The Employer's Role in Establishing Child Care Facilities

CALIFORNIA FOR ALL KIDS
Master Plan for Early Learning and Care

KNOWLEDGE BRIEF

Introduction

California's *Master Plan for Early Learning and Care (Master Plan): Making California for All Kids* (California Health and Human Services Agency, 2020) provides a framework for children ages birth to five years to access high-quality early learning and care services. This plan identifies a shortage of facilities as a major obstacle to expanding access to child care for young children. The *Master Plan* recommends using the state's 2019–20 Early Learning and Care Infrastructure Fund as a vehicle for expanding child care facilities. Numerous proposals at the federal and state levels recognize the need to support the child care infrastructure, including facilities renovation and expansion. The American Jobs Plan includes $25 billion to help upgrade child care facilities and increase the supply of child care in areas of greatest need, and a $10 billion Child Care Infrastructure Act is under consideration (Barrow et al., 2021). Recognizing an important role for employers in addressing the child care facilities gap, President Joe Biden has proposed expanding an existing tax credit to encourage businesses to build child care facilities at places of work (The White House, 2021).

The need to address the issue of child care facilities is more pressing than ever. An estimated 60 percent of children in California live in *child care deserts*, defined as areas with a ratio of more than three young children for every licensed space in child care centers and family child care homes (Malik et al., 2018). The state lost 91,000 licensed child care spaces during the Great Recession (American Institutes for Research [AIR], 2019), and the coronavirus disease 2019 (COVID-19) pandemic is expected to have an even more deleterious impact on the state's child care facilities. A third of the state's child care centers closed at least temporarily in 2020, and the number of centers that will reopen is uncertain (California Child Care Resource & Referral Network, 2021).

Employers have typically established child care facilities when a shortage affects their workforce or as a tool to recruit and retain employees with particular skills. To date, employer-supported child care initiatives have primarily been limited to large businesses, public agencies, universities, and hospitals, but options may be available for smaller businesses, in which the majority of people in the United States work, to help support their employees' child care needs as well. This brief explores the potential role of employers in expanding the supply of child care, either by establishing their own child care facilities (on-site or near-site) or by engaging in partnerships to develop these facilities.

Overview

The goals of this brief are the following:

- Provide an overview of the current extent of employer-supported child care facilities nationally and in California.
- Identify major challenges and opportunities associated with employer-supported child care.
- Highlight examples of successful business-supported child care facilities.
- Describe other ways that businesses, particularly housing developers, can enhance the supply of child care by incorporating centers in new smart neighborhoods (i.e., neighborhoods that combine housing and business).
- Summarize recommendations from employers and business organizations regarding policies that may facilitate employer participation in the establishment of child care facilities.
- Provide detailed vignettes of selected employers offering on-site or near-site child care.

Study Methods

To develop this brief, the study team conducted the following activities:

Resource Review. The study team reviewed national studies and media articles to determine what is known about the prevalence of on-site and near-site employer-supported child care nationally and in California as well as the facilitating factors, challenges, and benefits of providing such care.

Identification of Relevant Employers. There are no publicly available data regarding which employers in California offer on-site or near-site child care. To identify such employers, the study team conducted internet searches using relevant search terms to find major employers in the state, gathered feedback from early childhood leaders with knowledge in this area, and used a "snowball" approach in which we asked interviewees to share information about other businesses that provide such child care. We then followed up with these other businesses.

Interviews. Between March and April 2021, we conducted a total of 15 interviews with employers and other stakeholders in the business community. Interviewees included eight employers that offer on-site or near-site child care, a representative of a large provider of employer-sponsored child care in the United States and abroad (Bright Horizons), and leaders of six state and local business organizations. Interview questions focused on employers' and stakeholders' views on policies that may support employer-sponsored child care. Conducting outreach to employers during the COVID-19 pandemic was challenging because many child care centers were closed or serving many fewer children.

Survey. To augment the interviews, we worked with the Bay Area Council, a business association dedicated to economic development in the San Francisco Bay Area, to survey a large group of employers about the provision of on-site or near-site child care. AIR developed the survey, and the Bay Area Council disseminated it to its 350 member organizations. We received a total of 37 responses from these organizations, which means that these survey responses are not representative of the employer community. Nonetheless, the responses provided us with useful context for our in-depth interviews.

Findings

This section begins with a summary of what is known about the prevalence of on-site or near-site child care nationwide and in California. Next, we present findings from our interviews with employers and other relevant stakeholders regarding factors that facilitate the development and sustainability of employer-supported child care, motivations for establishing the facilities, issues related to planning facilities, and the benefits and challenges associated with the provision of employer-supported child care. When relevant, we place these findings in the context of data from the National Study of Employers (Matos et al., 2017) and other studies.

Prevalence of Employer-Supported Child Care Facilities

Across the nation and in California, employer-supported on-site or near-site child care has never been widespread and has primarily been offered by the largest employers. The 2016 National Study of Employers found that only 7 percent of U.S. employers provided on-site or near-site child care and that such care is provided far more often by large employers (20 percent) than by small employers (5 percent; Matos et al, 2017). The rate at which employers provide child care remained the same between 2012 and 2016, an average of 7 percent of employers. This same study found that employers are much more likely to provide supports, such as Dependent Care Assistance Plans[1] (56 percent) and access to information to help locate child care in the community (41 percent), than to provide on-site or near-site care.

[1] Dependent Care Assistance Plans allow employees to set aside money each pay period for approved child care expenses.

Although the National Study of Employers did not provide a state-level analysis that would report the percentage of businesses in California that offer child care, we found no evidence that employer-sponsored facilities are more widespread in California than nationally. There is no centralized data source regarding child care provided by employers in California. Our own survey effort with the Bay Area Council found that 14 percent of the 37 survey respondents had established or were in the process of establishing an on-site or near-site child care center for their employees. Given that employers with an interest in or need for on-site child care are more likely to respond to a survey like ours, we believe that 14 percent is likely higher than average for employers in the San Francisco Bay Area. Our interviews with stakeholders reaffirmed that employer-provided child care is relatively rare in California. Bright Horizons, a company that operates on-site or near-site child care centers for employers nationwide and abroad, said 90 employers contract with them to do so in California. A Bright Horizons representative noted that California can be one of the most difficult states in which to do any type of development, pointing to the challenges of high rent, expensive construction, and difficult zoning and other approval processes.

The profile of California's employers may also play a role in the limited prevalence of employer-supported child care. Most (88 percent) of California's businesses, after excluding sole proprietorships, are businesses with fewer than 20 employees, and 97 percent of the businesses have fewer than 100 employees (California State Assembly Committee on Jobs, Economic Development, and the Economy, n.d.).

The Business Case for Establishing On-Site or Near-Site Child Care Facilities

Based on the literature review and interviews, AIR identified two main business-related motivations for employer investment in on-site or near-site child care: addressing the shortage of child care facilities and recruiting and retaining a highly qualified talent pool.

Addressing the Shortage of Child Care Facilities. Employers who establish on-site or near-site care often do so to address a shortage of a particular type of child care necessary for their business. For example, jobs in hospitals, distribution centers, and amusement parks often have irregular and unpredictable hours, when regular 9-to-5 child care centers are closed. In addition, work may be located in rural or other areas where child care is scarce (e.g., factories, agriculture, university campuses, prisons). The impetus for establishing the San Francisco Airport (SFO) near-site child care facility (Palcare), for example, came from media coverage of children sleeping in their parents' cars in the airport parking lot because the airline workers could not find child care that matched their evening, weekend, and graveyard shift work schedules. SFO, the Mills-Peninsula Medical Center, San Mateo County, the San Mateo County Central Labor Council, and 4Cs of San Mateo County (Child Care Coordinating Council of San Mateo County) joined together to develop a facility that would meet the needs of employees with odd hours and schedules that change every week (for more information about Palcare's child care program, click here). Similarly, the absence of early care and education facilities in rural areas of the Central Valley led The Wonderful Company to establish child care facilities for its employees, many of whom are agricultural workers. For more details about The Wonderful Company's child care program, click here.

Supporting the Talent Pool. Another important motivation for employer investment in on-site or near-site child care is to recruit and retain highly qualified workers. The labor market facing many companies is so competitive that extensive benefits are needed to attract and retain workers. According to two business advocacy organizations, UNITE-LA and the Bay Area Council, the primary reason tech and biotech companies invest in child care facilities is that for these businesses recruiting and retaining talent "is everything." For companies such as Bandwidth, Google, Facebook, Keysight, Salesforce, and Genentech, all of which either already operate on-site child care centers or are in the midst of plans to do so, recruiting and retaining software engineers and highly trained scientists is a matter of corporate survival.

Broader Reasons for Employer Investment in On-Site or Near-Site Care

Although interviewees made a business case for investing in facilities for their employees, several interviewees indicated that they see on-site or near-site child care as a two-generational investment—helping current employees but also contributing to the future workforce. Leadership at the aforementioned The Wonderful Company in the Central Valley expressed concern about the need not only to support working parents but also to promote school readiness among children of employees, including those employees who are agricultural workers. Over time, the company's initial child care center grew into a broader early childhood effort that feeds into state-supported preschool programs and charter school transitional kindergarten classes. Similarly, the Bay Area Council, a business advocacy group, makes the case to its members that providing more child care in the community is a gender equity issue. "If you want to have gender equity, gender parity in your workplace, particularly in your upper management, you have to be a champion of and a supporter of early care and education, both in the workplace and in the community at large," said a Bay Area Council leader. "It's a three-legged stool—gender equity, early care and education, and family-friendly workplaces."

Benefits of On-Site or Near-Site Child Care

Employer-provided child care can help address the challenges that parents face when they try to find and sustain employment (Connelly et al., 2004). Many working parents live in places with a shortage of affordable and quality child care options, especially during nonstandard working hours (California Child Care Resource and Referral Network, 2019; National Survey of Early Care and Education Project Team, 2015). Nearly a third of low-income families using informal child care arrangements say they do so not out of preference but because center care is not available in their community (Chaudry et al., 2011; Layzer & Goodson, 2006). In many of those situations, employer-sponsored child care is a helpful alternative to the limited options available to parents—allowing parents to work; increasing job satisfaction, performance, and retention; and providing children with better and more stable child care than they otherwise would receive (Boston College Center for Work and Family, 2001; Connelly et al., 2004; Marcario, 2016; Okerglicke & Stangl, 2012). In California, among all children under age 6 with low-income working parents, 13 percent have parents who work mostly nonstandard hours, and 54 percent have parents who work at least some nonstandard hours (Henly & Adams, 2018). In the service sector, in addition to working nonstandard hours, most employees contend with routine uncertainty in their schedules because of just-in-time scheduling practices that offer the employees little notice of when they will be expected to work (Schneider & Harknett, 2019). In all these cases, on-site or near-site child care with flexible hours would significantly increase the child care options available to these working parents.

In addition to providing access to child care in situations where it otherwise would not be available or affordable to working parents, on-site or near-site child care benefits employees and their children in other ways, including by enabling mothers to nurse infants while at work and giving parents peace of mind knowing that they are close to their children during the work day. Bright Horizons, which helps employers create on-site child care options, reports that 95 percent of parents who responded to a survey about on-site child care said that such child care positively impacted their ability to balance work and family responsibilities, and 92 percent of parents indicated that on-site child care positively impacted their overall well-being (Horizons Workforce Consulting & Matthews, 2013).

The increased stability and employee morale associated with on-site child care also directly benefits employers. As noted previously, competitive labor markets force employers to use the benefits they offer to differentiate themselves to attract and retain the most talented staff (Miller, 2018). Child care, far and away the highest work-related expense facing working parents, therefore creates a major opportunity for employers to differentiate themselves and attract scarce workers.

These benefits to employers of providing on-site child care can be substantial. According to the U.S. Chamber of Commerce Foundation (n.d.), child care-related turnover among working parents costs businesses 20 percent of an hourly employee's salary and up to 150 percent of a manager's salary. Furthermore, when companies provide child care, absences can decrease by 30 percent, and job turnover can decline by 60 percent (U.S. Chamber of Commerce Foundation, n.d.). Thus, as long as working parents take advantage of employer-provided child care, the benefits to employers will likely outweigh the costs, especially considering other benefits, such as increased productivity and improved morale (Gullekson et al., 2014).

Patagonia, one of the employers we interviewed, estimates that it recoups 91 percent of its investment in child care, including 50 percent in the form of federal tax deductions, 30 percent in reduced turnover among employees, and 11 percent in employee engagement (Marcario, 2016). "Patagonia is absorbing the other 9 percent, which is well worth it," according to the director of the company's Global Family Services, "well worth it because of … the community glue that it provides." For more details about Patagonia's child care, click here.

Drawbacks and Limitations of On-Site or Near-Site Child Care

Employer-provided on-site or near-site child care can be a great option, but sometimes it is not the best option. Many parents who have the option of using on-site child care choose not to use it because they prefer to use child care close to their home to avoid having to commute with their children (Chaudry et al., 2011; Shlay et al., 2005). With increasing workplace flexibility and telecommuting options, especially in light of the current COVID-19 pandemic, these preferences for close-to-home care may become more common. Other parents prefer home-based child care (e.g., family child care homes, nannies) to center-based care (Henly & Adams, 2018). And with increased job hopping, especially among highly paid professional workers, having a child care arrangement that is tied to a specific employer may not be attractive to some workers. For those workers, more flexible child care support in the form of monetary benefits may be more attractive. Each employer must consider the needs and preferences of their particular workforce when considering providing a child care benefit, which may include, for example, supporting after-school activities for school-age children.

Before embarking on the development of an on-site or near-site child care center, employers must be sure that enough of their employees will actually use the facility and that there is a steady supply of young children entering care as older children age out. Therefore, before employers give a green light to center development, establishing the need or demand for an on-site or near-site facility is important. Surveys of employees regarding the employees' current child care arrangements, the ages of their children, and their commute distances can help determine whether the establishment of a facility makes sense. Also, as we discuss in more detail below, partnering with other employers or community partners can make for a more stable and viable setup that is less dependent on the ongoing demand for care from a single employer and its working parents.

Bright Horizons Family Solutions, a major operator of child care centers, uses an algorithm to estimate whether a business has sufficient employee demand for establishing and sustaining a child care center. Bright Horizons also factors in where employees live in relation to the work site—an issue that has become more important with the increase in remote work—and studies commute patterns. The type of business, the hours of work, and the population size at each shift all factor into estimating the feasibility of a center and the type of design that might work.

Estimating demand also requires determining whether employees will be able to afford to pay for the child care. Providing a building for an on-site child care center does not necessarily make the care affordable. All the employers we interviewed charge at least some tuition, and they all try to limit tuition to less than the market rate. But the market rate does not cover the full cost of the quality of care meeting national accreditation standards that these employers are trying to provide. Thus, it is important for employers to determine the level at which they are willing to underwrite the cost of the care, which depends greatly on the type of industry and the wages or salaries they pay their employees. In sites with many low-wage or mid-level employees, significant ongoing financial support is necessary so that all employees can afford to use the center. Ensuring that the care is affordable to all employees is crucial; a center that is only open to salaried, higher paid employees will lead to a "haves and have-nots" situation that is antithetical to a family-friendly workplace.

Not only is it necessary to ensure a sufficient, stable demand for an employer-sponsored facility, it is also important to guard against a situation where the interest exceeds the spaces available, which requires considerable flexibility in the design and operation of the child care facility. Representatives from Patagonia and Bandwidth, whom we interviewed for this brief, emphasized the importance of avoiding a waiting list and of being prepared to expand the child care center so that it can grow along with the business and its workforce.

Employer Characteristics That Facilitate Establishment of On-Site or Near-Site Child Care

Our interviews with employers and other stakeholders revealed several factors that facilitate the provision of on-site or near-site child care and confirm what is known in the research base on this topic.

Large Number of Employees. Several interview respondents emphasized the importance of scale in being able to offer on-site child care. According to a representative of Bright Horizons, an operator of corporate child care programs, very few of Bright Horizons' clients have fewer than 1,000 employees. Similarly, a Bay Area Council leader noted, "There's a certain economy of scale required to build a facility. The start-up costs are high, and, if you're a very small employer, it can be economically challenging." As a result, small businesses may find it easier to partner with other employers and public agencies to establish and operate child care facilities.

Unionization. According to the National Study of Employers, unionized workers have higher rates of access to employer-supported child care than do nonunion workers (Matos et al., 2017). We found such an example in the Palcare center, located three miles from SFO for its employees and other local staff. According to the center director, the flight attendants union, the Communication Workers of America, and the San Mateo County Central Labor Council played an active role in the development of this facility. In addition, Palcare's executive director noted that one reason for the center's low staff turnover rate is the fact that the center's staff are part of the same union as the flight attendants. She explained, "They get breaks; they get raises. There are always substitutes when they need them.... I think the burnout rate is a little bit lower even though it's rough, especially now [due to COVID-19]. I think in general the teachers are pretty happy."

Partnering With Nonprofit Employers and Government. The National Study of Employers found that nonprofit employers are more likely than for-profit businesses to invest in on-site or near-site child care (Matos et al., 2017). However, in our interviews with California employers, business leaders and other stakeholders emphasized the benefits of partnerships between the for-profit and nonprofit sectors as well as with local government. For example, SFO's Palcare center resulted from a partnership between the airport, the Mills-Peninsula Medical Center, several for-profit employers, San Mateo County, the local child care resource and referral agency, and a union. Because one of the partners owns the land, the program pays a reduced rate for its lease. Equally important is that, although the airport subsidizes child care for its employees, the center also has access to California State Preschool Program contracts, which substantially reduce the cost of ongoing care for eligible families. As one interviewee indicated, employers focusing on the cost of the initial center construction often fail to factor in the ongoing cost of the care. Designing the program to include state-subsidized child care or preschool can help in this regard.

The business community can play an important role in convening these types of partnerships. For example, with support from First 5 Sonoma County, the Santa Rosa Metro Chamber of Commerce is spearheading an initiative to increase access to child care. The chamber of commerce helped Keysight Technologies, a local technology firm, navigate the various regulatory processes to expand its family-friendly offerings. The company was about to break ground on a child care center for 110 children when the COVID-19 pandemic hit. In a separate effort, the Santa Rosa Metro Chamber of Commerce, with support from First 5 Sonoma County, the Sonoma County Office of Education (SCOE), and the local child care resource and referral agency, has been working with a developer to potentially establish on-site or near-site, outsourced child care on a piece of land offered by SCOE in exchange for reserving some spaces in the facility for SCOE employees. The goal of this collaboration is to create a site that serves up to 40 children (the actual number would depend on the number of infant and toddler slots) for 10 to 20 employers that could include SCOE and other businesses, ranging from a biomedical company to various small manufacturing companies, a local airport, a small tortilla company, and a local school district.

Governmental and Educational Institutions. Designation as a governmental agency (or partnering with a governmental agency) can further facilitate the provision of on-site child care. California Code, Government Code - GOV § 4560 requires child care programs to be offered in state buildings when a need for child care is established based on a survey of staff (FindLaw, 2019). The California Department of General Services administers a competitive bid process to award contracts for operation of the centers. According to the California Department of Human Resources (2017), there are 16 state-sponsored child care centers in the state, serving predominantly children below the age of five. Approximately two thirds of these child care centers are in Sacramento. Although enrollment is often open to the public in these state- and locally sponsored facilities, government employees receive priority. Universities and community colleges offer another prime location for employer-sponsored care, in part because they often have students in child development who can augment the regular paid staff and help reduce the cost of care. For information about Santa Clara University's child care center, click here.

Ownership of Space. Employers' ownership of their work spaces makes developing and offering child care to their staff much easier. In these cases, employers do not have to identify affordable space or navigate zoning processes. For example, the aforementioned The Wonderful Company built its preschools on land that it already owned. According to its chief operating officer, "We have an in-house capital building and infrastructure team. So we don't have to go hire contractors or third parties.... We're able to do it in a way that makes it cost-effective and also painless." Other interview respondents noted that environmental reviews and permitting are far easier to navigate when the child care site is based in space owned by the employer.

Champions for Child Care. One common theme in our interviews concerned the importance of a company leader who champions employer-supported child care. In our interviews, employers with on-site or near-site child care mentioned the role of high-level leaders in their organizations, including chief executive officers, who advocated for employee child care and held it up as a value for the organization. For example, according to the director of Patagonia's global services, 10 years after the founding of Patagonia in 1983, the company's co-founder described her desire to provide child care to her staff based on her own challenges as a working mother. To this end, she transformed a facility in one of the organization's existing buildings into a one-room schoolhouse, pursued licensure, and hired the company's first program director. Similarly, a representative of Bandwidth, a telecommunications company, described the pivotal role its chief executive officer has played in setting the vision for an on-site child care center for its employees. For more details about Bandwidth's child care plans, click here.

Challenges to Developing Employer-Supported Child Care

While citing potential benefits of investments in on-site or near-site child care, employers and business organizations we interviewed and surveyed also mentioned significant challenges to developing and sustaining these programs over time.

High Costs. The initial expense of constructing a child care center is the most significant barrier, particularly given the high cost of property and development in California. Cost is a particularly significant impediment for retail and grocery stores, which operate on thin profit margins. Also, the cost of an employer-developed child care center does not end with the completion of construction. Employer-sponsored centers encounter the same market-driven challenges as does any child care operator. They have to convince enough working parents to choose their center over other child care options parents may have. For example, a director of a child care center for state employees in Sacramento said she struggles to collect enough parent fees to support labor costs and laments only being able to pay teachers, including teachers who have bachelor's degrees, $17 an hour, making it difficult to attract and retain staff.

Small-Business Hurdles. As noted earlier, large employers often are better positioned to support child care for their staff. Small businesses often lack the necessary staff and resources to support the cost, time, and administrative burden involved in providing on-site or near-site care, according to an interview with a representative from the Small Business Majority, a national organization that includes 85,000 small businesses with fewer than 100 employees.

Complex Permitting and Regulations. Municipal permitting processes create hurdles for employers seeking to build child care programs, according to several interview respondents. In particular, it matters whether a site is zoned for child care or whether a "change of use" is necessary to start providing child care. According to a Bright Horizons representative, "A big part of the shortage … of community child care programs is the way that child care is not a permitted use in many, many locations … and it takes a real effort to get that approval." In our interviews, several employers referenced challenges in meeting licensing requirements for outdoor space, particularly in downtown urban areas. In these scenarios, employers may need to obtain a state waiver from the outdoor space requirement that allows them to take their children to a nearby park for outdoor play instead.

Impact of the COVID-19 Pandemic on Child Care. The pandemic has had a major impact on all child care. Across the nation, one third of centers closed at least temporarily, according to the National Association for the Education of Young Children (2020). All the employer-sponsored centers we contacted for our study were closed for weeks, if not months, because of the pandemic.[2] After reopening, these centers were serving about half their pre-COVID-19 enrollment, largely because of public health requirements. The shift to remote work during the pandemic has also reduced the demand for on-site child care, a trend that may continue for a while even after the pandemic ends. A representative from UNITE-LA, a nonprofit organization that promotes education reform through business–education partnerships and other activities, explained, "Companies have learned how to survive without having huge buildings and facilities and operating them. They will be trying to score those savings permanently." At the same time, he noted that employers have gained a greater understanding of their employees' roles as parents during the pandemic and may therefore be more attuned to the importance of family-friendly workplaces. A Santa Rosa Metro Chamber of Commerce leader emphasized, "There is a deep need for more child care regardless of shifting patterns in the workforce." Although people have been managing through a crisis that has demanded much virtual work, working remotely is "certainly not a long-term solution that works for everyone."

AIR's employer survey, introduced above and conducted in collaboration with the Bay Area Council, revealed similar challenges to the development of on-site and near-site care. Conducted during the pandemic in April 2021, the survey had a low response rate and does not support generalizable findings. However, among employers who responded, the two most commonly cited barriers to providing on-site or near-site child care are cost and lack of space on the organization or business site. Other barriers the survey respondents mentioned include insufficient need or demand for child care; concerns about equity, legal requirements, and liability issues; the business not prioritizing such care; a lack of knowledge about establishing on-site child care; licensing and permitting issues; the fact that many employees work from home; and employee commute time making on-site child care impractical.

Policy Options to Facilitate Employer-Supported Child Care

In our review of the literature and interviews with employers and business advocates, we identified several policies that may encourage more employers to offer on-site or near-site child care or to engage in partnerships with other employers or businesses to establish such facilities.

Consider Proposed and Existing Federal Tax Benefits for Cost of Construction and Ongoing Operation

The Biden administration has proposed doubling an existing federal tax credit available to employers to 50 percent for child care facility construction. Under the proposal, employers will receive 50 percent of the first $1 million of construction costs

[2] The centers closing also impacted our research for this brief. We were unable to contact many of the centers we intended to survey either because they were not open or because they were unable to respond to a call.

per facility. The expanded tax credit would help address the high cost of construction in California. According to the director of a hospital-affiliated center we interviewed, recent bids to construct a new child care facility in Los Angeles started at $1.6 million, triple the cost for the development of a similar-sized facility a decade ago.

Greater awareness of existing federal tax credits may also encourage investment by employers in child care facilities. Under 26 U.S.C. § 45F(a)(1), employers can currently claim a federal tax credit of 25 percent of the amount spent on providing child care services for their employees; the maximum credit allowed for child care expenditures and resource and referral expenditures is $150,000 each year (Cornell Law School Legal Information Institute, n.d.). Employers may also be able to amortize start-up expenses, such as needs assessment and consultant services, for the construction of a center throughout 60 months or more. The tax benefit may be applied toward acquiring, constructing, rehabilitating, or expanding a property to be used for a child care facility. One condition is that at least 30 percent of the enrollees must be dependents of employees of the taxpayer (Executives Partnering to Invest in Children, n.d.)

Patagonia is one business that has taken advantage of these federal tax benefits (California Legislative Information, n.d.). As of 2016, Patagonia's costs (after revenues from tuition fees) for running its child development center were approximately $1 million, according to representatives from the company. An annual federal tax deduction of $150,000 for offering on-site child care, coupled with a second federal deduction of 35 percent of unrecovered costs from the amount of tax that would be taken (35 percent of $1 million = $350,000), resulted in a total of $500,000 in costs recouped, or 50 percent (Marcario, 2016).

Consider State Tax Incentives and Make Them Accessible to Small Businesses

In our interviews, several employers and business organizations expressed support for the enactment of state incentives to facilitate the development of on-site or near-site care. In the 2015–16 legislative session, Senate Bill (SB) 670 proposed that businesses in California be able to claim a 30 percent state tax credit for start-up expenses of establishing a child care program or constructing a child care facility for their employees. The maximum annual state credit allowed for child care start-up expenditures and resource and referral expenditures would have been $50,000.

Other states may provide a blueprint for California. For example, the Colorado Child Care Contribution Tax Credit allows a 50 percent state income tax credit for qualified contributions to child care facilities as a community investment (Executives Partnering to Invest in Children, n.d.). Georgia offers employers a 75 percent annual tax credit on operating expenses and provides a 100 percent tax credit on the capital cost to construct a center. Employers are only allowed to deduct 10 percent of the cost per year during a 10-year period, so the revenue loss is spread across 10 years. According to a Bright Horizons leader, "We've definitely seen clients who never would have done a child care center without that tax credit."

Some interviewees, however, were skeptical that state tax credits would encourage many more employers to offer child care. Tax credits are not widely used by small businesses, according to a

Small Business Majority leader who added that it is important to provide technical assistance through Small Business Development Centers to help small businesses access the tax incentives available to them. Other interviewees noted that, although a state tax credit would be helpful for financing the ongoing cost of care, the state may be hesitant to assume the loss of revenue in perpetuity from an ongoing tax break for child care center operating costs.

Support Public–Private Partnerships

To expand access to employer-supported child care, the state should offer technical assistance and planning grants to encourage partnerships among large and small employers, government, educational institutions, and organizations such as chambers of commerce. These collaborative efforts can help to distribute not only the cost of the initial construction of child care facilities but also the ongoing operating expenses and may stabilize demand (e.g., pooling demand among small and large businesses) to create advantages of scale. A partnership is particularly suitable when, as with the Palcare center in San Mateo County or the Santa Rosa Metro Chamber of Commerce child care initiative, a group of employers is in relatively close proximity. For example, a partnership among employers may be an attractive option for small businesses located in industrial parks, city centers, or shopping malls (Executives Partnering to Invest in Children, n.d.).

Include Employers as Candidates for State-Funded and Federally Funded Facilities Grants

To promote the expansion of child care facilities, the state should consider making employers eligible applicants for state-funded and federally funded facilities grants. In 2019, California enacted an Early Learning and Care Infrastructure Fund (ELCIF) that would have provided $235 million for construction and renovation of child care facilities, but funding was suspended during the pandemic (California Legislative Information, 2020). The fund limited eligibility for grants to licensed providers not located in local educational agencies and targeted grants to communities with a shortage of child care relative to the number of children eligible for publicly subsidized child care. Budget proposals to invest $350 million in this fund are under consideration. As mentioned at the outset of this brief, proposed federal funds could substantially increase the state's resources for child care facility construction and renovation and the funds available to implement the ELCIF. The state should consider amending the ELCIF provisions to allow employers interested in establishing child care facilities, perhaps in partnership with existing child care providers, to apply for these grants. Offering employers the opportunity to apply for child care infrastructure grants would also help alert them to the possibility of receiving state or federal subsidies to help their employees afford the cost of the care. Local chambers of commerce could play a role in convening partnerships of employers and help them apply individually or as a group.

Although tax credits may be appealing to larger businesses, access to immediate grants may be more productive, especially for small businesses. According to a Small Business Majority leader, "Recognizing the challenges that small business owners face on a daily basis even outside of the COVID pandemic … I think immediate support is always something that is helpful. So even leveraging the existing systems that we have in this state to be able to automatically kick out a grant to a small business owner that's participating in a program … could be very helpful."

Incorporate Child Care into New Housing Developments

Given that many parents prefer to have access to child care close to where they live and that an increasing share of employees work at home at least part of the time, it is important to find ways to incorporate child care into new housing developments and mixed-use developments. Tax credits are already available to help developers of affordable housing incorporate on-site child care, which may be particularly attractive to developers of mixed-use facilities because the businesses in those facilities could access those child care options as well. In California, the California Tax Credit Allocation Committee administers the federal and state Low-Income Housing Tax Credit programs for developers of affordable rental housing for low-income Californians. Corporations provide equity to build the projects in return for tax credits. Applicants can receive additional points for fulfilling various optional service requirements, one of which is on-site child care (California State Treasurer's Office, 2021).

The COVID-19 pandemic has accelerated the number of empty storefronts in many mixed-use residential and commercial buildings, and there is little likelihood of filling many empty retail spaces with successful retail operations soon (Leaderman & Maclean, 2020). California Assembly Bill No. 68 (AB 68), which went into effect at the beginning of 2020, provides an important and, thus far, underused tool to add accessory dwelling units within existing multifamily structures. The legislation provides owners of mixed-use projects with the opportunity to convert vacant retail space into a more economically feasible use that also would help with California's existing housing shortage. In addition, the state may encourage developers and owners to convert some of these retail spaces into child care facilities, which would then add new value to their other retail spaces because attracting and retaining staff would become easier.

Maintain Quality While Increasing Regulatory Flexibility

None of the employers or business organizations we interviewed suggested reducing licensing requirements related to the health, safety, and education of young children. Indeed, based on our interviews and literature review, employer-sponsored child care programs typically substantially exceed California's licensing requirements for staff–child ratios, class size, and teacher qualifications. However, multiple interviewees said some licensing requirements should be eased, such as the need for outdoor space in downtown areas. The director of the Hope Street Family Center in Los Angeles, founded by UCLA and a major hospital, mentioned some requirements as being out-of-date and barriers to innovation. Having obtained help from an architect in designing room dividers that also serve as storage spaces, this director was taken aback when the licensing inspector said they would count as furniture and therefore would not meet licensing space requirements. The director said, "You're forced into a design that meets the regulations as opposed to really thinking about what is needed." She added that, with an unprecedented opportunity to obtain new funds for child care facilities, the state should take a fresh look at the regulations and allow some flexibility to promote innovative and high-quality design.

Conclusion

Child care facilities have long suffered from benign neglect both nationally and in California. At issue, as pointed out in the Master Plan, is not only the need to expand and construct new facilities but also to renovate and repair many of the existing structures (Manship & Muenchow, 2020). By elevating awareness of the shortage of child care facilities, the pandemic has created an opportunity to invest in the safe, accessible, energy-efficient, well-ventilated, high-quality learning environments that will benefit children and their teachers. New federal and state funds to help support the construction and retrofitting of facilities have the potential to make dramatic improvements in the early care and education infrastructure. Employer participation in this important venture has the potential to leverage some of these existing and proposed public investments. Based on our interviews, employer-sponsored facilities frequently exceed nationally recommended quality standards. Developing on-site or near-site child care where a shortage of child care facilities exists is one way employers can help improve and expand access to child care. Employer involvement in the construction of on-site or near-site care must also include a plan for how the ongoing operation of the center will be financed.

Palcare: A Child Care Program Born From Need and Collaboration

The Palcare child care program opened in response to a dire need—some SFO employees were leaving their children sleeping in cars at night because the parents could not find child care to accommodate their nontraditional work hours. Surveys conducted by the Airport Labor Coalition confirmed that parents with nontraditional work schedules needed child care ("Child care center," 1991). In response, several entities from the private and public sectors (e.g., SFO, Mills-Peninsula Medical Center, San Mateo County, the San Mateo County Central Labor Council, and the 4Cs of San Mateo) came together to develop an alternative for employees who have nontraditional and/or changing schedules.

It took the collaborative, grassroots partners approximately five years to plan for and find a location that could be open all day to accommodate families' nontraditional schedules because some people were concerned about potential noise for a site that would be open 24 hours. The airport helped secure an architect and a contractor who gutted and redesigned an existing building. With funding from a capital campaign, the 10,000 square-foot site first opened in 1993, about three miles away from SFO and within walking distance of public transportation; an upgrade 10 years later was funded by SFO and a second capital campaign. San Mateo County, which owns the building, has been responsible for maintenance; SFO covered 43 percent of the cost of a recent $1.3 million upgrade, with the remainder raised by a second local capital campaign.

Open from 6 a.m. to 11 p.m. six days a week, the site serves families with traditional, fixed schedules and families who have changing, nontraditional schedules, such as paramedics, firefighters, and hospital workers. Prior to COVID-19, the site's licensed capacity was 161; however, due to parents' staggered schedules, the actual weekly enrollment was approximately 225. Also, prior to COVID-19, approximately 40 percent of the families served were airport employees, about 10 percent were staff of either Mills-Peninsula Medical Center or San Mateo County, and the remainder were from other employees in the community.

Approximately a third of Palcare's families receive some form of financial assistance for tuition. For example, some families qualify for and are funded through the California State Preschool Program contract with the California Department of Education. For airport staff who do not qualify for the State Preschool Program, the airport subsidizes tuition using a sliding scale.

Running a program that offers such extended hours requires significant funding and commitment. Prior to COVID-19 restrictions, the site was responsible for staffing and utilities for 17 hours a day. The site has a director on-site at all times and a total of seven different directors to oversee the two facilities. According to the executive director, "Without the airport helping to support us in what it costs in the evening and the weekends to be open, we wouldn't be able to afford to do it."

The Wonderful Company: An Agricultural Business Offering Near-Site Child Care and Other Investments in Central Valley Communities

The Wonderful Company, a global enterprise headquartered in Los Angeles, grows, harvests, bottles, and packages a diverse range of products, such as fruits, nuts, wine, and other drinks. Although the company has operations around the world, the majority of its workforce resides in California's Central Valley. With the goal of enhancing the lives of its employees and their families, Wonderful has established two preschools serving three- to five-year-old children of its employees—one preschool is in the city of Delano, and the second preschool is in Lost Hills. In these locations, the workforce is made up predominantly of Latinx employees who live in rural areas. Although enrollment is open to the entire workforce, the majority of the employees using both the child care centers are hourly, general labor agriculture workers.

Determining the location of the child care facilities was a key consideration of the planning group, which involved a partnership between corporate headquarters and individual business units located in the Central Valley. Based on employee preferences, the company decided to build near-site, versus on-site, facilities. The preschools are both located about 10 miles away from the work sites, co-located with two Wonderful College Prep Academies (charter schools that enroll students in transitional kindergarten through twelth grade), on land owned by the organization. Wonderful's chief operating officer of corporate social responsibility noted the benefit, particularly in rural areas, of having the preschools connected to a school that older siblings might attend. The sites' co-location with the charter schools underscores the organization's commitment not only to offering child care but also to promoting kindergarten readiness.

Determining the hours of operation for the facilities was another important consideration in planning. Most employees work 8- to 10-hour shifts totaling 40 hours per week, depending on the business unit; however, during harvest time, employees' schedules might increase to six days and a total of 50 to 60 hours per week. The preschools are open 11 hours a day (6 a.m. to 5 p.m.) five days a week year-round.

Parents pay a nominal weekly fee for child care; the organization assumes 90 percent of the costs for child care. This level of support is a strong value of the company, according to the chief operating officer of corporate social responsibility: "We are committed to investing in the communities where our employees live and work."

The sites in Delano and Lost Hills offer other family-friendly benefits. Since 2018, both sites have been supported by student wellness centers, which provide free primary care and behavioral health services for preschool-aged students. According to the company representative, the organization sees these services as an investment in the communities to ensure children are physically and emotionally healthy and prepared to succeed in their lives. In addition, the Lost Hills site has a family resource center, which offers a food bank, career training, professional development, and help accessing social services.

Patagonia: A Commitment to Child Care

Patagonia, Inc., a family-owned outdoor apparel company based in Ventura, California, established what is now called the Great Pacific Child Development Center at its headquarters in 1983. In 2016, the company opened another child care facility at its distribution center in Reno, Nevada, and, in 2019, expanded child care to its design center, a second location in Ventura. The three centers serve up to 200 children ages birth to five years. Patagonia also offers summer and after-school programs for children in kindergarten through third grade.

The child care program started small but with core principles linked to the goal of promoting a strong employee community, according to the director of Patagonia's global family services. As a working parent herself, the company's cofounder recognized that to support working parents and to provide opportunities for women Patagonia needed to provide on-site child care.

Patagonia directly operates its child care programs, prioritizing the recruitment and retention of highly trained staff. Its child care workers receive the same benefits as all of Patagonia's other employees. These benefits include paid vacation time, paid sick time, maternity and paternity leave, access to a 401(k), discretionary investments from the company in the 401(k)s, and bonuses if the company does well. The company has placed a strong emphasis on quality and meeting nationally recommended quality standards, with one caregiver for every three infants and one staff member for every seven preschoolers. Committed to avoiding waiting lists, Patagonia expanded child care facilities from 6 classrooms in one location to 21 classrooms in three locations in less than three years.

To ensure that the high level of quality care is affordable, Patagonia sets tuition for child care based on average market rates, not the true cost of the care. The company also offers subsidies based on a sliding fee scale to parents who cannot afford the market rate.

Patagonia estimates that it recoups 91 percent of its investment in child care, including 50 percent in the form of federal tax deductions, 30 percent in reduced turnover among employees, and 11 percent in employee engagement. "Patagonia is absorbing the other 9%, which is well worth it," according to the director of the company's global family services. "Well worth it because of … the community glue that it provides."

Kids on Campus: Ensuring That Children and Child Care Providers are Part of University Life

Kids on Campus, a child care program adjacent to the campus of Santa Clara University, began in 1969 as a babysitting co-op. The parents who championed the program wanted to create a play-based socialization support system for their families. Half a century later, women compose nearly half of the faculty (Santa Clara University Office for Diversity and Inclusion, 2017), and the center provides care for working parents, including both faculty and staff.

The program has been in its current location for 17 years. The site has five classrooms. Before the pandemic, the program typically enrolled about 60 infants, toddlers, and preschoolers; COVID-19 protocols restricted enrollment to about half that number. In the past, the center, in addition to employing regular staff, employed college student workers in the program; however, as part of COVID-19 safety and health precautionary measures, students will not return immediately to work at the site. Hours have expanded since the site first opened as a co-op, and the typical, pre-pandemic schedule was 7:30 a.m. to 6 p.m., Monday through Friday. Hours have been reduced to 8:30 a.m. to 4:30 p.m. weekdays until the college student workers are allowed to return to provide support.

Although Kids on Campus prioritizes enrollment for the children of Santa Clara University faculty and staff, the center enrolls children of college students or alumni who are affiliated with the university if space is available. The university strives to keep tuition between 80 percent and 90 percent of market rate. Santa Clara University faculty and staff also have access to other family-friendly options beyond enrollment in Kids on Campus. The university has a contract with Bright Horizons to provide support with child care placement and reduced-rate, backup child care in the community.

On-site care has many benefits for faculty and staff who have children enrolled, according to the program director. For example, center providers take the children for a walk at the same time every day, and parents can take a break from work and accompany their children on campus. Having on-site child care "gives a parent peace of mind," says Ms. Gray. "It really builds a strong connection with your child in that your child's going to work with you, and you are part of the same organization." When she first started with the program as a teacher, Ms. Gray facilitated a project through which the children lead the class on a campus outing to visit each parent's office. But the benefits extend beyond those faculty and staff whose children are enrolled. "There's a strong connection between campus and our program," Ms. Gray shared. "They call us the 'Littlest Broncos.' For example, if we have a Halloween parade or another community event, the whole community comes out. Or they invite us to the art opening for our own separate viewing for the children. We actually participated in an art show where our children used the university library gallery to display their art."

The teaching staff, administrators, and support staff who work at Kids on Campus are employees of Santa Clara University in the human resources department. They receive the same health and retirement benefits as other staff on campus, and their wages reflect the current living wage policy in Santa Clara County. According to Ms. Gray, by being a part of the university, "The employees of the child development center feel more valued and respected as members of the community."

Bandwidth's Child Care Plans: All in the Family

Bandwidth, a software-driven communications company that helps customers of all sizes equip their applications with voice calling, call tracking, text messages, and 911 connectivity, is in the planning stages of creating a child care center at its Raleigh, North Carolina, headquarters. The center, set to open on the company's new campus in 2023, will realize a dream of the company's leadership team. In particular, the chief executive officer's personal values regarding the importance of family have helped ensure the project comes to fruition. Bandwidth has already named the center the Ohana Child Development Center—Ohana is a Hawaiian word that means family.

The first phase of the center will be a 30,000 square foot structure serving up to 200 children and offering a Montessori curriculum. Although the Bandwidth center will primarily serve children ages birth to five years, the company envisions eventually offering after-school and summer programs for older children as well. Architectural plans will leave room for two or three extensions to provide the capacity to expand as the company grows. Prior to COVID-19, Bandwidth had a total of 1,100 employees, with 800 of those employees based in Raleigh. "We want to operate without a wait list," said the director of corporate facilities. "That's our directive."

Bandwidth is still researching the financial operations of the center but is committed to capping parent fees at or below the market rate for child care. "We don't think it will be fully subsidized from the company, but we're going to try our best to do as much as we can, even giving consideration to a tiered subsidy based on [employee] income at the company.... That's not something we've settled on yet, but it's on the table."

A number of factors make on-site child care feasible for Bandwidth. For example, the company owns the land where the center will be established, and most employees have short commutes (within 20 minutes). A survey substantiated employee interest in using the center.

COVID-19 has at least temporarily reduced the number of employees working on-site at Bandwidth, but the company remains firmly committed to the future of in-person work. "We believe strongly not just that innovation and collaboration are best done in person," the company's director of corporate facilities said, explaining that the establishment of the child care center exemplifies the workplace changes needed to strengthen the appeal of in-person work. He added, "Some people think the office just ... becomes more of a conference center and people [will] do a lot of their work from home." "We're more of the mentality that no, you have to just raise the bar across the board for what the office is.... Employees having their child on-site with them ... having fitness and wellness initiatives on-site ... It's not just pool tables and foosball tables that are the amenities for the office anymore."

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Authors

Susan Muenchow and Jennifer Anthony

Contributors

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