



workforce
SOUTHWEST WASHINGTON



THE BUSINESS CASE FOR CHILDCARE

December 2020

STAKEHOLDER ENGAGEMENT REPORT

Companies cannot be successful if their workers lack affordable, accessible childcare. Companies must be part of developing, funding and implementing solutions to the childcare crisis.

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Section 1. Background

As the entity that oversees the public workforce system in Southwest Washington, Workforce SW Washington (WSW) has long been aware of childcare needs of job seekers in the region. Job seekers who seek career transition services at WorkSource frequently need financial assistance to support themselves and their families while they acquire job skills, and childcare has been a substantial need for years. Oftentimes the cost of childcare is so high that limited federal funds are unable to support the need, and job seekers are unable to complete training or pursue a career path that interests them. Further, WSW has found that costs of childcare are so high that it restrains household income and the primary caregiver is unable to fully enter the workforce. Experience demonstrates people often must quit their jobs because they could not afford childcare, and if they were able to find a friend or a neighbor to care for their children at a reasonable rate, they just weren't reliable.

Miriam Halliday, WSW Director of Programs, said about the issue:

"I can recall an immigrant from Haiti, a single father, receiving childcare benefits from DSHS. He came to the US and left his wife behind in Haiti until he had enough money to bring her here. He got a really great job in construction with one of our employer partners. Immediately, DSHS took his childcare benefit away (it was literally after his first or second paycheck). He struggled with private childcare for a while, his employer did what they could to try to accommodate, but ultimately, he was missing too much work and had to quit/was terminated. This guy had the passion and drive to succeed. If he could have had childcare benefits for even a few more weeks, I think he could have made it."

WSW works primarily with smaller- to mid-sized companies in Southwest Washington, as they make up the majority of the companies in the region. In late 2019 many companies were struggling with retention of top talent and requested support from WSW to help them find a solution. As a result, WSW initiated a job retention resource, providing the smaller employers with success coaches to increase job retention among their employees. This resource linked the employees with necessary supports, such as transportation assistance or housing support to ensure that they were able to retain their employment. After a few months, the Retention and Engagement coach reported



that childcare was a significant need among many employees across five different companies. This led WSW to investigate further and develop a small survey for the employees of those companies to gather more information on the exact need.

WSW understands the connection between childcare and workforce. There are best practices across the country for job seeker outcomes when childcare resources and workforce resources are integrated and connected at the local level. A specific example was found in the State of Texas by WSW last year. They found Texas' intentional investment strategy has been showcased at many workforce conferences. WSW has participated in childcare advocacy efforts at the State and local levels to facilitate connectivity between workforce and childcare policy.

Concurrent to this study, the leadership of WSW CEO and the Oregon and Washington State Workforce Board Associations released a Request for Quotes to specifically gather current and historical data on the Texas Childcare + Workforce model. This research will provide Oregon and Washington with additional information on systems-level change to create a more sustainable funding model locally.

WSW is leading business engagement with respect to investments in workforce + childcare models. When business leaders reported their employees had an overwhelming need for childcare support to ensure availability to maintain employment, the need for additional investment in workforce + childcare became clear. During Winter 2019 WSW sent a survey to select businesses to initiate the conversation.

Survey responses and interest from a handful of childcare providers for support pushed the WSW team to take more of a leadership and facilitator role in the local childcare space. At the outset of this project, the following assumptions were made:

1. There were childcare providers in Southwest Washington that worked well together and understood the need clearly.
2. There were competing interests across childcare providers in Southwest Washington.
3. No businesses were championing the effort, let alone regularly involved and participating in discussions.

4. There is a persistent need for additional childcare options and capacity, and many partners were interested in additional ideas and leadership.
5. There were not enough childcare placements available in the region, and there has not been an intentional, equitable approach to placements.

Section 2. Summary

Introduction

Workforce Southwest Washington (WSW) retained Exigy Consulting (Exigy) to assess feasibility and develop a proposed business and financial model addressing delivery of childcare services for an identified population of interest in the vicinity of the Kelso/Longview, Washington area. WSW has been assessing the needs of potential workforce participants who face a “benefits cliff” related to securing employment and losing benefit eligibility through social safety nets, i.e., the adequacy of the wages paid through employment do not offset the economic value of lost benefits, disincentivizing workforce participation.

This effort examines barriers related to workforce participation and seeks to establish community partnerships to ameliorate the impacts of these barriers, ultimately increasing workforce participation and positively impacting economic and social welfare outcomes. Although there are several substantial identified barriers, this project specifically addresses challenges around childcare provision, including available capacity and affordability. Other barriers to workforce participation were identified through this project, including but not limited to:

- Housing affordability
- Reliable transportation
- Domestic violence and abuse
- Access to healthcare
- Language barriers
- Unemployment benefit gaps
- Food insecurity
- Educational attainment and technical skills training



Although these barriers are known to be significant impediments to workforce participation, the scope of this project is limited to the examination of childcare provision and related challenges specifically. Exigy acknowledges the need to understand and address these barriers and, together with childcare provision, their combinatorial impacts on the workforce and general social well-being.

Project Approach and Methods

Exigy developed the scope for this project in consultation with WSW staff who work directly with businesses and organizations affected by the issue of childcare provision and workforce participation.

The scope for this project involves two phases of work. The first phase is predominantly composed of conducting interviews to assess demand for childcare provision, approaches taken by businesses and organizations to address lack of childcare capacity, and willingness of interviewees to participate in developing approaches and models to increase childcare capacity. The second phase of the project involves working with interested parties to develop an operational model for delivering additional childcare capacity. This summary report provides the results of the first phase of this project.

WSW staff involved in this project were:

Name	Title
Miriam Halliday	Director of Programs
Darcy Hoffman	Director of Business Services
Sean Moore	Sr Project Manager - Healthcare
Alyssa Joyner	Sr Project Manager - Manufacturing

A Project Advisory Group (PAG) was assembled for the purpose of vetting the scope, approach, and methods, as well as to periodically review project status and outcomes. The PAG was comprised of:

Name	Title	Organization
Miriam Halliday	Director of Programs	WSW
Darcy Hoffman	Director of Business Services	WSW
Dawn Bush	Community Health and Education Specialist	Kaiser Permanente

Corie Dow-Kramer	Executive Director	Youth and Family LINK
Debbie Ham	Executive Director	Support for Early Learning and Families
Michelle Aguilar	Child Care Aware Manager	ESD 112
Mindy Leasure	Director Head Start/EHS/ECEAP	LCC
Michael O'Neill	Program Manager	Choice Regional Health Network
Christina Monks	Director of Culture & Development	EOCF
Rekah Strong	Executive Director	EOCF
Liz Cattin	Community Health Director	PeaceHealth
Jodi Wall	Executive Director, Early Care & Education	ESD 112
Maka Gibson	Program Officer	Community Foundation SW Washington

WSW staff and PAG members identified and vetted a list of Project Stakeholders – businesses and organizations involved and affected by childcare capacity issues in the Kelso/Longview area. Project Stakeholders were approached to participate in interviews conducted by Exigy, using a set of questions questionnaire/discussion guide developed by Exigy and vetted by WSW staff and PAG members. For reference the questions used are attached to this report as Appendix A.

There were sixteen interview questions: three questions asked about the interviewee’s workforce, six asked about impacts to the organization related to childcare provision, four inquired about financial implications and commitments to a solution, and the final three questions inquired as to individual perspectives, other barriers or issues affecting the problem, and input on desired outcomes for this effort.

Project Stakeholders were selected for interviews based on a few criteria. WSW staff and the PAG identified businesses and organizations with whom there was already some connection. In some instances, Project Stakeholders had previously discussed the issue of childcare provision and workforce impacts with WSW staff and PAG members. Interviewees were prioritized based on location, industry, workforce size, and responsiveness to the invitation to participate. The set of Project Stakeholders are regarded as representative of the local variation in industry type and organization size in order to draw more generalizable conclusions from the project findings. Throughout the conduct of the Project Stakeholder interviews regular meetings were held with WSW staff and the PAG for the purpose of progress updates and where necessary adjusting the composition of the set of Project Stakeholders to increase the sample size and



response rate. The Project Stakeholders, the industries, and number of employees they represent are:

Organization	Name	Title	Industry	City	Workforce Size
City of Longview	Justin Brown	Director, Parks & Rec	Government	Longview	6
3 Rivers Christian	James Murphy	Executive Director	Services	Longview	65
Mac Chain	Crystal Hansen	Administrator/Accounting	Manufacturing	Woodland	31
Cowlitz PUD	Teedara Wolf	Training & Development Specialist	Utilities	Longview	165
Walgreens	Bob Gustainis	District Manager	Retail	Longview	300
Waite Specialty	Chris Wagner	Safety Manager	Manufacturing	Longview	65
RC Transit	Amy Asher	Transit Manager	Transportation	Longview	30
Walmart	Joshua Chatterton	People Lead	Retail	Longview	230
CHHH	Kendra Zern	HR Director	Healthcare	Longview	290
City of Longview	Chris Skaugset	Director, Library	Government	Longview	15
Wilcox and Flegel	Nina Williquette	HR Business Partner	Manufacturing	Longview	390
ITI	Brenda Peterson	HR & Safety Manager	Services	Woodland	26
Prestige Care	Linda Christiansen	Executive Director	Healthcare	Longview	51
PackSource	Daniella Azevedo	Operations Manager	Manufacturing	Longview	49
LifePort	Kelley Foy	HR Manager	Manufacturing	Woodland	200
Koelsch	Benjamin Surmi	Director of Education & Culture	Healthcare	Longview	350
Heritage Bank	Lorie Blain	Branch Relationship Manager	Retail	Longview	14
Columbia Wellness	Cameron Carson	Director of Recruiting & Retention	Healthcare	Longview	160
Life Works	Dave Hill	Executive Director	Healthcare	Longview	280
Express Employment	Lisa Straughan	Franchise Owner	Services	Longview	200
WestRock	William Bundrock	HR Manager	Manufacturing	Longview	900
Cowlitz Family Health	Brynne Beverley	HR Specialist	Healthcare	Longview	215
Industrial Electric Machinery	Ashley Colburn	HR Generalist	Manufacturing	Longview	61
WSU Extension	Jennifer Leach	Program Manager	Education	Longview	3
Sessions Plumbing	Cindy Sessions	Owner	Services	Longview	9
FXI	Kris Crabb	Manager	Manufacturing	Longview	45
Tribeca Transport	Eric Thwaites	Owner	Transportation	Woodland	30
Anderson Environmental	Shay Chelsey	Business Development Assistant	Services	Kelso	55
Columbia River Carbonates	Holly Clearwater	HR Manager	Manufacturing	Woodland	73
AK Accounting Services	Andria Koistinen	Owner	Services	Woodland	11
H&R Block			Services	Longview	100
Big C Industries			Manufacturing	Longview	24

Project Stakeholders were first contacted by WSW staff to introduce the project and Exigy staff. Exigy staff then oriented participants with an explanation of the project, the approach, and a request to schedule a 60-minute interview. Interviews were conducted virtually using videoconferencing software because of the COVID-19 pandemic and public health regulations in place at the time of the project. Interviews were conducted with privacy, and participants were assured of confidentiality with respect to their responses. The findings given in this report are offered as insights without direct attribution to any Project Stakeholder.

Findings

Throughout the interviews with Project Stakeholders, it was clear childcare provision poses a challenge to the workforces of a variety of business types and industries, and there was a general consensus around the need to address this and related challenges collaboratively. Project Stakeholders were unable to detail specific preferred approaches or strategies to address the issue, however. The most commonly cited challenges pertained to childcare affordability and availability. Project Stakeholders recognize addressing issues around childcare will likely impose a cost on businesses and expect a tangible financial return related to investment in a solution. What follows is a summary of responses from Project Stakeholders including common themes and direct quotes from interviewees.

What issues are your employees facing related to childcare?

Affordability

61.3 percent of Project Stakeholders indicated the principal challenge to their workforces securing childcare was affordability.

One stakeholder responded:

“Cost is the biggest issue. Being able to afford, but also availability in their price range. With my team, the two departments I oversee, for one [employee] in particular, childcare has been an issue. One individual has said that she doesn’t know from day to day and week to week if [she’ll] have coverage or not because [she] can’t afford it.”

Another stated:

“The cost of childcare! I have heard people say, ‘It would be more economical for my [partner] to find a second job and me quit!’, which of course is not ideal. Maybe my only competitive advantage in this marketplace is that once people come and start working here, they fall in love with the work. They have a real loyalty. Sometimes to the point where they may be able to make a decision more

beneficial to their family, but they continue to stick through it. But the fact is, childcare costs definitely impact them in a bad way.”

This particular respondent indicated the loss of 15-20 employees over the previous nine months due to school closures, childcare facility closures, or shift changes that complicated established childcare arrangements. They related most of this was due to the COVID-19 pandemic. Based on their employee turnover costs, it equated to roughly \$150,000 to date in 2020.

Some respondents indicated employees are not always looking for long-term childcare. Several cited challenges securing short-term or back-up childcare.

One stakeholder commented:

“We’ve always had issues with people just not being able to afford childcare but find childcare that has opening when you need it. When you find the job and now got to get childcare to get the job, but everyone’s booked and has a waiting list, what can be done? We’re seeing all those issues coming together.”

Childcare providers typically seek the stability that comes from providing longer-term services to a stable base of clientele. The mismatch between this and the shorter-term need for services sought by individuals and families often translates to a greater financial commitment for the individual/family to secure childcare.

Availability

51.6 percent of respondents indicated childcare availability is a substantial concern – meaning finding available capacity at a location and time that corresponds with the employee’s work commitments is extremely challenging.

One stakeholder responded:

“Most of our workers are single parents. What are they supposed to do? How are they supposed to care for their children and stay focused at work when they’ve got ‘Monday Grandma’s watching, Tuesday’s the friend,’ and on and on, and so you have a lot of people trying to figure out how they’re going to keep coming to



work because they've got kids. I know of a couple people around who have said, 'You know, we snuck our kids to work today because we just couldn't find childcare.' We don't know how many times call outs are related to childcare, but we do get them, and we know people have this real struggle."

Availability was also influenced by affordability, with employers and employees relating that *"affordable options were unavailable"* at the time of searching. 58.1 percent of stakeholders said that their employees faced both availability *and* affordability issues simultaneously. Additionally, respondents indicated that short-term childcare needs are lacking.

One stakeholder stated:

"Episodic childcare issues, where maybe you have a plan, but then that falls through or has an illness breakout and now you can't bring your kids to daycare or school. So, you just need to find something for a couple weeks until they go through a sanitation or quarantine process. That's a real issue. A real challenge."

Respondents indicated that childcare needs are highly dependent on type of schedule or shift configuration. Medium and large organizations which follow a typical business operating day schedule were nearly one-fourth as likely to experience childcare challenges. On average only 6.7 percent of their total workforce has been impacted by childcare issues in the last 24 months compared to an average of 26.1 percent of those who performed shift work in similarly sized organizations.

One respondent replied:

"The biggest issue that gets reported to me is that when we hire an individual, they get a schedule and work their childcare around that schedule, and then as we, as an employer who works around [clients'] needs, if we have to adjust those schedules, it throws a real hardship at them to now have to adjust their childcare. People that accept the job are people that know the schedule and work around that. And I think they can manage that to gain employment, but as they continue in employment and that schedule changes, that's a real difficulty. So, that's something that we've tried as a management team to be really sensitive to, but, unfortunately, business dictates the schedule."

Another stated:

“Availability! When we look at any organization that has extended or 24-hour service, a lot of individuals working swing shifts won’t have [childcare] coverage on a swing shift. They’ll only have coverage for the daytime. And that becomes a real issue. Maybe they can get coverage for their children up to a certain point, but then at whatever time if there’s a gap between one parent and another, that time gap has to be covered and providers charge additional fees and that might put childcare out of their budget. So, availability of what service [is offered] is a big issue. And then obviously cost. Most individuals who can’t afford to do this on a daily or weekly basis, their number one is being able to care for their family, and if childcare is not in the budget, they have to make alternative plans.”

Respondents indicated that shift workers who work outside of the traditional operating hours of a childcare facility are unable to take advantage of those services, regardless of pricing and potential affordability.

One stakeholder commented:

“Childcare hours are a problem. Our [offices] close at 7pm which is challenging to find childcare open that late. Some other businesses have been able to work with their staff on scheduling, but this creates a domino effect in our [organization] and leads to other unintended consequences.”

Another stakeholder related this story:

“We allowed one staff member to adopt a custom start time to their shift. It was only a delay of a couple hours, which seemed innocent at the time. But as time went on, we realized we were being short-staffed during those early morning hours and double staffed later in the day and we were simply unable to justify the cost of double coverage for those employees.”

They stated the need to return that employee back to their original shift, which they admitted, “would have most likely resulted in that employee leaving” due to childcare, or “reducing their shift hours later in the day” to reduce overtime during the shift

overlap later in the day. In either case *“it was going to result in a reduction of take-home pay for the employee.”*

One stakeholder stated:

“As far as how many childcare options there are, the biggest hole is the after 6pm window. There are more opportunities for work outside of the regular business operating hours than there are availabilities for childcare. So, it wouldn’t do any good to create a program that was only open during those [regular] times.”

Another said:

“A lot of retail businesses are open after 6pm. That’s the biggest need I see. The nighttime, overnight, after hours jobs that are plentiful and give opportunity to provide for your family but are not within reach to the typical person that has the barrier of childcare, and even perhaps compounded by transportation and housing issues.”

Location

Some respondents indicated the location of available childcare services for employees presents challenges. This is connected to another barrier facing some employees: *reliable transportation*. Several respondents indicated that employees are increasingly without reliable personal transportation, driver’s licenses, or live where public transportation does not provide service reliably and frequently to meet needs. This compounds employee challenges with childcare when affordable and available options are not within their current commuting routes and patterns.

One stakeholder stated:

“Living in South Kelso I know of the lack of childcare in that area, because there’s only one daycare in that area, and many mornings there were kids just standing outside of Wallace [Elementary] because parents had just dropped them off to get to work. So, I think there needs to be some consideration for kids’ safety.”

Another stated:

“We have no sidewalks in South Kelso. I know a mom down the street with a 3-year-old son, and every day when I’m driving to work, I see her with her little son walking him to daycare. They have to walk on the street because there’s no sidewalks. That makes me think ‘Why can’t daycare come pick him up at the front door?’ so mom doesn’t have to walk him down the road and help cut out that safety concern. So, I think that could be better. There’s so many people that live down there that don’t have a car, which complicates it more.”

How many in your workforce are affected?

Total workforce representation among all stakeholders interviewed is in excess of 4,400 employees. Of that, stakeholders reported that on average 18.4 percent have experienced one or more challenges with childcare in the last 24 months.

Those most affected were shift workers (20.8 percent) in healthcare (31.6 percent average of total) and manufacturing (13.8 percent average of total).

How do the issues affect productivity?

Respondents were asked if these issues were present before the COVID-19 pandemic or if they arose due to business impacts and changes because of the COVID-19 pandemic. 61.3 percent of all stakeholders responded that childcare was a challenge prior to the COVID-19 pandemic.

One stakeholder stated:

“Absolutely. It’s just gotten worse because there’s less offerings, less places that are open, or they only accept so many children, or they’re facing closure. And not only that, all the schools are out. So not only are you looking for kids under 5, now you’re trying to figure out kids 5-12. It’s definitely gotten a lot worse.”

Employers indicated absenteeism and/or tardiness as the principal productivity-related challenge, with one stakeholder stating:

“Absenteeism or tardiness is one of the major issues. Not having enough people to deliver on our promises is a killer.”

Another stated:

“When someone can’t come in because of childcare, whether it fell through, or the facility is shut down, we’re still paying for that expense. We’re paying for the employee to be out of the office by paying sick leave or PTO, plus we’re missing out on revenues from their work. So, it’s a double loss. For our service lines, people have to be working with clients to generate revenue. It’s 95 percent of our business!”

Additionally, employee distraction related to chronic and acute childcare issues was related as a common productivity concern. A few stakeholders shared:

“We run a pretty tight ship. If they can’t be here, it is that much longer customers have to be on hold for service calls, that much longer it takes for implementations and setbacks. It can definitely affect the day to day because we’re running a pretty small [customer service] crew.”

“With the lack of childcare and the lack of places that you can take your children, whether it’s day centers or kids camps or summer camps or things like that, if those are shut down the child doesn’t have the social interaction they would necessarily normally get if they’re in a group setting. So, what you now have, when it comes to productivity, is exhausted parents because they don’t have a place to offset that respite. You get a different kind of burnout for parents having to manage their children all day long.”

“Our staff are wonderful, but they’re also human beings. If they’re having a childcare issue, and they’re on shift, it’s not like they can just leave the shift – sometimes we can accommodate – but we must maintain our staff for health and safety reasons. We try to make arrangements, but we definitely see an impact as an employer because you might not be getting undivided attention, you can

never predict when issues might arise and then how to deal with it. It does create a negative impact on the quality of services we're able to provide our clients."

"It definitely impacts the ability to provide excellent care when we don't have enough staff to do for the normal work. So, for example, if we have 8 [patients] per team member, and all of the sudden we can't have enough team members come in, and everybody's busy and short and watching their kids and nobody can come in, well now maybe you're taking care of 20. So just think, right, you've got two hours to get everyone to the bathroom, and you've now got 20 people to do that for versus just 8. I mean, that's definitely going to impact the quality of care."

Are you experiencing issues relating to recruitment or retention?

41.9 percent of stakeholders stated childcare has impacted recruitment or retention, with the majority of those stating that retention was the bigger of the two issues.

One stakeholder shared this example of the employee retention struggled, which other stakeholders similarly echoed:

"Individuals in a lower wage earners category have a much harder time with [retention] simply because, one, being able to pay them what they need to survive is difficult and they'll turn around, and if they've got an employer that's going to pay them \$0.25 or \$0.50 more, they're going to jump ship in order to get that small increase. And when it comes back to childcare and they know they have to make X amount more to afford childcare, they're going to go to that other employer. Everyone is fighting for the same bucket of employees."

Another indicated regarding retention and recruitment:

"We literally just had an operation [manager], whose wife works full time, recently decide because of childcare that she wanted to be a stay-at-home mom. And so, because of that, he withdrew from his position. Fortunately, we were able to retain him and move him into a role that fit his new needs, but that opened a gap and a recruitment for us because we couldn't keep him in that role."

That's just one example, but I think the other challenge of that in hiring and recruiting – and this from being out and in the community talking to people – people are afraid to apply for the job. They're afraid if they don't have reliable childcare or they don't know what that looks like or they're not with a company that offers flexibility, they aren't even going to apply."

And another:

"One thing we have seen in the recruiting, and this just actually came up when we did interviews for a swing shift position. We interviewed 7 people and three of them had applied for the position and said they were okay working swing shift to help alternate with daycare. It's so they can be at home during certain times so children don't have to be in daycare."

With the added challenges of shift work, many respondents expressed increased difficulties in hiring for positions.

One stakeholder said:

"We could hire probably 20, but childcare is an issue, especially for night shifts. How do you cover for that? And daytime shifts, too, if they're not able to afford childcare. If you're asking someone to cover childcare that may cost them \$500 to \$1500 a month, in order for them to work, they no longer have a reason to go to work. They're not going to be able to offset enough."

These challenges were not shared by all respondents. A few indicated recruitment has not been an issue. One stakeholder stated:

"As an executive director I don't remember not ever being able to not hire someone because of childcare. I think most people wouldn't be looking for a job until you could find childcare. I certainly have run into situations where the schedules didn't align with childcare and those were challenging, but other than that, it hasn't affected our ability to hire."

Have you quantified the financial impact?



Respondents were asked if they had ever quantified the financial impact of childcare-related issues affecting the workforce on their business: 16.1 percent indicated they had, while 41.9 percent said they would like to be able to now or soon.

As one stakeholder put it:

“No, this company hasn’t done any type of quantitative analysis of this particular issue. But we’d love to see that. It’d be interesting.”

What have you done to address these issues? Have you considered provisions for childcare for your employees in the past?

Most respondents indicated they had not done anything substantive to address childcare for their employees. 48.4 percent stated they have considered childcare options for their employees but have not pursued it further. Hesitancy to pursue solutions relates primarily to perceptions around cost implications.

One stakeholder summarized this common theme among respondents:

“Nothing has been implemented due to liability and cost associated with running a daycare.”

Another stated:

“No, we haven’t. I don’t think our leadership has entertained that idea or benefit. They tend to be late adopters of new benefits, so they tend to say, ‘Okay if everyone else is offering it, we’ll offer it, too.’ But definitely not a ‘leading-edge’ adopter.”

Would you be able to commit financially to subsidizing childcare for your employees?

When respondents were asked if they would entertain a financial commitment to a subsidized childcare model 32.3 percent of stakeholders responded positively, expressing a willingness to commit resources:



“We’d like to work it into our benefits package, offer a stipend or onsite childcare as part of total rewards program. We would be open to learning about new ideas as to how to tackle it.”

Most indicated concern about the cost of the subsidy and its internal justification. Interest in a financial commitment to a subsidized childcare model would require a greater understanding of the cost detail, how it would work, and what the benefit to the business and its employees would be particularly as it relates to fiscal performance.

One stakeholder stated:

“The question about providing childcare subsidy is ‘what is the cost of that?’ What is the cost to the agency? We would have to take a look at that as a part of our benefits package and what does that look like. I believe that if we had that opportunity – to provide something like that – that that very well could be attractive to talent coming in the door. Especially so for those that may have wanted to enter the workforce but haven’t been able to.”

Another indicated:

“We would want to know the cost, the benefit, how many people would actually be interested, and then obviously if it would be feasible. All decisions like that would have to go before the board, so to present something like that you want to make sure there’s a strong message and good [financial] returns.”

Many respondents expressed a high likelihood of hesitation or resistance from business ownership or parent organizations in providing any direct support to any program, regardless of outcomes, due to organization-wide impacts of sponsoring such programs. One stakeholder represents a local office of an international company. During these questions about the probability of direct investment they indicated the difficulty in providing such a benefit or participating in such a program if it was not done across all locations company-wide, stating:

“Our organization is part of a large corporation based out of the east coast. Something like this would need approval from the CEO and it’s not a local level decision that can be made.”



Several respondents stated the actual impact of childcare issues on their business has not been significant, if any impact at all, and that childcare is not yet “*enough of an issue*” to warrant financial investment to address it. These stakeholders, representing approximately 5.5 percent of the employee population covered in this project, stated they have had no instances of childcare issues in the previous 24 months.

One stakeholder stated:

“None of our employees have missed time due to childcare needs. Nor have any of them expressed any concerns with us.”

Another stakeholder commented:

“Most of our employees’ wives or girlfriends do not work so the need for childcare is not an issue for our employees.”

When asked what factors would increase the likelihood of participation in a model or program, stakeholders responded:

- More information about how the program and funding models will work
- Monetary commitment required
- Qualifications and eligibility for services
- Liabilities
- Commitment terms
- Insurance requirements
- Operating costs and break-even points
- Communication and public relations
- Human Resources departmental efforts required to obtain support within the organization

One stakeholder related this widely held sentiment:

“More information and details regarding a financial commitment and how it could benefit [our organization] to invest. If we had more information, [we] could better answer these questions.”

What concerns do you foresee in those commitments, if any?

Inclusivity of benefit

When asked about challenges foreseen in implementing an employee childcare benefit or programmatic strategy stakeholders indicated a concern for perceived equity across the workforce and reception by employees who don't need to avail themselves of such a benefit.

One stakeholder related their company's experience adopting parental leave, illustrative of the inclusivity of benefit concern:

"Let me tell you, I've had that conversation myself! My kids are grown, I have grandkids. The way the company paid for maternity and paternity leave was by taking away certain benefits from tenured employees like myself. So, I lost things like guaranteed medical coverage when I retire. And that was so we could do things like this. Now, ask me if I have a problem with that. Well, I wasn't happy about it, but I can tell you this: I understand why they did it. We're looking forward here and honestly; we have to do everything we can to expand our applicant pool. The only way we're going to do that is by expanding on those perks and those benefits. It helps create a good reason to work for us because we can offer unique benefits. I get it. I know why the company did it. But oh boy, it was hurting. I lost that, a week of vacation, and several other things. We did all this so we could pay to help attract more of the younger generation workers."

Some stakeholders expressed concerns that employees who don't need the benefit may want compensation in lieu for equity reasons. This is regarded as a barrier to adoption of such benefits. Businesses with workforces covered by collective bargaining agreements have even greater reluctance to pursue implementation of such a benefit because of the complexities of the negotiations process. A working childcare benefit model with demonstrated returns would be necessary to compel and incentivize adoption by these businesses.

What is the most critical goal of this project?



Two interview questions asked stakeholders about critical goals, outcomes, and other barriers. A consistent response was that there needs to be a greater emphasis on awareness of initiatives, projects, and resources available to the community.

One respondent stated:

“Information sharing is a start. Employers may not be aware of ways that an employer can assist with the problem of childcare.”

Several indicated information in the community regarding childcare is not readily accessible or available. While there were a few businesses that had contacts within the community and were able to aid their employees, many stated they felt lost, not always knowing the types and sources of childcare options and assistance available to their employees.

One stakeholder relayed:

“It needs to be identified as a need in Cowlitz County as a whole where employers can be driven to the results and a solution-based approach to create partnerships between [community] leaders and businesses. We’ve worked really hard to partner businesses and education together, but [childcare] could be a missing component. Kids are in daycare before they’re in education, so it might make sense.”

One stakeholder shared their personal experience attempting to secure childcare:

“I have a completely different perspective on childcare now. It is an issue. I don’t know what can be done about it unless there’s more capacity. I just don’t really know about what’s out there.”

Another expressed frustration about the lack of resources to bridge gaps between public assistance benefits and employment:

“I remember when I myself came into the area and I had unemployment and they couldn’t give me any services until my unemployment ran out. Well, my unemployment wasn’t even close to anything that I could use to support myself

and family. Fortunately, I had subsidized housing through the VA. I was lucky! There's a lot of folks that are not veterans or not in one of the critical need programs out there. So, I had to wait until my unemployment was gone before I could get the help I needed to be able to actually get a real job and support my family. So, filling in those holes, those cracks, those places where people are slipping through. Just being aware of it. There's a lot of good services out there, there's just not enough of them and there are holes."

This stakeholder shared a similar view:

"The biggest hope and the biggest takeaway would be finding that niche that fills the gaps in childcare, housing, and transportation, for example. It wouldn't do any good to double up on something someone is already doing. Maybe even a combination of that where folks can have their kids in a daycare facility in the same complex where they live."

Do other barriers exist in your point of view?

Stakeholders were asked about the connectedness of childcare to other social challenges. Although not directly related to the scope of this project (childcare provision), it is useful to understand other factors affecting the workforce that have both direct and indirect effects. Stakeholders shared the following as having either standalone or combinatorial impacts on workforce performance, retention and turnover rates, and productivity:

- Housing affordability
- Reliable transportation
- Domestic violence and abuse
- Access to healthcare
- Language barriers
- Unemployment benefit gaps
- Food insecurity
- Educational attainment and technical skills training

One stakeholder shared:



“Language barriers and cultural respect. When those with various languages and cultures go to see a daycare and there’s no one there that can understand or translate languages and their needs, they’re not going to use them.”

Stakeholders related stories of struggling to provide adequate support and resources in these areas. Several expressed that because of the multifaceted challenges employees are facing, such as affordable housing, language barriers, and childcare, employers are often not aware of the extent of any one burden. While employers may learn of issues with childcare, those could be intrinsically related to other issues and challenges.

One stakeholder stated:

“If housing fills up near where they work and then employees are forced to be out past where buses run and now, even though they may have housing, being able to get to the job and to childcare is the new barrier. There’s lots of little ways people fall through these cracks. And it’s enough of an issue that a lot of people find themselves facing one or more barriers because of how big these cracks are getting.”

Insights from interviews with community organizations

Outreach

Community-based organizations (CBOs) expressed concern with general outreach – the need to connect to the parents and guardians of the children in childcare centers: as the direct beneficiaries of these project efforts, the parents and guardians need to be involved in conversations about childcare provision programmatic needs. Like the businesses interviewed, CBOs related stories of families and children struggling with affordable housing, reliable transportation, childcare, and often other employment barriers like substance abuse or language barriers.

One was a story of a single parent of three children who struggled with finding work because of childcare. The individual was unemployed at the time and receiving unemployment benefits. Because of their status, they said, *“they were not eligible for housing, childcare, or other benefits to help get them established and able to look for a job.”* The individual felt stuck and did not know what to do. They expressed confusion



and dissatisfaction for the “holes in the system”, as they put it, “when it came to getting into a better situation and reducing reliance on public assistance.”

Awareness

Similarly, to employers, CBOs expressed the need to increase greater community awareness of both the childcare challenges as well as any initiatives undertaken to address those challenges. They stated that greater awareness will bring greater attention by those who can make a difference.

One group interviewed said they “feel the community as a whole does not have leaders that take any of these things seriously.” They said they don’t “believe there is enough dedication with City leaders and business leaders right now for any real change to happen.” When pressed on what they meant by that, we heard a few instances where they felt the “attention given by civic and business leaders to educational attainment, technical training, and employment services was lacking and that it created a challenging environment for employees to thrive.”

Equitable inclusion

Business stakeholders and CBOs alike consistently indicated inclusive and collaborative planning was another concern. When asked what was meant by equitable inclusion, respondents identified minority populations in the community that “are regularly underrepresented yet make up a decent portion of the population of interest.”

We heard that:

“This population is the most likely to be left out of conversations regarding community development programs that would be focused on serving them, and therefore, an effort should be made to include as many minority groups as possible in any program design to be able to better meet their needs.”

Section 3. Analysis

Current Situation

Current Costs

According to Washington STEM and Washington Communities for Children, the “typical cost of childcare is \$9,288. The average family in our region pays 14 percent of their income for one child in childcare.” This equates to \$774 per month. Against the median household income, this is 14 percent of income.¹

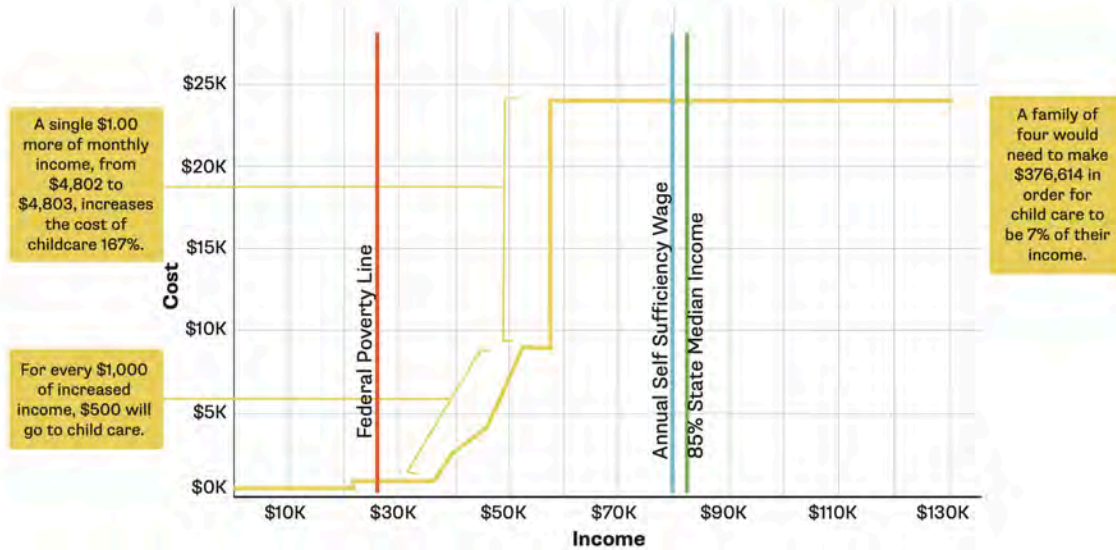
Price by Age Group

	Yearly Price
Infants (<1 year old)	\$10,740
Toddlers (1-2 years old)	\$9,972
Preschoolers (3-5 years old)	\$8,592
Cost of in State Tuition for Clark College	\$7,618

The average cost of early care across all ages is higher than the cost of attending Clark College full-time.

¹ Washington STEM & Washington Communities for Children. (2020, November). State of the Children: Early Learning & Care. https://washingtonstem.org/wp-content/uploads/2020/11/SoTC_Southwest_11-24-20.pdf

Percent of Annual Income Spent on Child Care 2 Adults, 1 Preschooler, and 1 Toddler



But a single worker in a one-earner household making minimum wage, currently \$13.50 per hour, working 40 hours a week, would spend over 33 percent of income on childcare for one child.

Workers in this income range may have subsidies available to them to help offset the cost burden of childcare, which research shows vary depending on qualifications, of up to roughly \$7,800 per child. This leaves the family with the cost burden of almost \$1,500 per year, or \$125 per month. That reduces their out-of-pocket expenses to a little over 5 percent of income.²

² Washington STEM & Washington Communities for Children. (2020, November). State of the Children: Early Learning & Care. https://washingtonstem.org/wp-content/uploads/2020/11/SoTC_Southwest_11-24-20.pdf

Working Connections Reimbursement Rate vs. Price of Quality Care



Working connections child care subsidy does not cover the cost of what most providers in the region charge and is less than one-third the cost of providing quality child care.

***Quality refers to the average cost of programs that have been awarded the highest levels of quality (levels 4 or 5) by Early Achievers, Washington State's Quality Rating System. This is a current estimate, however the Department of Commerce is creating a report that will be released in 2021 that will provide more specific and regionalized estimates.*

Eligibility for subsidy assistance is determined by residency, household income, and successful application with the State, and is limited to earners at or below 200 percent of the federal poverty level. Successful applicants are required to pay a copay depending on their eligibility.³

From time to time a wait list is created when enrollment exceeds 33,000 households. There is currently no waiting list.⁴

Current Seats Available

According to dyyf.wa.gov there were 43 open licensed childcare facilities in Cowlitz County in December 2020. Of those 43, 13 had available slots (availability) for a total of 129 slots available. Additionally, of the 43 facilities, just four facilities offered 24-hour care, with just one available slot.

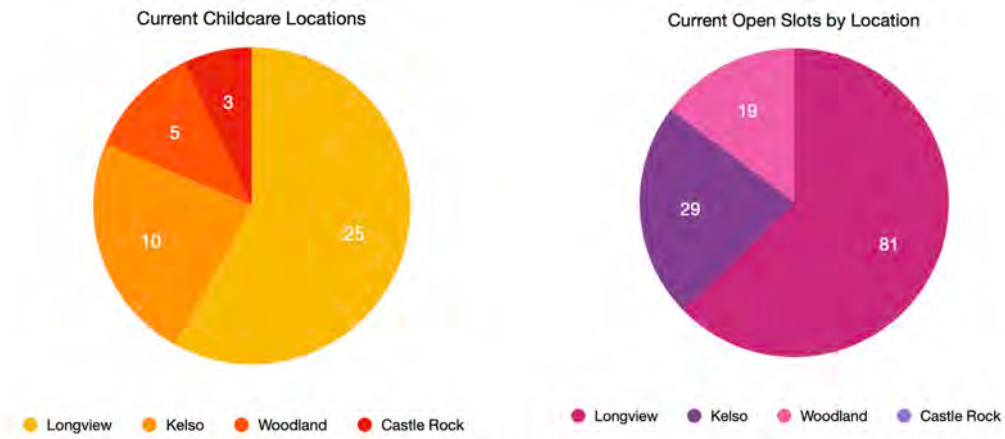
Current Locations

There are 25 open licensed facilities in Longview, ten in Kelso, five in Woodland, and three in Castle Rock.

³ Washington State Department of Children, Youth, and Families. (2020, April). Child Care Subsidy Copay Calculation Table. https://www.dcyf.wa.gov/sites/default/files/pdf/copay_calculation_table.pdf

⁴ Department of Children, Youth & Families. (2020). DCYF. <https://www.dcyf.wa.gov/services/earlylearning-childcare/getting-help/wccc/wait-list>

81 open slots are in Longview, 29 in Kelso, 19 in Woodland, and none in Castle Rock.

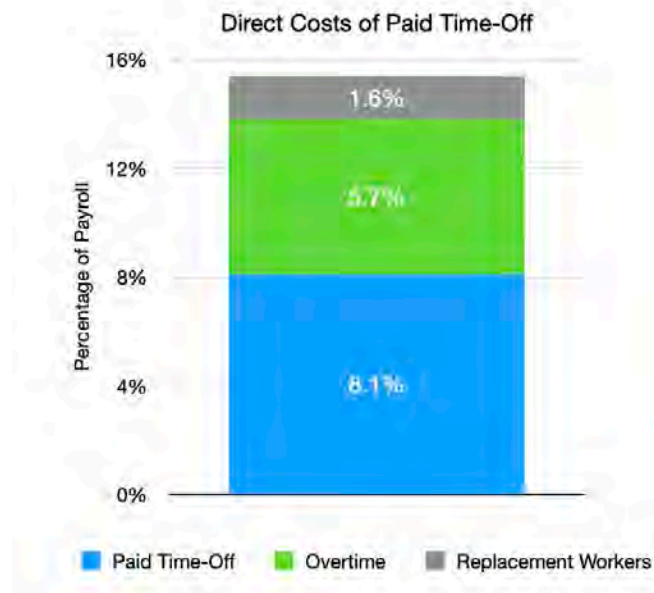


Current Operating Hours

The vast majority, >90 percent, of currently open, licensed facilities begin operations somewhere between the hours of 6:00 AM – 8:00 AM and close between the hours of 4:00 PM – 6:00 PM. Less than 10 percent of facilities have operating hours outside of those times.

Kaiser Permanente has estimated the average cost of absenteeism costs U.S. employers \$1,685 per employee per year.⁵ Additionally, the Society for Human Resource Management (SHRM) reports “the total direct cost of employee paid time off, accounting for wages/salaries, overtime costs and replacement worker costs, was 15.4 percent as a percentage of payroll.” They estimate the cost of paid time off is 8.1 percent, overtime costs to be “5.7 percent as a percentage of payroll, whereas the cost of replacement workers, such as temporary workers, was 1.6 percent.”

⁵ Kaiser Permanente. (2019, February 21). The Real Cost of Absenteeism | Kaiser Permanente®. Business Health Care | Choose Better | Kaiser Permanente®. <https://business.kaiserpermanente.org/insights/the-real-cost-of-absenteeism-and-what-you-can-do-about-it>



Further their study showed the “indirect cost of total paid time off” was comprised of three types of productivity loss: “productivity loss due to replacement (22.6 percent to 36.6 percent, depending on type of absence), co-worker productivity loss (29.5 percent) and supervisor productivity loss (15.7 percent).” Overall, they estimate the average total cost of productivity loss to be 6.2 percent as a percentage of payroll.⁶

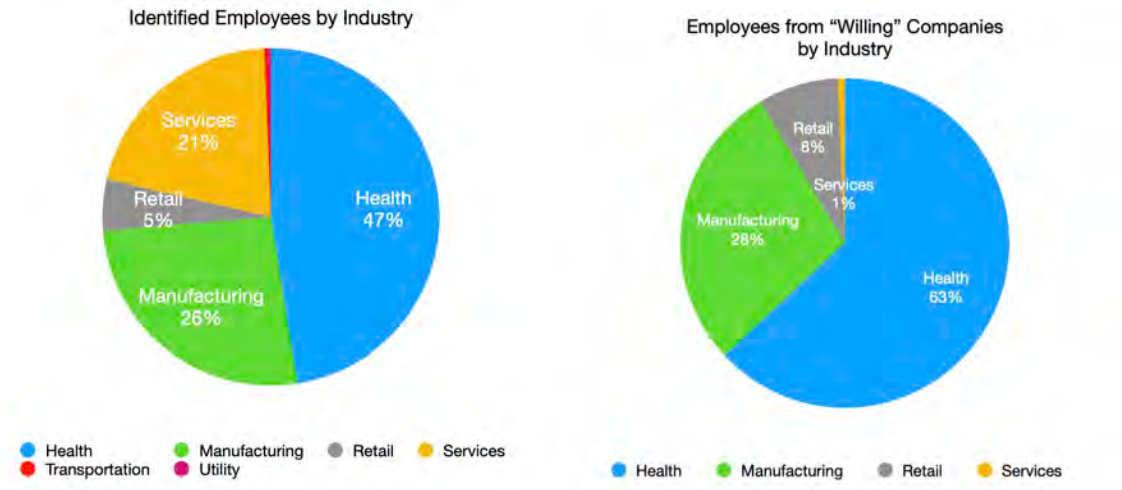
Current Demand from Our Study

78.1 percent of stakeholders have experienced a challenge with childcare, and of the interviewed stakeholders, 916 employees were identified who have experienced a childcare barrier. Further, of all stakeholders, 59.4 percent said these issues were present prior to COVID.

From these 916, among those stakeholders willing to participate in further conversations and those who have indicated a willingness to commit at some point in the future identified 526 employees who struggle with childcare. This subset of

⁶ Society for Human Resource Management (SHRM). (2012). Total Financial Impact of Employee Absences in the U.S. https://www.shrm.org/hr-today/news/hr-magazine/documents/kronos_us_executive_summary_final.pdf

employees represents the highest likelihood of employees who may participate in any program developed for the community.



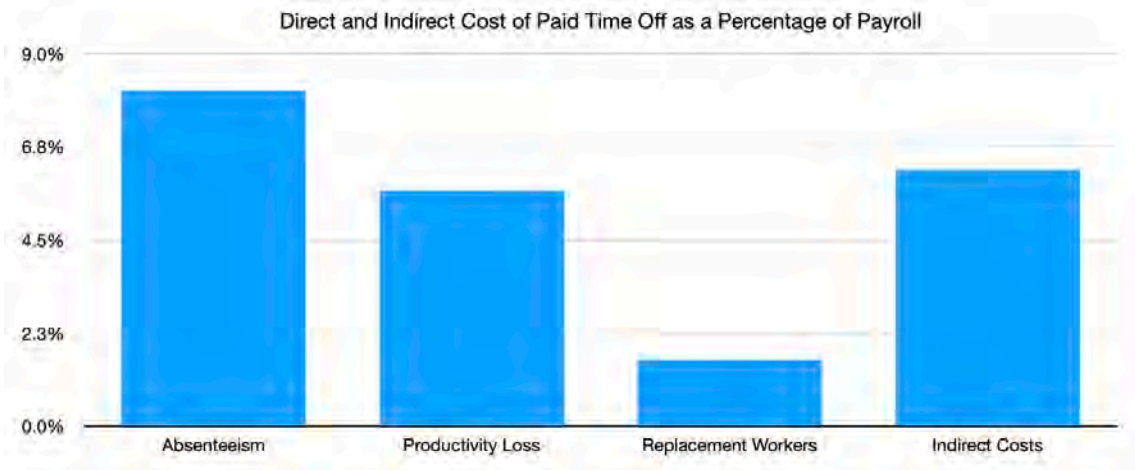
Note: Our study did not tabulate the number of children that would participate as employers did not have specific headcounts of number of children of their employees. The minimum would therefore be 526.

Projections & Cost Analysis

Currently it looks that the average direct cost of absenteeism is roughly 15.4 percent of payroll costs, according to SHRM. This is comprised of 8.1 percent as a percentage of payroll for paid time off for absenteeism, 5.7 percent as a percentage of payroll for overtime costs, and 1.6 percent as a percentage of payroll for replacement workers.

Additionally, SHRM estimates the average total indirect cost of productivity loss as a percentage of payroll to be 6.2 percent.⁷

⁷ Society for Human Resource Management (SHRM). (2012). Total Financial Impact of Employee Absences in the U.S. https://www.shrm.org/hr-today/news/hr-magazine/documents/kronos_us_executive_summary_final.pdf



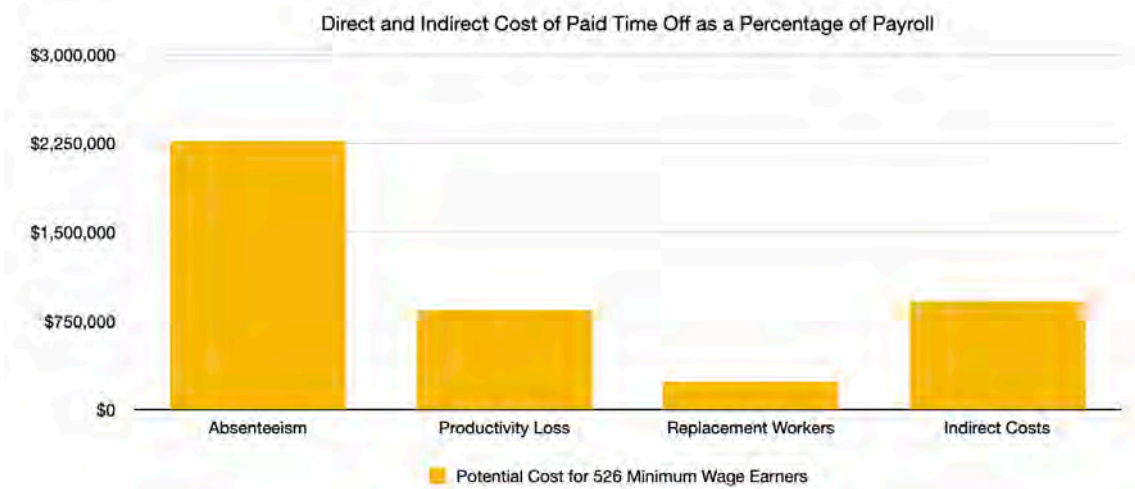
This means for the 526 employees affected by childcare issues, assuming they all are at the \$28,000 income level (assumed minimum wage of \$13.50 for calculation purposes) –

\$1.2M in potential absenteeism costs

\$840K in potential productivity loss costs

\$236K in potential replacement worker costs

\$913K in potential indirect costs (co-worker and supervisor productivity loss, etc.)



This is a total of \$3.2M in total potential direct and indirect costs of paid time off just for the employees facing childcare issues.



Additionally, there are costs of turnover for those employees that are unable or unwilling to continue with their employer. The Center for American Progress estimates the cost of replacing employees earning under \$30,000 annually is 16.1 percent as a percentage of an employee's annual salary.⁸

40.6 percent of stakeholders said childcare has impacted their ability to retain employees. These stakeholders represent 644 employees that have been affected by childcare barriers.

Assuming just 10 percent of these employees leave their positions in 2021, the business community could reasonably expect the impacted companies to incur turnover costs.

This would equate to \$288K in annual turnover costs ($644 \times 10 \text{ percent} \times 28,000 \times 16.1 \text{ percent}$).

It's important to note that for the calculations above, we assume paid time off and turnover costs are mutually exclusive.

Washington STEM and Washington Communities for Children has found the average cost of childcare in WA is to be \$774 per month per child. For 526 employees, assuming one child per employee, that equates to \$4.89M per year to cover 100 percent of the childcare cost burden.⁹

This means it may not currently be financially advantageous for employers to pay for 100 percent of childcare coverage as that would result in greater out-of-pocket expense to the business, \$3.2M in paid time-off cost versus \$4.89M per year to cover childcare.

But, as an example, if they were to cover 50 percent of the total cost burden for a total annual investment of \$4,644 per employee, or \$387 per month, the net potential savings per employee would be \$1,444 annually, or \$120 per month.

⁸ The Center for American Progress. (2012). There Are Significant Business Costs to Replacing Employees. <https://www.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>

⁹ Washington STEM & Washington Communities for Children. (2020, November). State of the Children: Early Learning & Care. https://washingtonstem.org/wp-content/uploads/2020/11/SoTC_Southwest_11-24-20.pdf

As a collective business community, this is \$2.44M per year (50 percent of the \$4.89M cost burden) with a potential net savings of \$760K (\$3.2M in paid time off costs minus the investment of \$2.44M).

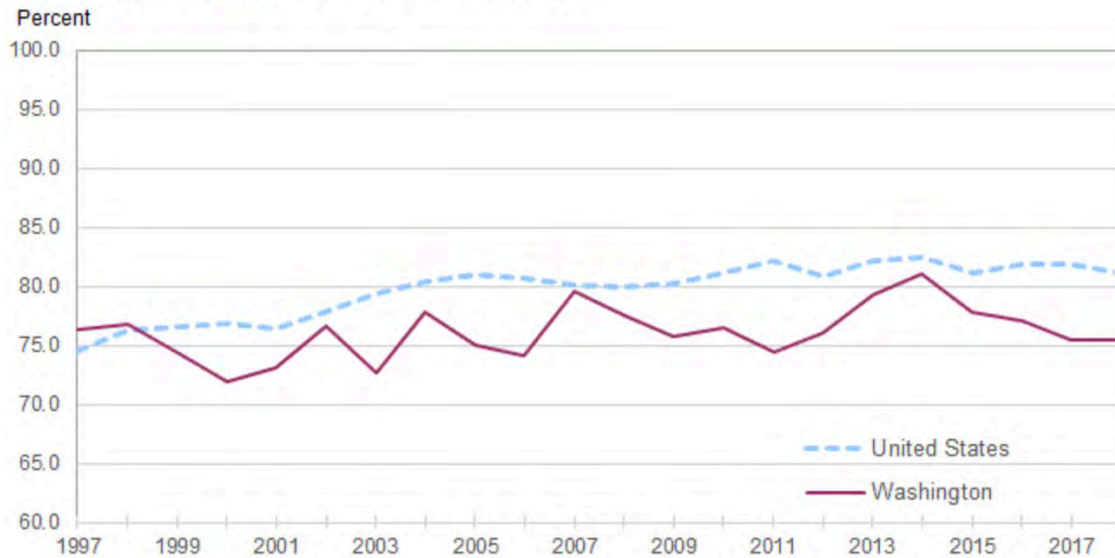
The other 50 percent of childcare costs could be covered by the employee themselves, other subsidies, or other additional programs available to the employer or employee.

Parallel Policy Challenges

Gender Wage Gap

In 2018 the U.S. Bureau of Labor Statistics estimated the wage gap between male and female workers in Washington State was widening. They reported that between 2014 and 2018 women earned 5.6 percent less than their male counterparts. For every dollar men earned, women earned 75.4 cents in 2018 compared to 81.0 cents in 2014.¹⁰

Chart 1. Women's earnings as a percentage of men's, full-time wage and salary workers, the United States and Washington, 1997–2018 annual averages



Source: U.S. Bureau of Labor Statistics.

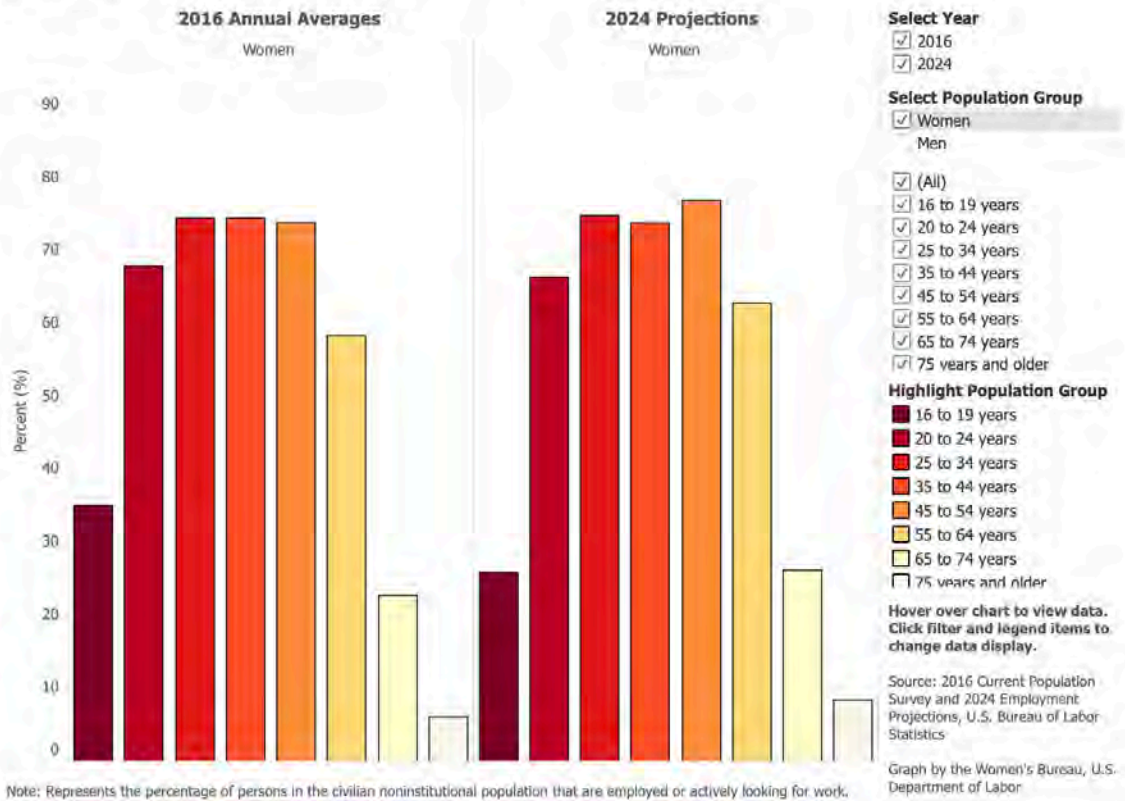
¹⁰ Women's Earnings in Washington 2018 : Western Information Office : U.S. Bureau of Labor Statistics. (2020, January 8). U.S. Bureau of Labor and Statistics. https://www.bls.gov/regions/west/news-release/womensearnings_washington.htm

Workforce Participation Gap

The U.S. Department of Labor reports 78.2 percent of men and 64.5 percent of women in *Cowlitz County* participate in the labor force.¹¹ They also show that women, particularly those in childbearing years, are projected to participate less in the workforce through 2024.

Labor Force Participation Rate by Age and Sex

Labor force participation rate by age and sex
2016 annual averages and 2024 projections



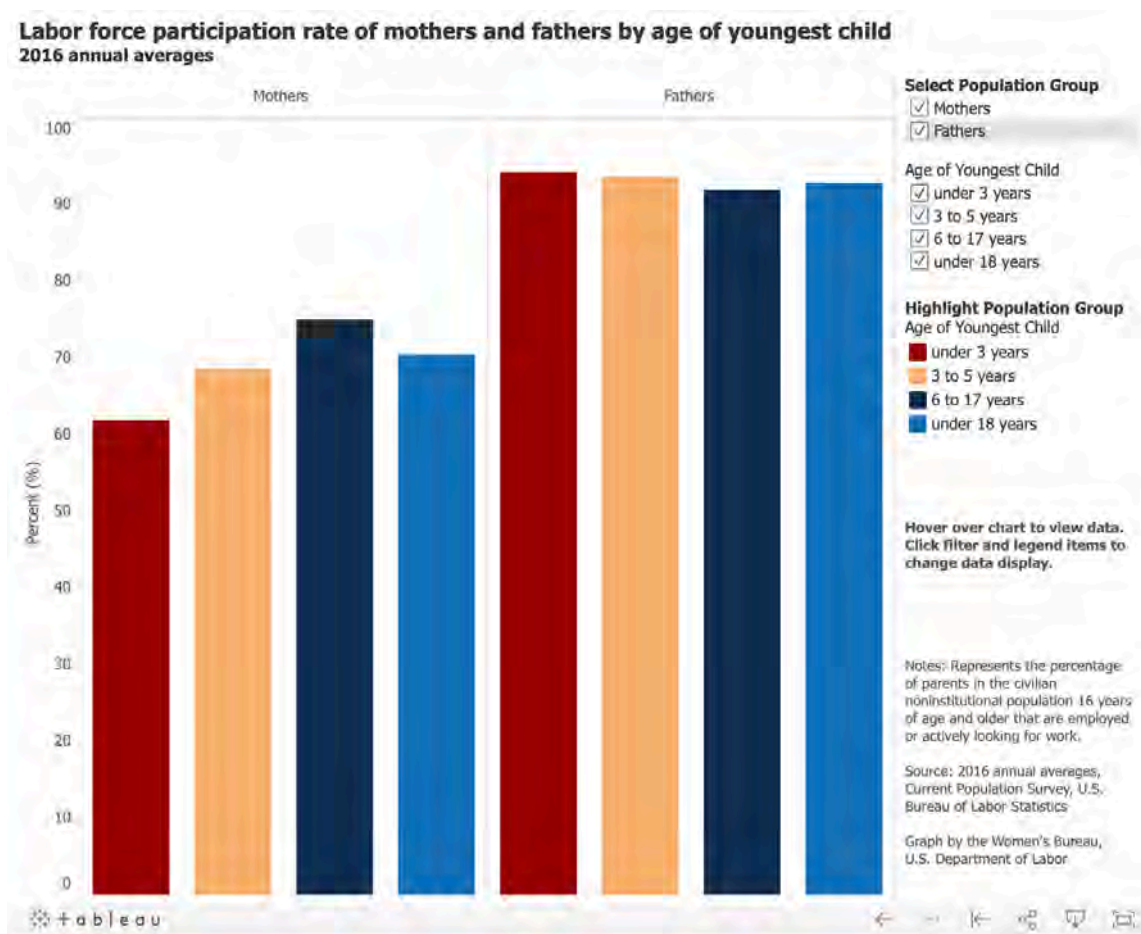
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¹¹ Labor Force Participation Rate by Sex, State and County | U.S. Department of Labor. (2020). U.S. Department of Labor. <https://www.dol.gov/agencies/wb/data/labor-force-participation-rate-by-sex>

¹² Labor Force Participation Rates | U.S. Department of Labor. (2020). U.S. Department of Labor. <https://www.dol.gov/agencies/wb/data/latest-annual-data/labor-force-participation-rates#Labor-Force-Participation-Rate-of-Mothers-and-Fathers-by-Age-of-Youngest-Child>

Childcare Burden Disproportionate

We also see that women with younger children, specifically those under the age of 5, are participating in the workforce less than their male counterparts. In fact, data shows that men with younger children are participating more in the workforce than those with children ages 6 and over.



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This shows a disproportionate burden of childcare for women, with women participating less in the labor force than men during the early years of the children.

¹³ Labor Force Participation Rates | U.S. Department of Labor. (2020b). U.S. Department of Labor. <https://www.dol.gov/agencies/wb/data/latest-annual-data/labor-force-participation-rates#collapse-Labor-Force-Participation-Rate-of-Mothers-and-Fathers-by-Age-of-Youngest-Child>



Additionally, unmarried women are participating more in the workforce than those who are married on average of 8.1 percent across all age groups of children (under 3 years, 3-5 years, 6-17 years).¹⁴

These women (and men who find themselves in similar life circumstances) are the most vulnerable workforce participants. What these graphs do not show is the women (and men) *not* participating in the workforce and their struggles with childcare burdens. Our research has shown that childcare may be a significant burden to those *wanting* to participate but *unable* due to a lack of reliable childcare affordability and availability in their communities.

Section 4. Recommendations

Based on the stakeholder interviews and foregoing analysis, we recommend the following to deliver an operational program to address childcare needs:

1. Establish a coalition of stakeholders to advise on and oversee project milestones for Phase II. Stakeholders should be selected based on their industry, size, geographic location, and willingness to commit resources to the project, and to the extent possible representative of the broader business community for generalizability and future program capacity expansion as needed.
2. Develop a go-to-market strategy and project roadmap together with the advisory stakeholders. The go-to-market strategy will address new venture issues like market fit, target audience/customers, pricing and positioning, messaging, branding, marketing and distribution of services, and operational needs to implement the program. The roadmap will identify milestones and deliverables.
3. Quantify the financial impact of childcare for the coalition of stakeholders.
4. Define required investment amounts and types from those wanting to participate, show possible ROI and impact to bottom line performance.
5. Set up investment structure and begin receiving subscription (commitment) agreements from investors.

¹⁴ Labor Force Participation Rates | U.S. Department of Labor. (2020b). U.S. Department of Labor. <https://www.dol.gov/agencies/wb/data/latest-annual-data/labor-force-participation-rates#collapse-Labor-Force-Participation-Rate-of-Mothers-and-Fathers-by-Age-of-Youngest-Child>



6. Begin community outreach and messaging. From the go-to-market plan and roadmap, develop and implement a strategy that will share the background of the project, its intent, how to get involved, and its cost. This will help grow the coalition to include additional stakeholders and to increase potential initial investors into the program.

Acknowledgements

We express appreciation to the staff of Workforce Southwest Washington, the Project Advisory Group, and the Project Stakeholders for their time and contribution to this project.

Appendix A

Interview questions and answers

1. What is the total size of your workforce?
2. What issues related to childcare are impacting your workforce?
3. How many of your employees are affected by these issues?
4. How do these issues impact the productivity of your existing workforce?
5. How do these issues impact your ability to recruit, hire, and retain employees?
6. Have you quantified the financial impact to your business related to these issues?
(For example, employee turnover costs, absenteeism, lost productivity, etc.)
7. How have you addressed these issues within your organization?
 1. How did you structure your approach?
 2. What did this approach cost your organization?
 3. How successful was your approach?
8. What current policies or resources are available to employees who need additional childcare support? (i.e., time away policies, flexible work scheduling, etc.)
9. Have you considered models for provision of childcare for your employees such as:
 1. Providing on-site childcare for employees?
 2. Creating a pooled childcare facility with other businesses facing similar challenges?
 3. Paying for or reimbursing employees in whole or in part for childcare expenses?
10. What concerns do you have about subsidizing childcare expenses for employees?
11. Do any of the aforementioned models for providing employee childcare interest your organization?
12. Would you be interested in and capable of a financial commitment to subsidizing childcare for your employees?
13. What internal administrative and/or operational functions would you need or expect support on in order to make a childcare program successful for your employees? (i.e., billing, invoicing, copays and deductions, written policies, eligibility, etc.)
14. What is the most critical goal of this project?
 1. What elements are mandatory for this project?
 2. Why might these outcomes be impossible or unattainable?
15. Do any other barriers exist to you, the employee or a childcare provider from your point of view?
16. Any other information, opinions, insights you'd like to share?



Workforce Southwest Washington (WSW), a nonprofit organization, funds community prosperity by investing in services that help individuals gain skills to obtain good-paying jobs or advance in their careers and help companies attract, train and retain workers. Our investments strengthen the region’s businesses and contribute to a strong economy. Since 2003, we’ve invested more than \$100 million in Southwest Washington. WSW is the Local Workforce Development Board (LWDB) designated by federal Workforce Innovation and Opportunity Act (WIOA) legislation to oversee the public workforce system in Cowlitz, Wahkiakum and Clark counties. Learn more at www.workforcesw.org.

This report was funded through grants provided by the Washington State Department of Commerce and the Seattle Foundation. Workforce Southwest Washington is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Washington Relay 711.