Chapter Five

AN EXAMINATION OF CIVILIAN-EMPLOYER CHILD-CARE CENTERS

The military child-care system is by far the country's largest system of employer-sponsored child care and serves the largest percentage of employees. It is also known for the effort and energy the DoD and the Services continuously expend in improving the system and the quality of care the system delivers. Given the DoD's motivation for continuous improvement, we believe that an examination of the ways that other employers, particularly those in the civilian sector, provide child care can offer some useful insights to military planners. In addition, the information we gathered on civilian employers places the data we collected on military child-care costs into a broader context.

Our goal was to highlight how a small number of employers who share the military's goal of providing high-quality, affordable care to the children of their employees have dealt with some key issues that the military has also addressed. These issues include how to decide on an appropriate subsidy level, manage the demand for care, and ensure quality. We also wanted to find out what civilian employers think about the value to their business of providing child care for the children of their employees.

We wanted to gain some insights from firms that operate employer-sponsored child-care centers that are similar in terms of subsidy level and that share the military's concerns about quality. To get a perspective on issues of scale, we also conducted interviews with several large-scale, nationwide contractors that operate centers for some of the employers that are included in our study.

Our requests to visit the civilian centers were met politely but often with puzzlement. We were asked by individuals at several potential civilian employer study sites why people studying the military child-care system would want to interview them, when it is *the military* system that has been widely touted of late as a model for the entire nation. We responded by noting the complexity of our task and the military's desire to continually improve its system. We told individuals at these sites that we were examining military child care within the general context of employer-sponsored care. We further explained that the military was interested in looking at alternative ways to deliver care and believed that it could learn from the experiences of other employers. After hearing our explanation, these employers were very willing to allow us to visit their centers and were open about discussing the rewards and challenges of delivering care to their employees' children. None of the employers we contacted refused to host our visit.

EMPLOYER CHARACTERISTICS

The employers included in this portion of our study vary tremendously in just about every way. Of the seven centers we visited, four are sponsored by private, for-profit employers, while the other three have federal government sponsorship—two have sponsorship from the GSA and the third from the Pentagon, which subsidizes the cost of the center's space and maintenance. The private employers tend to be those whose interest in providing on-site child care is easy to understand: Two are involved in producing items consumed by families—they see their child-care centers as symbols of their commitment to children and families. The other two employers are a high-tech corporation and an advertising agency. Most of these employers became involved in delivering child care on-site out of a perceived need and a sense that the center would provide benefits to both the employees and themselves, and from the wish to be seen as responsive and progressive employers.

The employers we visited are "all over the map"—in large urban office buildings, suburban campuses, and semirural settings. For the four private employers, their centers presented a way to maintain employee loyalty and get "good press" while meeting a need for nearby, high-quality care. The GSA centers, by comparison, seemed to be responding to a real need in the workplace being expressed from the bottom up.

Most of the employers we interviewed generally could be characterized as "employee-sensitive." As shown in Table 5.1, all of the private employers we visited provide their employees with additional lifestyle benefits beside the child-care centers. These employers are willing to put their dollars behind the effort to be sensitive to the needs of employees.

Employer size ranges widely—from an advertising agency with only 70 employees to a firm with 8,500 employees at just one of its multiple sites. Interestingly, the size of the child-care centers bore only a slight relationship to the size of the employers. While the advertising agency had a small center, and the Pentagon center (with a capacity of 202) was one of the largest we visited, the size of the other centers

Table 5.1

Characteristics of Sponsoring Employers

	Number of Employees on Site[a]	Type of Site	Type of Business Enterprise	Other Employee Services
Private Employer 1	3,000	Suburban campus	Private for profit	Gym
Private Employer 2	70	Suburban office building	Private for profit	Gym
Private Employer 3	8,500	Suburban campus	Private for profit	Gym; lactation rooms
Private Employer 4	1,600	Suburban office building	Private for profit	Gym; lactation rooms; lockers
Pentagon	23,000	Urban office building	Federal government	Gym; clinic
GSA Employer 1	642	Urban office building	Federal government	None
GSA Employer 2	708	Semirural campus	Federal government	None

[a]Excludes employees at other locations.

was independent of the size of the workforce.[1] In fact, both of the GSA centers were quite small even though one of them was located in a very large urban office building.

CENTER CHARACTERISTICS

The centers that we visited vary substantially across a number of important dimensions, which are displayed in Table 5.2. Jointly, these ten dimensions define key aspects of each center.

Whether or not a parent board exists is an indicator of the extent to which an employer seeks to involve parents in the development of center policy. In GSA centers, such a board is required, and it plays a larger role in center decisions than do the other parent boards. In particular, GSA parent boards are charged with selecting the contractor that will operate the center.

Staff-to-child ratios are a key indicator of quality. To simplify the comparison, we limit the presentation to a staff-to-infant ratio.

Who the operator is defines to some extent how the center operates: If the operator is a large nationwide company under contract to the employer, one can assume that formal policies, regional oversight, and child-care experience exists. If the employer operates the center, it is more likely that the center reflects the company's view of how to best operate a child-care center.

Whether or not a sliding scale is in place provides some insight on the employer's views concerning access to care.

Sick-child care is a benefit that some employers provide, usually at a separate site. This dimension suggests a fairly high level of financial commitment to child care. Sick-child care generally is costly because it may not be used on a regular basis but must be staffed with at least a few individuals with some medical training.

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[1]The Pentagon is not a military installation; therefore, the CDC at the Pentagon is not under DoD control.

Table 5.2

Characteristics of Visited Centers

	Parent Board?	Staff/ Child Ratios (Infants)	Operator	Sliding Scale?	Employer-Sponsored Sick-Child Care?	Total Center Capacity	Monthly Infant Fee[a]	Employer-Specific Openings?	Hours of Operation	Accredited?
Private-Employer Center 1	No	1:3	Bright Horizons	Yes: four levels	Yes: off-site shared center	100	\$933/ \$782/ \$649; includes lunch and snacks; \$25 monthly diaper fee	"Gift Night" one time per year	7 a.m.– 7 p.m.	Yes
Private-Employer Center 2	No	1:3	Employer	Yes	No, but employer pays for supplemental care	23	\$440– \$880; includes lunch	None	8 a.m.– 6:30 p.m.; shorter hours and full employee benefits help in staff recruitment	Beginning the process

Table 5.2 (continued)

	Parent Board?	Staff/ Child Ratios (Infants)	Operator	Sliding Scale?	Employer-Sponsored Sick-Child Care?	Total Center Cap-acity	Monthly Infant Fee[a]	Employer-Specific Openings?	Hours of Operation	Accred-ited?
Private-Employer Center 3	Yes	1:3	Knowl-edge Learning Centers	No	No	204	$790; tuition (lunch and snacks included) must cover staff salaries	"Parents Night Out" two times per year	6:30 a.m–6:30 p.m.	Yes
Private-Employer Center 4	No	1:3	Bright Horizons	No	No	88	$785; staff salaries absorb 110 percent of fee revenue; lunch and snacks included	Annual trade show: for two weeks open until 9 p.m.; employer covers additional costs	6:45 a.m–6:45 p.m.	Yes

Table 5.2 (continued)

	Parent Board?	Staff/ Child Ratios (Infants)	Operator	Sliding Scale?	Employer-Sponsored Sick-Child Care?	Total Center Capacity	Monthly Infant Fee[a]	Employer-Specific Openings?	Hours of Operation	Accredited?
Pentagon Center	Yes	1:4	Aramark	No	No	202	$774	None	6:30 a.m– 6 p.m.	Yes
GSA-Employer Center 1	Yes (required)	1:4	National Pediatric Support Services, Inc.	No	No	53	$725; tuition covers staff costs and supplies; excludes food	None	6:45 a.m– 6 p.m.	Yes
GSA-Employer Center 2	Yes (required)	1:3	Parent Board	No	No	55	$703;[b] tuition must cover staff costs	None	7:30.a.m– 6 p.m.	Yes

[a]At some child-care centers, center employees may purchase care for their own children at much-reduced rates. Those reduced rates are not listed here.

[b]Fee for federal employees. Nonfederal parents pay a higher sum.

Total center capacity provides a quick measure of scope, and when compared with the number of employees on site (see Table 5.1), it may be suggestive of the availability of care.

The monthly infant fee is a shorthand way of comparing centers and understanding how that subsidy is used—whether it goes to reduce parent fees or to increase center resources (of course, employee populations vary in their capacity to pay; this may be a major factor in how those fees are set).

Employer-specific "openings" are those times when the center is open beyond regular hours. We collected those data because we imagined that this might be a case when an employer derives some clear benefits from having an on-site center. For instance, one center extended its hours while employees prepared for a yearly industry trade show.

Hours of operation indicate how long the center is open each day. Of particular note is whether the operating hours allow some flexibility for parents in their working hours.

Whether or not a center is accredited is generally regarded as one index of the quality of care.

We had also hoped to calculate a subsidy level for each center but were unable to do so because of lack of access to the necessary data.

In the following subsections, we discuss these dimensions in more detail.

Management of the Center

This center characteristic depends upon whether an outside contractor runs the center or the employer runs the center directly. In the latter case, child-care center staffers are company employees; they typically receive the same benefits as other employees, which makes the position more attractive to potential staff.

By nature of our selection process, five of the seven centers we visited are operated by a total of four contractors (one company in our sample operates two centers). Each of the contractors is an experienced provider of child care, both on a contract basis with employers and as an operator of community-based centers. According to the employers' representatives, the decision to bring in a child-care operator was an easy one to make; the option of running the child-care center themselves was never considered.

Interestingly, in the case of the single employer-run center in our study (the child-care staffers are company employees receiving the same benefits as other employees), the decision to run the center was never formally made. The center simply grew out of efforts by the company founders, a married couple, to deal with their own need for care for their children. For reasons of equity, the founders decided that others should also be able to bring their infants to the work site as they had done and receive care for them on-site. Over time, an informal effort developed into an established center.

The employers who hired outside contractors to operate their centers did so for two reasons. First, the employers did not want to be diverted from their core business to take on the operation of a child-care center. Second, the employers wanted to create some distance between themselves and the centers. An HR person at one of these employers said, "We made the outsourcing decision because others are more knowledgeable [about the child-care business] and we didn't want to assume the liability." However, according to a representative of one of the management companies we interviewed, any reduction in liability is illusory: "The employer is always liable even if there is an operator in there. If someone sues, they will go after the operator but will also go after the employer. The major benefit of bringing in an operator is that the corporation doesn't have to deal with day-to-day issues, such as an incident when one child bites another."

For all employers who contracted out care, doing so meant that employees were less likely to call HR with questions about center policies, or to express their dissatisfaction with their position on a waiting list, or to complain about the way a particular incident at the center was handled. One HR representative said, "Care-center operators are professionals. Their procedures are informed by their knowledge of children. It's not just [an employer] coming up with some arbitrary policy."

None of the employers we interviewed expected that outsourcing would save them money. Most noted that the company managing the center needs to make a profit, and this profit must be included in the employer's costs. Sometimes, the costs associated with contracting out center management to a large national operator can be reduced somewhat by the savings gained through regional management and use of a standard curriculum, in which case, costs are amortized across many centers. Said one HR person, "[The company] never thought that we would save costs by contracting out. We made the outsourcing decision for other reasons." The administrator of a management company echoed this view: "Outsourcing may not result in any real financial savings to the employer."

Even if employers cannot avoid liability, it certainly seems that they can place some distance between themselves and the provision of care by engaging a professional child-care center operator. The director of the one employer-run center we visited told us that she often has to address complaints about policies that go unquestioned in the professionally managed centers. For example, that center, like many others, has a policy that heavily penalizes parents who are late in picking up their children at closing time (in this case, the charge is $1 per minute). Company employees frequently protest the policy, arguing, for instance, that it is not their fault that their boss who works in the same building keeps them past closing time.

Employing an outside contractor that runs multiple centers benefited caregivers in important ways. In some cases, because of the large numbers served by the contractors, caregivers were enrolled in benefit plans that were more generous than if the contractor had run just a single center. In the case of one contractor, its national focus allowed caregivers to receive promotions within the company that might not otherwise be possible, which also increased retention.[2]

In several cases, involvement with a multicenter contractor also reduced the costs associated with curriculum design and implementation. The contractor in these cases provided a curriculum that was used in multiple centers, so the cost of developing the curriculum

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[2]Although, moving from lead teacher to assistant director, for instance, might mean that a particular caregiver would leave a given center, such a move would not count as turnover.

was amortized over more than one center. This approach, however, was criticized by one of the higher-end center operators to whom we spoke. In the view of that operator, one of the things that keeps caregivers fresh and responsive to a child's needs are that the curriculum and programs are geared to the local community. Standardizing a curriculum leads to less parent and child satisfaction and more staff turnover because staff members may feel that they have little or no choice in what they offer to children.

Several contractors provided regionalized oversight systems, in which a regional administrator is responsible for the quality and safety of a number of centers in a geographic area. A staff member in one organization that uses this approach argued that an administrative system such as this allows quality-monitoring procedures to be conducted at less cost to the center. It also provides a mechanism for preserving and disseminating information about successful care practices or management techniques. In addition, regional administration enables a staffer to travel to a given center promptly if his or her presence is urgently needed.

In all cases, center directors told us that they valued having a large organization behind them. One director, who had lengthy experience running a community-based center in a church, told us that having a well-known, well-regarded operator behind her provided a "measure of comfort" that was lacking when she was running a center on her own.

The administrator for one of the care-center management companies noted another benefit of bringing in a management company: It is relatively easy to replace that company if the employer becomes dissatisfied or wants to change its program. "They know that they can fire us at any time," the administrator said. "Companies really like that aspect." Interestingly, no center director or HR person brought this up as an advantage to using an outside contractor, probably because there had been no turnover in care-center management companies except at one of the GSA centers. In that case, the turnover had been relatively uneventful.

Costs and Cost Sharing

This dimension of center characteristics involves the nature of the subsidy provided by the employer to the center. When an employer determines that it will provide on-site child care, it is generally understood that this provision will not be a break-even undertaking. Indeed, a key characteristic of employer-sponsored child care is the subsidy that flows from the employer to the child-care center. Employers provide such subsidies for many reasons, including polishing their image as a family-friendly company, reducing absenteeism and turnover, and aiding recruitment. Providing such a subsidy raises complex issues for an employer. The fact that this subsidy will actually be enjoyed by only a small number of families could become an issue. Moreover, as employees without children have become more vocal about the inequity they perceive in the provision of benefits, the fact that the child-care subsidy goes only to employees with children could be a sensitive issue (Belkin, 2000).

Given that a subsidy will be provided, a number of questions arise: How much should it be? On what basis should it be provided? Should the same level of subsidy be provided to every family who uses the center? Or should those families earning less receive more?

The levels of subsidy provided to the centers we visited ranged widely. Interestingly, not all employers were able or willing to provide us with an exact number. Although in the minority, these employers essentially believed that they had made a commitment to high-quality care and were prepared to spend as much as it took to deliver it. At the more-modest end, in terms of subsidy levels, the two GSA centers provided a building and its utilities and maintenance, and little else.

The GSA does have some funds available for purchases of major equipment designed to last more than one year, and in recent years has been able to fund most of the items on its 113 centers' lists of necessities. Indeed, the GSA has been encouraging its centers to think bigger by urging them to buy higher-quality equipment that will last longer rather than buying the cheapest version of whatever they need. The GSA has also taken to buying critical items in bulk, such as latex gloves for diaper changing, which enables the GSA to obtain these items at considerably lower cost. This is one approach to subsidy that builds on the enormous size and buying power of federal agencies. In addition, one of the two GSA centers we visited receives some in-kind support from its own federal agency in the form of office supplies and furniture from the agency's warehouse. Overall, subsidies from private employers are more generous than subsidies from the government, although most employers do attempt to keep subsidies under control.

All employers subsidizing child care for employees face the competing objectives of controlling costs, ensuring quality, and providing widespread access to care. Many private-sector employers have decided to sacrifice the goal of widespread access in the interest of cost control and maintenance of quality. This is quite different from the DoD's emphasis on access.

Of course, there are ways to control costs without sacrificing quality or accessibility. One employer, for example, creates a supplies fund each year that the center director can use to purchase whatever items are needed. The employer also provides ongoing staff training and development plus an independent consultant on health and safety. This, in addition to the facility and its maintenance, constitutes the full subsidy. Along with this subsidy, this employer requires that fees be set so that they cover personnel costs, something that would obviously have to happen anyway if the subsidy fund could only be used for supplies. Initial fees were set at a level that made them affordable to the mid-level worker. In an effort to keep fees affordable, fee increases must be approved by the employer and are linked to the average wage increase for that year. This employer's HR staff told us that the employer has made it clear to the child-care center management company that the employer will not "bail out" the center if the management company has difficulty operating within the constraints just outlined. What this means, of course, is that in running the center, the management company assumes the risk that it may receive no profit whatsoever if expenses exceed the combination of parent fees and subsidy.

Some of the more-generous, profit-generating employers provided more-generous subsidies to their centers. In one case, the center has been given carte blanche to use the employer's support systems, including photocopying and ordering of supplies. This means that the supply budget, which is agreed upon each year, can be dedicated to the purchase of child-care related items not available in the corporate stores. Another employer, as we were told by the center director, "was going for a showpiece." Consequently, there was virtually no ceiling on expenses. The director of this center also said that, with regard to operating costs, the center has never been questioned. This latter employer is one with "deep pockets" and interviewees at every site made it clear to us that they were definitely not in that category.

In addition to the issue of generosity in providing a subsidy, there is also the issue of risk. In the case of both of the centers just mentioned, the contract with the employer is a "cost plus fee" arrangement. The employer covers the difference between parent fees and operating costs, and also awards the contractor a management fee (profit). Under such an arrangement, the employer, rather than the contractor, assumes all the risk. If costs are higher than expected, the employer pays more.[3]

The issue of risk is a particularly salient one with the GSA centers, according to GSA staff. As noted earlier, the federal subsidy is limited to the building and its maintenance (with an annual equipment fund of an unknown size); the GSA does not guarantee management fees to the management company. Consequently, said one GSA staffer, "This practically guarantees that the first year of operation will be a loss to the company, since there are so many things that have to be worked out." Naturally, this situation limits the pool of firms interested in managing a GSA center, the staffer further noted.

At all employer-sponsored centers we visited, costs are shared among employers and parents. As a result, the key questions are: How much will the parents pay, how much will the employer pay, and is that total enough to cover the cost of providing care? As revealed in Chapter Four in the analysis of costs at DoD-run centers, the labor cost for child-care providers represents a large proportion (between 50 and 80 percent) of the total cost of providing care. This reality presents significant challenges to employers. Attempts to reduce the amount paid to the contractor will likely reduce wages paid

[3]Much attention is paid to the issue of risk assumption and cost containment in the DoD. But our civilian center visits make it clear that these concerns are not unique to the military.

to caregivers.[4] At the same time, even when caregivers earn low wages and the employer covers the cost of the facility and its maintenance, some employees still cannot afford the cost of care, particularly if the center is providing high-quality care (defined as meeting adult-to-child ratio levels advocated by the NAEYC).

Centers and employers have dealt with these challenges very differently and therefore set their fees quite differently. One employer very consciously sets parent fees (in consultation with the center director) so that the "average" employee can afford to have one child in the center. In this case, because the employer does not guarantee the management company a fee, this decision leaves the management company to figure out how to comply with the fee structure and run the center according to agreed-upon criteria (one of which is that the center be accredited), and still come out with a reasonable return on its investment.

In the for-profit employer centers, employers have attempted to minimize the situation of parents being subsidized through low wages paid to center staff by subsidizing the center staff wages themselves. This has had the effect of increasing caregiver wages and reducing turnover, while keeping parent fees affordable, at least for those employees who are able to acquire a slot at the center.

In the case of some GSA centers, affordability has become a significant issue. The GSA generally looks for four elements to be in place before it decides that a work site is appropriate for a center. First, both employees and management must express interest in having a center. Second, there must be an appropriate space. Third, there must be a large enough employee base to support a center (the GSA has found that 3 to 5 percent of employees wind up using the center). And, finally, the average government service (GS) scale (pay grade) must be high enough for employees to be able to afford the center fees.

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[4]Recent research suggests that caregivers are paid substantially less than people with similar skills and training working outside of the child-care field. By working for below-market wages, caregivers essentially subsidize parents (Cost, Quality, and Child Outcomes Study Team, 1995; Campbell et al., 2000).

But this approach doesn't always work. Said a GSA staffer, "Politics dominate in some places." She described a site in which the first three elements checked out, but the average GS level was so low that it was clear affordability would be a huge issue. But employees at this site, which has a largely minority workforce, felt strongly about having a center and higher-ups did not want to appear to discriminate against their employees by denying them a child-care center. The GSA proceeded, even though its child-care staff knew they were literally constructing a problem for themselves. The center was built and was undersubscribed. Bad feelings were created because fees, which had to cover all costs except facility expenses, were so high that many employees could not afford them. For the GSA, there was no obvious solution. Unlike the private employers we visited, the GSA could not step in to subsidize fees in order to reduce them. This sort of situation was mentioned by an HR person who works for one of the for-profit companies that employs a highly educated workforce, most of whom can afford the fees. "Our fees [in our center] are market-based," said the HR representative, "but in some industries the employees couldn't afford to use the center."

A bill was recently passed that could be helpful to federal employees who find that they are unable to pay center fees. Legislation passed in 1999, which was good for one year and potentially renewable, provided a pilot tuition subsidy program to help federal employees cover child-care costs.[5] Employees of agencies that have expressed a willingness to participate in the program may receive a subsidy for child-care expenses based on ability to pay.

As of October 2000, the GSA Child Care Subsidy Assistance Plan had developed a benefit schedule that considers a family's AGI and the number of children in the family eligible for care. For families with less than $35,000 in AGI and one child, the GSA subsidy will cover annual child-care expenses that exceed 5 percent of AGI ($1,750). According to this schedule, families with more children in care must

[5]Public Law 106-58, Section 643, is designed to help low-income federal employees access affordable child care. It authorizes federal agencies to use appropriated funds ("otherwise available to such agencies for salaries") to subsidize child-care services. This legislation was targeted at other federal agencies that did not already have authority to use appropriated funds in this way. The DoD, as executive agent, has opted not to implement this discretionary authority because it already had in place a child development system, funded partially through appropriated funds.

spend a larger percentage of their income on child care, but they also get a larger subsidy. Families with an AGI between $35,000 and $51,500 are also eligible for GSA subsidies, but must pay more out of their own pockets before they become eligible for the subsidy. For example, a family with an AGI of $40,000 and one child can receive a subsidy on expenditures exceeding 6.43 percent of AGI ($2,572). For a family with an AGI of $50,000 and one child, the subsidy only covers expenditures over 25.25 percent of AGI ($12,625).

The GSA has also instituted parent boards at each of its centers. Each parent board can become a nonprofit board of directors after applying for 501(c)(3) tax-exempt status. The board issues an RFP (request for proposal) to select a management company, with the GSA retaining veto power over this decision. According to GSA staff, the key purpose of these boards is to raise money so that parents in need can receive tuition assistance. However, according to GSA staff members, these boards often resist the idea of raising funds because most board members do not need such assistance. The GSA expects boards to develop a fundraising plan, which may include teaming up with the Combined Federal Campaign[6] run by the Office of Personnel Management. Currently, recycling refunds can be used for tuition assistance, which benefits boards and centers.

Private employers have tried a number of ways to manage parent fees. Two of the employers whose centers we visited have instituted sliding scales for parent fees based on ability to pay. In one of those centers, parents must submit the previous year's tax returns in order to avoid paying the highest fees. In the one employer-managed center we visited, this policy has created tension. Employees eventually find out who is paying more and who is paying less, and have expressed resentment toward those who pay less.

Turning back to Table 5.2, what is perhaps most striking about the fees for these centers is how considerable they are, given the nontrivial levels of subsidization in every case. In all of the centers except one, the monthly cost for an infant (each of these centers levies fees that vary with child age) exceeds $700 per month (using the

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[6]Agencies conduct this campaign annually to raise money from federal employees for nonprofit organizations. The GSA recommends that boards team up with this activity to raise money for their centers.

midrange fee in those centers that have a sliding scale). This dollar figure, according to one HR person, is nevertheless below the market rate in the Los Angeles area, for example. Even in the GSA center that requires parents to contribute substantial time each week as part of its cooperative policy in order to keep staffing costs lower, the monthly fee for infants is more than $700. Moreover, these fees are remarkably similar across centers nationwide. This probably reflects efforts on the part of most centers to base their fees on an annual fee survey and phone calls made to similar centers to find out what they are charging.

The relatively high infant-fee level reflects a decision made by every employer to set fees on the basis of child age so that fees roughly reflect the actual costs of care. However, one interviewee noted that the cost of providing care for infants is many times greater than the cost of providing care for older children. The fee structure by child age in every center we visited does not come close to reflecting the magnitude of the disparity between the cost of care for infants and that for older children. Said one HR person, “The infants are a major cost-loser; we make up for it with the preschoolers.”

A policy that charges parents of infants more than parents of older children seemed only fair to our interviewees. All of them rejected the idea of a single fee or sliding scale that ignored a child’s age. Said one HR person, “Our salaries are comparable in the infant and preschool classrooms, but we are paying out a lot more to care for each infant, and there is no way that the actual costs of care are picked up in the ($700 per month) infant fee.” Said one care-center management company staffer, “Parents need to recognize that it costs much more to take care of an infant.”

The high infant-fee level is also significant because of the heavy subsidization of these centers. Even the least-subsidized centers are given space and maintenance without charge. According to all our respondents, the infant-fee level simply reflects just how much high-quality care costs. Interviewees whose organizations manage both employer-sponsored and community-based (unsubsidized) centers note that employer sponsorship is, as one of our interviewees said, a “godsend.” Said another interviewee, “A lot depends on the cost of rent in community-based centers. It is so difficult to keep community-based centers afloat. Employer-supported centers have better equipment, salaries are higher, and you can offer higher-quality programs."

Indeed, the managers of less-heavily subsidized centers noted that even with the rent and maintenance covered, it isn't easy to provide the high-quality care they strive for within their fee structure. For the most part, these centers manage to provide quality care by doing five things. First, they staff on the high side of allowable child-to-staff ratios (for example, a four-to-one ratio for infants rather than the three-to-one ratio used in the most-heavily subsidized centers). Second, they pay their staff less. As one interviewee well acquainted with child-care centers noted, the big costs are in staffing. If staff can be hired for less money, the difference really adds up. Third, they minimize staff benefits. Fourth, they limit administrative positions. For example, a national provider that we interviewed noted that such things as curriculum design and monitoring are regionalized to save funds. Fifth, they keep close tabs on incidental costs. As the head of one management organization said, "We essentially have to adopt a 'no waste' policy, particularly in unsubsidized centers. This means that we *will* deny a request for a ream of paper if the director has exceeded his or her materials costs, which run about $4.50 per child per month."

CENTER PROGRAMS AND FEATURES

All of the centers we visited, except the employer-run center, were currently accredited (the managers of the employer-run center were just beginning the self-study process during our visit and hoped to become accredited in the near future). Each center, accredited or not, meets NAEYC guidelines with regard to child-to-staff ratios and several even improve upon them. Although there are substantial differences in how the programs are run, and in the availability of human resources and resources of other sorts, it is fair to say that these centers all provide high-quality care, based on a national (NAEYC) standard.

Because the purpose of our visits was not to comment on the individual centers but to contextualize our understanding of military child care as employer-sponsored care, we focused on those aspects of the centers' programs that are most important for an employer-sponsored center. Our focus in this section covers three areas: general quality, unique employer needs that are met through program accommodations, and aspects of a program that may put an employer's needs before those of a family.

General Quality

As we noted earlier, all the centers we visited were high-quality centers based on their accreditation status (all but one is currently accredited). But quality can, of course, vary among accredited centers; there were substantial variations across centers on dimensions associated with quality, such as child-to-staff ratios and staff turnover.[7] We found that child-to-staff ratios in these centers were lower than what the NAEYC suggests.

Interviews with staff of the management companies underscored the enormous value of employer subsidies in enabling centers to provide high-quality care. This view is supported by the findings of the Cost, Quality, and Child Outcomes Study (1995), which showed that the worksite centers in the study sample were providing higher-quality care than the unsubsidized centers. The higher quality was attributed to the centers' being less reliant on parent fees because of funds from other sources. These funds were used to increase staff salaries and benefits, improve child-to-staff ratios, and hire better-qualified staff. Indeed, the RAND research team was impressed by the level of quality and stuck by the relatively high fees necessary to achieve that quality, given that in every case the center was operating rent free and maintenance free.

Employer Motivations, Rewards, and Costs

The nongovernment employers to whom we spoke were clear about the reasons that they had chosen to sponsor on-site child care. For most, the center represented a tool that would convey an important message about the company—that it was family friendly and a place that cares about its employees. As one HR person said, the center

[7]As one would expect, those centers with better-paid staff tended to have lower turnover.

"sends a message about the culture of the company." That message is a very positive one, and, the company believes, attracts staff.

An HR staffer for another employer said virtually the same thing about his company's center: "We want this center to be a showplace for people. Lots of important people come through our company, including senior dignitaries, congressmen, and members of the British parliament."

At one center, we were told a story that obviously resonated powerfully among the staff. Some years ago, the company was trying to lure a high-level executive away from a competitor. The usual enticements had been dangled before this executive, such as stock options and a generous salary, but he was not budging. "Tell me what else you can do for me," he said. Someone remembered that he and his wife had just had a baby. A tour of the company's child-care center was hastily arranged. The recruit was extremely impressed, even when it was made clear that matriculation was not a perquisite that could be provided to him, as enrollments were accepted on a first-come, first-served basis.[8] Despite the fact that care-center enrollment was not offered, he was so impressed with the center that he agreed to accept the company's offer.

The desire to project an image of a family-friendly, concerned employer was manifested in other ways at a number of these companies. Several companies provided workout facilities. One offered insurance coverage to employees' domestic partners (including those of the same gender), then decided to go even further with available coverage. The company now covers one person in addition to the employee. According to the company's HR manager, if an aging parent lives with the employee and the employee takes care of that parent, the parent can be eligible for "extended family member" benefits. Another company has contracted for slots in a center for mildly ill children; each employee has up to two weeks per year of care available in that center.

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[8]All of the centers we visited had waiting lists. We were assured in each case that acceptance into the center was not based on rank in the company but on when a family asked to be put on the waiting list.

Despite the motivation to appear family-friendly, none of the employers to whom we spoke had seriously considered child-care options other than a care center. Most were reported to be nervous about family child care, given the lack of control over what goes on in an FCC home (which echoes feedback heard from military personnel on this topic, as reported in Zellman and Johansen, 1995). The low profile of FCC certainly would not have provided these employers with the family-friendly image that their well-equipped centers provided to them.

When asked, a few employers did note that they had considered the essential unfairness of their current child-care arrangement—huge subsidies for the lucky few families whose children are enrolled in the center and no help at all for the many others who tried to get in but couldn't be accommodated, or who couldn't afford the tuition so they had to look elsewhere. One HR person told us, "We struggle with that [the inequity inherent in providing a heavily subsidized, small center] because we do provide all these dollars for [a small number of] kids and even fewer families. But we could not afford a voucher program to cover all these parents." The HR person added that everyone can pay for child care pre-tax through a flexible spending account—a benefit that all the participating employers provide.

A point not noted by our respondents, but one that is important, is that an employer-sponsored center increases the supply of child care within a community. Particularly in places where an employer commits to providing the type of care that is the most difficult to find and costly—infant care—the employer-sponsored center can be a real help. The center also provides many parents, whether or not their children are enrolled, with an example of a high-quality center. The employer is not only demonstrating its values by communicating to employees that high-quality care is important to the employer, it also provides parents with something that is not always easy to find: an example of what high-quality care looks like.

Several employers noted that a child-care center can also be a powerful employee-retention device, especially for the small number of families who are using the center at a given time. For those employees, a decision to leave the company means that they are forcing their child to change child-care providers. Further, for any new job to be appealing, it would have to more than match the current salary to compensate for the loss of the nontrivial subsidy represented by the center.

For the most part, representatives of the employers that were involved in this study did not report any serious problems with two key segments of their workforce: employees who applied to the center but who could not be accommodated, and employees without children who might resent that money was going to the center for the small number of families using it. This does not mean that employees didn't notice what is going on. But, as one HR manager said, "We don't hear complaints about how this is something the single folks don't use. We do get complaints that the waiting list is too long."

One of the costs of running a center may be found in the time required on the part of the company employee or employees who are the designated liaisons to the center. We asked each HR person we interviewed how much of his or her time was devoted to the center. Most indicated that it wasn't more than an hour or so a week, and that overseeing the center was just one of numerous responsibilities. In many cases, the HR person's job included overseeing all employee benefits; the center was used by only a small number of employees and represented just one benefit in a substantial portfolio of benefits.

It was clear, though, that these HR people did not keep careful records of the time they did spend on center-related activities. This became apparent in the course of one interview during which an HR person initially told us that she spent no more than an hour a week on center-related activities. Later in the interview, she told us that she was in e-mail contact with the center daily and sometimes three or four times a day. Further, she noted, there was a regularly scheduled in-person meeting every two weeks to keep her current on emerging issues and needs. When we noted the apparent discrepancy between the amount of time she said she allocated to the center and the activities in which she was engaged on a regular basis, she agreed that she did probably spend more than one hour each week on the center. It was our sense that center oversight is fairly time-consuming. But, for most, the amount of time spent on oversight had declined precipitously over the years as the centers became established (for instance, the first "biting" incident or the first time a bigwig had been denied a space had been handled). In thinking through the hours they spend on center-related activities, the HR people tended to pick a small number, which reflected the fact that the center was no longer a problem for them and, for some, had even become a source of deep satisfaction.

Interestingly, a few of the centers had begun to provide additional services, but they were more focused on making the balance between work and family easier for employees and not on meeting employer needs. One center, for example, provides a hot take-out dinner once a month for employees when they come to pick up their children. Said the director of this center, "That is one less night a month when the parents have to rush home to make dinner." Another center hosts a "gift night" once a year before Christmas so that parents can shop for holiday gifts while their children are being cared for at the center. This extra service is provided to parents at no additional charge.

Program Accommodations to Meet Employer Needs

One of the reasons that an employer might want to provide on-site child care is that the care can be delivered in a manner that meets unique employer needs. For example, if in the surrounding community there is plenty of care for older children but a dearth of care for infants, an employer might want to make only infant care available.[9] Or, an employer in a community with an adequate amount of child care may want to provide only short-term supplemental (including mildly ill) care, which would enable employees to come to work when their normal child-care arrangements were not available.

Some employers or industries have unique work schedules or operating hours that typical child-care facilities cannot be expected to accommodate. For example, one of the employers included in this study must prepare product for a yearly fair. During the two weeks leading up to the fair, employees put in many additional hours to be ready on time. During those two weeks, the employer keeps the on-site center open until 9 p.m. each evening; the extended-hours costs are picked up by the employer. According to the center director and

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[9]One of the employers in this study considered doing just that but was advised against it. The employer was told that infant programs, by their nature, have a very limited tenure for parents; although initially thrilled at the prospect of infant care, parents often wind up unhappy when they must leave the center and seek other care within a short period of time.

an HR staffer, these extended hours reduce employee stress and also enable employees to work straight through their shifts without having to leave to pick up their children from regular care and drop them off for whatever evening care parents can arrange.

Interestingly, this was the only example of employer-tailored care that we found. It may be because the other employers do not have such an obvious deadline-driven need. Nevertheless, the director of another center told us that she often gets requests to keep the center open later so employees can work later, but these requests are sporadic and do not justify keeping the center open for extended hours.

These observations are consistent with what Zellman and Johansen (1995) found in their first study of military child care. Despite demands on employees that often include night and weekend work, the military CDCs rarely attempt to accommodate those individual needs. Most directors noted that keeping centers open for extended hours to accommodate individual needs or preferences is virtually never financially justifiable, given that only a small number of families wind up taking advantage of extended-hours care. They note that family child care is much better able to meet such needs. However, CDCs do adjust their hours of operation in response to mission-related needs. For example, at the beginning of the Persian Gulf War, a Marine Corps base kept the CDC open long hours so that employees could prepare for imminent departure to the Gulf.

CONCLUSIONS

Our visits to the civilian child-care centers brought home quite forcefully the central reality of providing child care: It is an extremely costly endeavor. Most of the employers we interviewed were aware of this fact but, for a variety reasons, felt that their companies were ready to assume the considerable cost. One employer that had "backed into" providing child care noted that, in retrospect, a decision to provide care to the children of company employees is a huge and costly decision that should not be made lightly. Nor, said another employer, is it a decision that can easily be reversed down the road. An employer that decides to provide on-site child care has made a serious, long-term, and expensive commitment.

The costliness of on-site child care is revealed in the fairly high fees given the fairly high subsidies. With rent and maintenance covered in every case, and additional subsidies provided in most cases, the parents of infants nevertheless paid more than $700 per month for accredited care in every one of the centers we visited.[10] Fees were high even in those centers with generous subsidies because of a decision to charge fees that were close to the market level to those who could afford to pay them and then use the extra money to improve child-to-staff ratios, increase staff salaries, and in other ways increase the quality of care provided. These fees made it clear just how far unsubsidized centers have to go to stretch a dollar, and how much these centers (and the children) must give up so that they can provide high-quality care while covering the rent and maintenance themselves.

Our findings make it clear that, as a society, we know how to provide high-quality care; it is a lack of funds that stands in the way of being able to do so in many cases. Some parents may be unable to pay enough to get high-quality child care (see Schulman, 2000, for example), or parents or employers may lack the will to devote funds to ensure high-quality care. The availability of an employer subsidy can be, in the words of one of our interviewees, a "godsend." It allows people who could not otherwise afford high-quality care both ready access to that care and the ability to pay for it. The same $700 tuition to employer-supported centers would not provide nearly the same quality of care at a community-based center. Said one management company staffer whose firm operates both subsidized and unsubsidized centers, "Employer-supported centers have better equipment, salaries are higher, and you can provide higher-quality programs." Indeed, the Colorado Cost, Quality, and Child Outcomes Study (1995) found that worksite centers tend to be of higher quality because they are less dependent on parent fees and are able to spend more money on items that increase quality, such as staff wages.

[10]One management company staffer told us that the true cost of infant care was actually higher, around $1,200 per month. One contractor noted that California families have the option of hiring relatively cheap immigrant nannies, so that most California centers cannot charge $1,200 a month for infant care and stay in business. She told us that in the Boston area, for example, the cost of living is more or less equivalent to that in Southern California, but because immigrant nannies are not as plentiful, parents are paying $1,200 a month for high-quality infant care.

But, supplying a building, and the utilities and maintenance to go with it, is not always enough. Said one GSA staffer, "If the government paid just a little bit more, it could make a huge difference in terms of affordability of care for lower-level employees."[11]

Our visits brought into sharp focus the astounding ambitiousness of the DoD's worldwide system of child care. The employers we visited typically were running a single center; by comparison, the GSA runs a total of 113 centers around the country. But that pales in comparison to the DoD's hundreds of CDCs and thousands of FCC homes. The employers we interviewed were helping perhaps up to 60 or 100 families, and in the case of the GSA more than 8,000 families. But these numbers are dwarfed by the numbers associated with DoD child care. Moreover, the decision of employers we visited to avoid FCC because of its limited tractability made the DoD's decision to pursue FCC as a means of providing additional and more-flexible care seem even more bold and ambitious. Nowhere else in this country is there an employer system with a goal of providing high-quality child care at an affordable price to almost all employees who need it.

[11] The 1985 Trible Amendment (40 U.S.C. 490b) allows federal agencies to give child-care providers rent-free building space and to provide services such as lighting, heating, cooling, electricity, office furniture, office machines and equipment, telephone service, and security systems at no cost. No other federal expenditures were authorized under this amendment. Agencies must ensure that building space is available, and that child-care providers place a priority on serving federal employees. The GSA now provides subsidies for their low-income employees under the authorization of Public Law 106-58, Section 643.