

9

The Productivity Impact of Employer- Sponsored Child Care

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Although ideally employers should provide child care assistance because employees need help, realistically many firms will not become actively involved with child care unless their ability to attract and retain quality employees is affected by doing so. Child care is one of many items on the corporate agenda competing for scarce company dollars, and it is likely that sustained support will be obtained only if productivity linkages are demonstrated. This paper reviews some of the research on the productivity impact of child care assistance and presents ideas on how companies might measure the impact of programs. It also examines some of the environmental pressures that have made child care a strategic business issue.

Companies have historically viewed child care as a women's issue, and not necessarily a mainstream employee relations matter (Magid 1983). It is clear, however, that the 1990s mark a period of fundamental change in

this approach, with many U.S. employers beginning to view child care as a problem affecting the workplace: There has been a dramatic increase in the number of firms that have in fact implemented some form of child care support. One current study by the Conference Board (1989) indicated that over the period studied more than 4,000 employers in the United States provided child care support, some in the form of financial assistance (50 percent), some with information and referral (25 percent) and some with on- or near-site care (25 percent). These figures do not include such other forms of assistance as support of licensed family home care, parental leave, sick care and flexible work arrangements—which can include flextime, part-time work and flexible benefits. Yet it is important to point out that these 4,000 companies represent only about 1 percent of all U.S. firms (Friedman 1989).

ENVIRONMENTAL PRESSURES MAKING CHILD CARE A BOTTOM LINE ISSUE

A number of environmental forces are fostering increased adoption of child care programs as a means to gain competitive advantage in attracting and retaining employees: (1) growing competition for skilled workers due to predicted shifts in the gender, age and skill mix of the work force; (2) shifting employee expectations; and (3) the predicted shortage in the supply of quality day care (Kossek and Grace 1990).

The widely read *Workforce 2000* (Hudson Institute 1987) and other studies (Schneider and Rentsch 1988) suggest that organizations must adopt human resource policies to help manage demographic diversity if they are going to be able to obtain the best new workers. Specifically, a decline in the overall number of entrants to the work force is predicted between now and 2000, due largely to the decrease in the number of young workers

(16 to 24 years old) entering the labor force over the coming decade (Fullerton 1985). Of the new entrants, about 63 percent will be female (U.S. Department of Labor 1988b). A dramatic increase in single parent and dual career families is also expected, as the traditional two-parent household with only one spouse employed is no longer the norm (Galinsky 1989). Currently about two-thirds of all children under six years of age have working mothers (U.S. Department of Labor 1988a).

In addition, the aging of the baby boomers over the next decade, particularly those who will be between ages 30 and 50, will place increasing pressure on firms to offer benefits that take into account these employees' growing financial responsibilities for their families (Klein and Hall 1988). Finally, the expected increase in high school dropout rates (Hudson Institute 1987) combined with the growing service orientation of many jobs means that it will be increasingly difficult for companies to hire the motivated and multiskilled employees they will want to attract (Schneider and Rentsch 1988).

Like work force demographics, employees' expectations are also changing. Today's worker wants his or her employer to offer more than just a job (Lawler 1986). The worker wants to work for a socially responsible company that recognizes (even values) the importance of home and family and personal time.

Yet, as public policy scholar Alice Cook (1989) observes, the United States has been conspicuously slow among advanced industrialized countries in developing national child care policies, despite the fact that national experts (See Friedman 1989) contend that the shortage in the supply of quality child care is very real. Since government hasn't moved in to take up the slack in dealing with these concerns for child care—namely addressing the problems of quality and supply—many employers will

sponsor more options in order to address their employees' unmet needs and also to enable them to be viewed as the *employer of choice*.

RESEARCH IS SCANTY

Unfortunately, empirical evidence on the productivity impact of child care is scanty, partly because the adoption of child care assistance programs is still a relatively new phenomenon and partly because of poor research design. Many of the studies that have attempted to measure the effects of assistance have had serious flaws in design. It is difficult to prove that a drop in absenteeism occurred because of the addition of an assistance program if there is no data on the firm's natural absence rates prior to adoption, for instance, and few firms collect baseline data before the adoption of a child care program. As a result, we don't know what the level of absences due to child care were prior to their adoption of assistance program.

In addition, the human resource management policy area has only recently started in earnest to try to quantify the value added to the firm from its activities. Like many other personnel activities, the direct behavioral effects from child care assistance are difficult to measure because the assistance may be influenced by external forces that are not necessarily linked to the program. In particular, it is difficult to isolate the impact of one particular program from that of other human resource policies. In one study of the performance impact of using an on-site child care center in a firm, for instance, the firm's human resource policies helped in effect to mask the impact the center had on employee behavior because a substantial amount of absenteeism was already built into the personnel system. This company had a very liberal policy of five weeks of paid time off for vacation and sickness combined, but we only knew from the firm's records that the

employee took leave from work. We didn't know whether the absence was for child care reasons.

Besides the lack of baseline data and the difficulty in measuring the direct effects of child care programs, another problem with some of the studies is the lack of good matching between employee control groups (those not using the program) and experimental groups (those employees taking advantage of the assistance). It is important in any productivity study to make sure that the control group, say the nonusers of the center, is not systematically different from the experimental group, say the users. In one classic study, the user groups included many more single parents and employees in lower paid jobs than the nonuser group (Krug, Palmour, and Ballasai 1972).

This problem of bias in comparison groups can be minimized (those employees who use day care being systematically different from those who do not—i.e., including more single parents and more dual career families) by including the same bias in the comparison groups. It has also been suggested, for example, in some of my interviews with child care experts, that employees in the lowest paid jobs cannot always afford to use an on-site center. In one study of an on-site center, therefore, I am viewing the on-site center waiting list as the control group and the users as the experimental treatment group. Both groups want to use the center and can therefore probably afford it; thus they have similar biases. These employees are also more likely to be in single parent or dual career families and similar jobs than employees who have no interest in the on-site center.

Another way to deal with both the sample matching problem and the need for pre- and post-program data is to collect confidential baseline data on the impact of child care responsibilities on individual employee behavior prior to the adoption of the program. Then you can survey

the same employees again after the adoption, and match the pre-assistance and post-assistance employee behaviors for the same individual employees.

Despite problems and methodological flaws, however, research evidence on the negative impact of work-family conflict on productivity is expanding. As reviews by Miller (1984) and Friedman (1989) indicate, the research can be grouped into three categories: (1) studies about employment behavior of females, (2) literature on the general effects of child care problems on work behavior, and (3) research about the impact of employer-sponsored care on absenteeism, turnover and other behaviors.

RESEARCH ON THE EMPLOYMENT BEHAVIOR OF FEMALES

Studies examining the demographic variables that are significantly related to the impact of children on productivity have generally found the employee's gender to be the most important factor (Galinsky 1989). Despite the increased participation of women in the labor force, a literature review by Gutek, Repetti, and Silver (1988) notes that employed women still perform the majority of child care tasks (Pleck 1985); are more likely to be directly involved with care arrangements (Anderson and Leslie 1987); and are more apt to stay at home with sick children than employed fathers (Northcott 1983). Although there is a growing interest of fathers in child-rearing matters, Couter (1984) notes that society still sees child care as primarily the responsibility of women. Googins and Burden (1987) found in one study that female employees assume greater responsibility for child care, regardless of the age of the child.

Employed mothers are also more likely to experience role conflict spillover from family to work and vice versa than employed fathers. (Historically, the research on

stress was based primarily on men and, as a consequence, tended to view stress as coming mainly from the pressures of the workplace and spilling over onto home. Now the literature is beginning to take note of stress from the other direction, that home responsibilities can spill over and cause stress at work. Researchers Lewis and Cooper (1988) and Jick and Mitz (1988) have found that female employees tend to have greater preoccupation with family matters, for example, and experience more interrole conflict and overload than male employees. Similarly, other studies have found that both married and single female parents spend more time on child care responsibilities than their male counterparts (Pleck 1985; Googins and Burden 1987). When both parents in families with young children work, employed mothers decrease their time spent in household chores rather than in child care (Bernardo, Shehan, and Leslie 1987). In contrast, fathers in dual career families do not spend significantly more time on child care than employed fathers in single-earner families (Nock and Kingston (in press)). Typically, men are expected to allow work to interfere with their family lives, while women are expected to allow their family lives to interfere with work (Pleck 1977). Research shows that having children impedes the career advancement of women due either to career interruptions and temporary departure from the labor force or lowered job responsibilities (Lewis 1986).

How do child care problems and increased work-family conflict translate into productivity-related behavior? They can have a negative effect on employee attitudes such as through higher stress at work (Gutek, Repetti, and Silver 1988), role conflict or overload (Pietromonaco, Manis, and Frohardt-Lane 1986) and lower job satisfaction and commitment (Sexton 1977; Magid 1983; Burud, Ashbacher, and McCroskey 1984). Child care issues can also contribute to behavior ranging from absenteeism (Brooke and Price 1989) and tardiness (Magid 1983;

Burud, Ashbacher, and McCroskey 1984) to turnover (Hock, Christman, and Hock 1980; Curry et al. 1985).

Absenteeism, Job Satisfaction, Turnover

Research shows that women in general take more sick leave than men and that married women take more sick leave than single women (Miller 1984). National research studies also consistently show that working mothers are absent more often than working fathers (Klein 1986). In general, the absence rate for women with young children is nearly double what it is for men with young children. Women with young children also have lower job satisfaction than women without young children (Sexton 1977). Studies have also found that more women than men change jobs or leave the job market because of family responsibilities. One study of a sample of employees in California, for example, found that of terminations initiated by employees, 11 percent of all female-initiated terminations were due to "family reasons," while only 2 percent of male initiated terminations were (cited in Galinsky 1989). The costs of such terminations to employers of course include the costs of replacing workers, of training newly hired workers, and of reduced productivity until the new workers become as productive as the experienced employees.

Some authors believe that these differences "in absenteeism and job satisfaction could be explained by lowered attachment to work or need for wages among women with employed husbands and the likelihood that women with children held poorly paid low-prestige jobs" (Miller 1984). However, even if such a belief were correct in the mid-1980s, it is likely to soon be "dated," given the recent shifts in the labor market. Although it is difficult to prove that lowered job satisfaction or increased turnover and absenteeism of females are caused by problems with

child care arrangements, child care clearly seems to be an important factor to consider.

THE EFFECTS OF CHILD CARE PROBLEMS ON WORK BEHAVIORS

Most of the literature on work-family conflict has focused traditionally on individual psychological variables associated with an employee's (often a female employee's) emotional state or well-being (cf Kopelman, Greenhaus, and Connolly 1983; Wiley 1987; Gutek, Repetti, and Silver 1988). Only recently have studies also begun to consider the influence of difficulties in managing child care arrangements or child care problems on work behavior.

One national study at ATT (Fernandez 1987) found that 67 percent of parents stated that child care problems negatively affected their productivity. Another study at Honeywell found that one in four working parents believed that stress caused by child care problems interfered with their productivity (Adolf 1988). This finding has been mirrored by a number of other studies (cf Love, Galinsky, and Hughes 1987; Goff and Mount 1989). The stress caused by inadequate child care arrangements is perhaps best exemplified by what Adolf (1988) refers to as the "three o'clock syndrome" when employed parents "anxiously await news of their school-age child's safe return home." The phone company also reports a rise in the volume of phone calls around 3 p.m. (Adolf 1988).

Research has found that the lack of child care has affected labor market participation. One national study (O'Connell and Bloom 1987) found that if affordable child care were available to them more mothers would work (about 13 percent more mothers with preschoolers and 24 percent more single female mothers).

Research has also found an effect on absenteeism. One recent review of the literature by Friedman

(1989, p. 1436) found that about two-thirds of women and two-fifths of men with preschoolers miss work because of child care problems. Friedman discusses a study conducted at Adolph Coors, in which 55 employees missed an average of 2.6 days per month (or a total of 260 days) in a six-month period due to child care problems: Of the absences (144 days), 63 percent were due to sick children, 28 percent (65 days) were due to a search for child care and 8 percent (19 days) were due to a breakdown in child care. The productivity impact may even be underestimated if one considers that absences need not be for a full day. In one study, nearly three-fourths of all partial-day absenteeism was due to family obligations (Friedman 1989, p. 1439).

Studies also indicate that employees with certain dependent care profiles or child configurations are more likely to have productivity problems. It is theorized, for example (Kammerman 1980), that the juggling of multiple care arrangements is an important negative influence on productivity. Parents may need to set up several care arrangements per child and these plans often are varied and changing. Age of the child also makes a difference. A Department of Labor study found that women with one child under age six were absent nearly 13 days a year whereas women with school-age children were absent only about seven days (Klein 1986). But child care problems and negative work influences can stem even more from the configuration of children's ages among such groupings as infants (below two years), toddlers and preschoolers (two to five years), and school-age children (six to twelve years). A mixed configuration (preschool and school-age) can be more detrimental on productivity than having two children in the same child care age group (cf Kossek, 1990, forthcoming). The number of children also may be a factor. Galinsky (1989) found that women with three children were tardy more often than women with one child, for example.

RESEARCH ABOUT THE IMPACT OF EMPLOYER-SPONSORED CENTERS

There is really very little credible research on the direct productivity impact of employer-sponsored care on employee productivity (cf Friedman 1989; Miller 1984). One reason for this gap is that most employers have chosen not to address child care problems by supporting centers, which is probably the strongest and most direct intervention that an employer can take. Yet a few studies—although flawed by some of the methodological problems noted earlier in this article, such as the difficulty in isolating the effects of child care from other problems or policies and a lack of longitudinal data and well-designed control groups—do exist. Friedman's review (1989) of six studies that were conducted between 1972 and 1988 and that examined actual data on employee behavior (not just perceptions) found that the strongest effect of employer-sponsored centers was reduced turnover for center users over nonusers. Recruitment was also influenced favorably: Center users were more likely to have accepted employment at the firm because of child care and were more likely to recommend employment at the firm to a friend. Absenteeism was not affected by an on-site center if the firm did not have a sick care policy in conjunction with it. Performance quality was not shown to improve, partly because of the lack of variance across ratings in companies' performance appraisal systems. Most employees were rated above average, with little variance at the other end of the rating scales. Consequently, it is difficult to show that performance improves because of child care, although employee morale is believed to rise due to an on-site center.

Aside from these studies, there has been very little other research to date on the direct effects of on-site centers or of the other many forms of support employers can offer. Our knowledge in this area should increase greatly

in the near future, however, as more quality studies become published.

CLOSING SUGGESTIONS: A CHILD CARE STRATEGY

There are several suggestions to keep in mind regarding the adoption or improvements of child care programs. First, it is important to quantify and measure the impact of child care programs because without credible data, financial impact can not be demonstrated and without a demonstration of financial impact, executive support of the program is doubtful. Unfortunately, few firms keep good quantitative records, collect baseline data prior to adopting a program, or to take the time necessary for a rigorous evaluation. Human resource managers fortunately seem to prefer qualitative testimonials on the impact of their activities, which get them only so far in garnering executive support for the next step they desire to take, increasing the size of their center, for example.

Second, it is better for companies not to address child care problems by adopting a single policy. Child care needs change even throughout an single employee's life, as the child ages from newborn to infant to toddler as marital status might change or as job responsibilities change.

Firms that take a multifaceted and flexible approach to work-family issues offer employees help as needed in different stages of their lives, which allows them to affect more employees more of the time. Companies that offer only a single plan will have little performance impact on most of their employees' lives and will have a lukewarm program that merely looks good on the books, but has little impact on the majority of workers. Child care requirements can vary substantially between firms as well as for various employee groups within firms. Therefore, child

care policy cannot be addressed effectively in an aggregate fashion (U.S. Department of Labor 1988b). Firms should strive to avoid the copycat syndrome in adopting programs, or the potential productivity impact of such programs will be diluted. Clearly, requirements vary by firm and industry. What works for Steelcase in the area of child care assistance—a company sponsored family day care network run in a close-knit community—might not work elsewhere. The tight company culture of Steelcase and the Grand Rapids nonunion work environment may be hard to duplicate. Thus, diversity in child care strategy is crucial.

On-site centers may have their most immediate productivity impact on companies with large female labor markets. It is probably not surprising therefore, that hospitals and health care organizations have tended to adopt the greatest number of on-site child care centers nationwide. Quite possibly, the health care industry's generally tight nursing labor market and largely female employee population have made such programs both necessary and worthwhile. Companies in service industries, such as health care, may face greater labor market competition for quality skilled workers than companies in smoke-stack industries. In addition, the corporate state of mind regarding the balance of the potential risks and benefits of child care assistance may differ in health care. As one center director at a hospital remarked, for example, "Compared to the liability insurance needed for surgery and other difficult medical procedures, the liability for an on-site center is relatively minor from a health care institution's perspective" (Conlon 1990).

In contrast, other firms might veer away from on-site care, preferring, as IBM did, to adopt its landmark three-year parental leave policy. This extended leave approach fits with the culture and lifetime employment approach that allows IBM to view employees as long-term fixed assets.

Thus, a firm's productivity will be more strongly affected if its child care program fits with its overall employee relations philosophy and business requirements, and if the company has done a quality needs assessment to determine that a particular program is what employees want and need because their work behavior is being negatively affected by not having this kind of assistance. The specific ways in which a firm's productivity will be influenced by child care assistance may be largely dependent on the nature of its work force's child care problems, whether the company adopts a program that is designed to meet the special needs of its firm and is linked to its business needs, and whether it has access to data that will measure the specific value added from a particular initiative.