



## Child Care Options for Small Business

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Work-life benefits are the great equalizer in today's competitive marketplace. With innovative practices that help families and strengthen communities, even small businesses that cannot afford the higher salaries and traditional benefits offered by larger corporations can compete.

Small businesses can effectively adapt most child care options to their needs. A 1988 report for the U.S. Small Business Administration, *Small Business Options for Child Care*, found that small size can speed—as well as slow—an employer's implementation of child care options. To date, small employers have been less likely than large employers to offer child care supports, because they have fewer opportunities for economies of scale and fewer staff responsible for benefits management. However, a growing number of small businesses are finding ways to effectively address their employees' child care needs.

### Providing Information

- **Resource and Referral Services:** Small businesses can contract with a community agency to provide child care referrals for employees on a “per referral” basis. A group of small businesses can also contract with an agency for referral and parental seminars that are held at a central location for employees from all of the businesses. Many local resource and referral agencies also provide customized services for small businesses.

### Flex-Time and Leave Policies

Flexible work arrangements can be a viable option for small firms. The 1998 Business Work-Life Study conducted by the Families and Work Institute found that many small companies have flex-time policies in place.

- More than two-thirds of small firms periodically allow workers flexibility in the time they start and end work.
- More than one-third of small companies allow job sharing.
- One-half of small companies permit employees to occasionally work at home.

More than two-thirds of human resource managers of smaller firms report that either the benefits of these programs exceed costs or that they are cost neutral.

## Providing Financial Assistance

- **Dependent Care Spending Assistance Plans:** Many small businesses can utilize flexible spending plans that allow employees to set aside pre-tax dollars to pay for child care expenses. Employers receive a tax advantage as well, as they do not have to pay Social Security, federal employment, and most state and local payroll taxes on the amounts provided for dependent care. Administrative costs to establish a DCAP are low.
- **Flexible Benefit Plans:** Small businesses can also offer “cafeteria plans” that allow employees to choose from a menu of benefits to customize their benefits package.
- **Child Care Vendor Plans:** Small businesses can contract with off-site child care centers to reserve slots for their employees’ children.

## Creating and Supporting Child Care Services

Few small businesses have enough employees with young children to sustain an on-site child care center. However, several options exist for small businesses to create and/or support child care services in their communities.

- **Partnering with Other Employers:** Small businesses may join together to form a consortium child care center or family child care network that can serve the employees of all of the participating companies. The small businesses share the costs, thereby reducing total costs faced by each employer.
- **Public-Private Partnerships:** Small businesses can also create or join existing community partnerships. Such partnerships work toward a wide variety of goals, including increasing the supply of child care and improving the quality of child care offered in the community.

In 1987, a valued employee of Bestronics of San Diego, a seller of electrical parts with a staff of only six employees, became pregnant with her third child. She was faced with the decision of either leaving to care for her children or finding a higher-paying job. Gail Davis, Operations Manager, comments, “Our staff is our greatest asset, and we were reluctant to see one of our valued employees leave. We felt that any new employee would have to be trained for at least a year before bringing in any profit. It would be more economical for the company to implement a child care benefit to retain employees.” So Bestronics instituted a child care subsidy that paid up to \$300/month/employee. The balance of employee child care costs up to \$5,000 were covered by a Dependent Care Assistance Program, saving tax dollars for both the company and its workers.



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