employers are getting involved in child care issues in a wide variety of ways, including supporting community initiatives, offering information and referral services, providing subsidies for employees' child care expenses, and creating child care centers. Through these efforts, companies are finding out that it's good business to invest in child care.

THE CHANGING WORKFORCE



- **Families have changed.** In most two-parent families, both parents are in the workforce. More than 10 million workers are single parents.
- Over the next ten years, it is projected that 85% of the workforce will be working parents.
- Women are participating in the workforce in record numbers. Over three-quarters of women who have school-age children are

employed. Sixty-five percent of mothers with children under the age of six are in the workforce. By the next decade, it is likely that working women will outnumber working men.

- **Single fathers also need child care.** 2.1 million workers are single fathers. One in every six single parents is a dad.

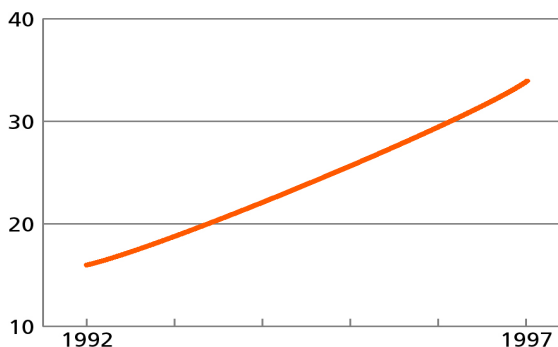
INCREASING WORK-FAMILY CONFLICTS

Many families are struggling to balance family and work while providing their children with quality care.

- Not only are more parents going to work, they are also **spending more time working**. Compared to 20 years ago, the average amount of time spent on the job has increased by 3.5 hours per week. Working parents with young children are **experiencing increased work-family conflict**. Today's jobs not only consume more time, they also consume more physical and emotional energy.



Employed Parents with Young Children Reporting Significant Work-Family Conflict



EMPLOYERS

- **Companies have to work harder to attract and retain the talent they need** to succeed in a competitive marketplace. According to the 1998 Business Work-Life study, two-thirds of employers find it difficult to fill vacancies for highly skilled jobs and two-fifths have difficulty filling entry-level jobs.
- **Many companies have morale problems**—especially those that have gone through significant downsizing.
- **Companies have to function in a 24-hour global economy.** As a result, more and more jobs require nontraditional work schedules during early morning, late night, or weekend hours.

BOTTOM-LINE BENEFITS

Child care is central to the economic well-being of families, businesses, and communities. According to recent surveys, businesses with child care programs report workplace improvements and bottom-line savings in the following areas:

- **Boosting Recruitment:** Eighty-five percent of employers report that providing child care services improved employee recruitment. About one in three working parents is willing to change employers or trade salary and benefits for work-family programs that fit their needs.
- **Damping Turnover:** Almost two-thirds of employers found that providing child care services reduced turnover. Depending on the type of child care program offered, businesses reduced turnover by 37% to 60%.
- **Lowering Absenteeism:** Child care breakdowns leading to employee absences cost businesses \$3 billion annually in the United States. Fifty-four percent of employers report that child care services had a positive impact on employee absenteeism, reducing missed workdays by as much as 20% to 30%.

- **Increasing Productivity:** Forty-nine percent of employers report that child care services had helped boost employee productivity.
- **Strengthening Your Business Image:** Communities value and support businesses that address the needs of their employees and the larger needs of the community in general. In one national survey, 85% of employers that offered child care programs reported more positive public relations.

By subsidizing care for employees' sick children, an average business with 250 employees can save \$75,000 per year in lost work time.

Source: Johnson, G.W. *Sick Child Care: An Idea Whose Time Has Come*, Presentation at the Emergency Child Care Conference, Indianapolis, 1997.



FUTURE WORKFORCE DEVELOPMENT

An investment in quality child care doesn't just benefit the workforce of today—it's an investment in the work force of the future. Research indicates that high quality care for young children—care that is provided by well-trained staff and includes age-appropriate educational programs—directly affects the productivity of both the current and future workforce.

Recent studies on the brain development of young children illustrate how critical quality care is during this formative period of development.

- Research has shown that early experiences directly affect the way the brain's circuitry is "wired."
- This "wiring" takes place, in large part, during the first three years of life. By the time a child is three, the brain has formed 1,000 trillion connections. This astonishing rate of

development is why young children's brains function at twice the metabolic rate of adult brains.

- This "wiring" process provides the brain circuitry for future cognitive, emotional, social, and physical development.

Quality child care plays a vital role in healthy brain development. Missed opportunities to provide quality care during this critical period of development come with costs. Quality child care is just as important as primary and secondary education in setting the stage for a child's future success. Several studies indicate that high quality child care can prevent social problems such as juvenile violence and delinquency, teenage pregnancy, welfare dependency, and school failure.

COMMUNITY ECONOMIC DEVELOPMENT

Vital communities are essential for strong businesses. Communities with necessary services such as child care are better able to attract and retain workers. Strong communities with thriving businesses also contribute to a healthy economy.

Partnering with the community to find solutions to child care issues is one way to strengthen and support community services. By working to find child care solutions, you are not only serving the needs of your employees, you are helping to make your community a better place to live and work.

Child Care Options Are Good Investments

The 1997 National Study of the Changing Workforce by the Families and Work Institute found that:

- Two-thirds of employers report that benefits of child care programs exceed costs or that the programs are cost-neutral.
- Three-quarters of employers who offer flexible work schedules find that benefits exceed costs or that the programs are cost-neutral.
- Of those employers with family leave policies, three-quarters find that the benefits exceed costs or that the programs are cost-neutral.

For more information, or to create a child care partnership, contact the Early Care and Education Coordinator at:

Santa Barbara County Office of Early Care and Education

- 1 East Anapamu Street
Santa Barbara, Ca 93101
Ph 884-8085 Fax 564-8586
- 218 W. Carmen Lane, Suite 111
Santa Maria, Ca 93455
Ph 739-8740 Fax 739-8747



earlycare@co.santa-barbara.ca.us





Tax Benefits for Employers

Child care assistance provided by an employer is a tax-deductible business expense. You should further discuss the relevant tax laws highlighted below with your accountant and/or tax counsel. You should also explore tax incentives and programs relating to the provision of child care that are specific to your state, county, and/or community.

Business Expenses

Amounts paid by an employer to provide a child care service for employees may be deductible as ordinary business expenses under IRC Section 162 as the services reduce absenteeism and turnover; aid in recruitment and retention of employees; and increase productivity for the employer. Amounts paid by an employer to a welfare benefit fund, such as a Voluntary Employees' Beneficiary Association (VEBA), may also be deductible.

Charitable Contributions

An employer may be entitled to a charitable contribution deduction for donating to a qualifying tax-exempt child care organization.

Capital Expenses

Costs incurred for acquiring, constructing, and/or remodeling a building to be used as a child care center can be depreciated over a thirty-nine year period under the Modified Accelerated Cost Recovery System described in IRC Section 168. Costs of equipping the building can be depreciated over varying recovery periods depending on the type of business in which the center is located and the type of equipment. See IRS Publication 946 for specific depreciation instructions.

Start-Up Expenses

Start-up and investigatory expenses incurred in the development of a new child care center may be amortized over 60 months or more under IRC Section 195. Eligible expenses may include costs for advertising, needs assessments, consultant services, and staff training.

Tax-Exempt Organizations

An employer-sponsored child care center may be established as a tax-exempt 501 (c)(3) organization. The organization providing child care services must apply to the IRS for tax-exempt status. The employer's contributions to the center may be deductible as charitable contributions. However, it is required that the center must also be open to the general public. An employer may also be able to deduct child care benefits provided through a (VEBA) 501 (c)(9).

Dependent Care Assistance Plan (DCAP)

Though primarily a tax benefit for employees, DCAPs also provide a tax incentive to employers. A DCAP is one type of flexible spending account in which an employee sets aside a certain amount each month to pay for dependent care. Neither the employee nor the employer pays income or FICA taxes on the amount used for dependent care if the benefit is offered under a cafeteria plan as defined in IRC Section 125.

For more information on how child care can benefit your business, contact:

The Santa Barbara County Early Care and Education Coordinator

- 1 E. Anapamu Street Santa Barbara, Ca 93101 (805) 884-8085
- 218 W. Carmen Lane, Suite 111 Santa Maria, Ca 93455 (805) 739-8740

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