

Childcare Benefits Continue to Evolve

Childcare resource and referral services are a recent addition to the range of childcare benefits that employers offer their employees. Because these services are more affordable than childcare itself, they are offered to a higher percentage of employees.

JEROME E. KING
CATHY A. BAKER

The increase in the rate at which mothers participate in the labor force partly explains the increased demand for childcare.¹ The Bureau of Labor Statistics (BLS) Current Population Survey² (CPS) provides data on “women (aged 25 to 54) with children under 18,” that show an increase in their labor force participation rates over the last quarter of the 20th century. In 1975, 49 percent of these women were working or looking for work. By 1999, their labor force participation rate had increased to 74 percent. For women with children under the age of 3, the participation rate increased from 23 percent in 1969 to 61 percent in 1999.³

In late 1999, the U.S. Office of Management and Budget⁴ asked BLS to conduct a pilot survey to measure the incidence of childcare resource and referral services in the workplace. (See table 1.) It was designed to determine whether private employers and State and local governments offer childcare resource and referral services to their employees.

In addition to reporting the results of this survey, this article examines various employer-sponsored childcare benefits, giving context to the information contained in the childcare resource and referral survey. Trends in access to employer-provided childcare benefits, dating as far back as 1985, are ex-

amined as well. (See table 2.) Finally, this article notes the challenges encountered in attempting to measure childcare resource and referral services separately from BLS collection of data on more traditional childcare services.

History of BLS childcare benefits data

Since 1985,⁵ BLS has regularly captured data on employer-provided childcare assistance as part of its benefits surveys.⁶ Initially, estimates were made available for full-time employees in medium and large private establishments (100 or more employees). In 1987, childcare data were first published for State and local governments, while childcare data for small private establishments (fewer than 100 employees) were first published in 1990. (See tables 3 and 4.)

Employer childcare benefits provide for full or partial payment of the cost of nursery, daycare center, or babysitter expenses for the employee’s children. There are four broad categories of childcare benefits provided by employers: (1) funding of childcare, (2) onsite childcare, (3) offsite childcare, and (4) childcare support services.

There are several options that employers can exercise when funding these services. They can directly pay independent care providers or issue vouchers to employees, who choose

Jerome E. King is an economist in the Division of Compensation Data Estimation, Bureau of Labor Statistics. Cathy Baker is a labor economist in the Division of Compensation Data Analyzing and Planning.

Telephone: King (202) 691-6209
Baker (202) 691-6260

E-mail: King_J@bls.gov
Baker_C@bls.gov

Table 1. Incidence¹ of childcare resource and referral services by industry, establishment size, and region, June 2000

| Category | Total | With childcare resource and referral services | | | | Without childcare resource and referral services |
|-----------------------------------|-------|-----------------------------------------------|------------------------|---------------------|--------------------|--------------------------------------------------|
| | | Total | Service contracted out | Provided internally | Other ² | |
| Percent of workers | | | | | | |
| Civilian workers | 100.0 | 13.8 | 8.0 | 4.5 | 1.3 | 86.2 |
| State and local governments | 100.0 | 17.0 | 5.3 | 10.1 | 1.6 | 83.0 |
| Private Industry | 100.0 | 13.3 | 8.5 | 3.6 | 1.2 | 86.7 |
| Goods producing | 100.0 | 14.7 | 10.4 | 1.5 | 2.8 | 85.3 |
| Service producing | 100.0 | 12.8 | 7.9 | 4.3 | 0.7 | 87.2 |
| Establishment size: | | | | | | |
| 1-99 workers | 100.0 | 4.5 | 2.6 | 1.5 | 0.4 | 95.5 |
| 100-499 workers | 100.0 | 14.6 | 8.5 | 5.2 | 1.0 | 85.4 |
| 500-999 workers | 100.0 | 23.9 | 15.8 | 6.0 | 2.1 | 76.1 |
| 1,000-4,999 workers | 100.0 | 32.3 | 20.2 | 8.9 | 3.3 | 67.7 |
| 5,000 workers or more | 100.0 | 45.8 | 20.1 | 19.5 | 6.2 | 54.2 |
| Region ³ : | | | | | | |
| Northeast | 100.0 | 16.0 | 9.3 | 5.9 | 0.8 | 84.0 |
| South | 100.0 | 10.3 | 6.4 | 3.5 | 0.5 | 89.7 |
| Midwest | 100.0 | 13.5 | 7.2 | 4.0 | 2.2 | 86.5 |
| West | 100.0 | 17.7 | 10.5 | 5.2 | 2.0 | 82.3 |
| Percent of establishments | | | | | | |
| All industries | 100.0 | 3.0 | 1.7 | 1.1 | 0.1 | 97.0 |
| State and local governments | 100.0 | 13.5 | 6.7 | 5.8 | 1.0 | 86.5 |
| Private Industry | 100.0 | 2.7 | 1.6 | 1.0 | 0.1 | 97.3 |
| Goods producing | 100.0 | 1.9 | 1.4 | 0.4 | 0.1 | 98.1 |
| Service producing | 100.0 | 2.9 | 1.6 | 1.1 | 0.1 | 97.1 |
| Establishment size: | | | | | | |
| 1-99 workers | 100.0 | 2.5 | 1.4 | 1.0 | 0.1 | 97.5 |
| 100-499 workers | 100.0 | 14.0 | 7.6 | 5.7 | 0.7 | 86.0 |
| 500-999 workers | 100.0 | 25.5 | 18.5 | 4.9 | 2.1 | 74.5 |
| 1,000-4,999 workers | 100.0 | 33.9 | 24.4 | 6.6 | 2.9 | 66.1 |
| 5,000 workers or more | 100.0 | 44.4 | 20.0 | 14.3 | 10.1 | 55.6 |
| Region ³ : | | | | | | |
| Northeast | 100.0 | 2.5 | 1.7 | 0.7 | 0.2 | 97.5 |
| South | 100.0 | 2.8 | 1.7 | 1.2 | (⁴) | 97.2 |
| Midwest | 100.0 | 2.2 | 0.9 | 1.2 | 0.1 | 97.8 |
| West | 100.0 | 4.6 | 2.8 | 1.4 | 0.4 | 95.4 |

¹ Incidence refers to the percent of workers eligible for childcare resource and referral services and the percent of establishments that provide this service.

² "Other" refers to establishments that provide childcare resource and referral services both internally and by contractors. For example, an establishment provides these services internally to nonmanagement workers and contracts the services for management workers.

³ The regional breakout is as follows: Northeast: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. South: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. Midwest: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. and the West: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

⁴ Less than 0.05 percent.

NOTE: Because of rounding, sums of individual items may not equal totals.

TABLE 2. Incidence of eligibility for childcare and reimbursement accounts among full-time employees, medium and large private establishments, selected years, 1985-97

(in percent)

| Benefit description | Survey year | | | | | | | |
|------------------------------------------------------|-------------|------|------|------|------|------|-----------------|------|
| | 1985 | 1986 | 1988 | 1989 | 1991 | 1993 | 1995 | 1997 |
| Employer assistance for childcare ¹ | 1 | - | 4 | 5 | 8 | 7 | 8 | 10 |
| Employer-provided funds | - | - | - | - | - | - | 4 | 6 |
| Onsite childcare | - | - | - | - | - | - | 3 | 3 |
| Offsite childcare | - | - | - | - | - | - | 1 | 1 |
| Reimbursement accounts | 4 | 5 | 12 | 23 | 36 | 52 | 38 ² | 32 |

¹ Employees may have access to more than one type of assistance for childcare.

² In 1995, BLS removed premium conversion plans from the category of reimbursement accounts.

NOTE: Data are from the BLS Employee Benefits Survey. Data for 1985-1986 represent establishments with varying numbers of workers and include only some service industries. Data for 1988 and beyond represent all establishments with 100 workers or more. Dashes indicate that data were not collected.

TABLE 3. Incidence of eligibility for childcare and reimbursement accounts among full-time employees, small private establishments, selected years, 1990-96

(in percent)

| Benefit description | Survey year | | | |
|------------------------------------------------------|-------------|------|------------------|-----------------|
| | 1990 | 1992 | 1994 | 1996 |
| Employer assistance for childcare ¹ | 1 | 2 | 1 | 2 |
| Employer provided funds | - | - | 1 | 1 |
| Onsite childcare | - | - | 1 | 1 |
| Offsite childcare | - | - | (²) | 1 |
| Reimbursement accounts | 8 | 14 | 19 | 12 ³ |

¹ Employees may have access to more than one type of assistance for childcare.

² Less than 0.5 percent.

³ In 1995, BLS removed premium conversion plans from the category of reimbursement accounts.

NOTE: Data are from the BLS Employee Benefits Survey, and pertain to establishments with employment of less than 100 workers. Dashes indicate that data were not collected.

TABLE 4. Incidence of eligibility for childcare and reimbursement accounts among full-time employees, State and local governments, selected years, 1987-1998

(in percent)

| Benefit description | Survey year | | | | |
|------------------------------------------------------|-------------|------|------|------|-----------------|
| | 1987 | 1990 | 1992 | 1994 | 1998 |
| Employer assistance for childcare ¹ | 2 | 9 | 8 | 9 | 7 |
| Employer provided funds | - | - | - | 3 | 2 |
| Onsite childcare | - | - | - | 5 | 3 |
| Offsite childcare | - | - | - | 2 | 3 |
| Reimbursement accounts | 5 | 31 | 50 | 64 | 42 ² |

¹ Employees may have access to more than one type of assistance or childcare.

² In 1995, BLS removed premium conversion plans from the category of reimbursement accounts.

NOTE: Data are from the BLS Employee Benefits Survey. Data for 1987 represent establishments with 50 workers or more. Data for 1990 and beyond represent all establishments. Dashes indicate that data were not collected.

their own childcare vendor. Employers have also negotiated discounts with vendors for their employees. They have several options when providing offsite childcare as well. Utilizing consortium programs, several employers share the expenses, risks, and benefits of a daycare center. Alternatively, childcare home networks can be developed, with either the employer or a contractor managing the program.⁷

In general, the percentage of employees with access to childcare benefits has increased over time. In 1985, 1 percent of full-time employees in medium and large private establishments had access to employer-provided childcare benefits; the figure was 10 percent in 1997. (See table 2.) Starting in 1995, "Employer assistance for childcare" was broken out into three categories: (1) Employer provided funds, (2) onsite childcare, and (3) offsite childcare. *Employer-provided funding* occurs when the employer pays at least part of the cost of childcare, regardless of location. In *onsite care* programs, the employer manages a childcare facility at the workplace. In *offsite care* programs, the employer manages a childcare facility away from the worksite. BLS data for each of these types of childcare indicated that only a small percentage of workers was covered.

For small private establishments as a group, access for childcare benefits has remained low—always 1 or 2 per-

cent of full-time workers. (See table 3.) Access for State and local government workers has been higher. Just under 10 percent of State and local government employees had access to these benefits according to the last 3 out of 5 BLS benefits surveys. (See table 4.) State and local government data for 1994 show the following incidence rates for the three types of childcare assistance: employer-provided funds—3 percent; onsite childcare—5 percent; and offsite childcare—2 percent. For 1998, these three types of childcare assistance were almost evenly distributed.

Data also were captured for reimbursement accounts,⁸ which may be used to fund employee childcare expenses. A reimbursement account, or flexible spending account, allows employees to deposit pretax contributions into an account and to withdraw funds from that account to pay for certain expenses, such as childcare. For medium and large private establishments, the share of employees who had these accounts available to them ranged from 4 percent in 1985 to 32 percent in 1997.⁹

For medium and large private establishments, small private establishments, and State and local governments, access to reimbursement accounts peaked in the years 1993 and 1994 (52, 19, and 64 percent, respectively). These data cannot be interpreted as a trend, because BLS removed premium conversion plans from the reimbursement accounts category in 1995.

BLS also has data on the percentage of employees with access to reimbursement accounts who could use these funds for dependent care expenses. (Dependent care expenses can cover elderly and disabled relatives, as well as children.) For medium and large establishments, 77 percent of such employees were covered for dependent care expenses in 1991, 1993, and 1995, and 91 percent were covered in 1997. For small private establishments, data are available for 3 years: 1992 (58 percent covered), 1994 (51 percent), and 1996 (82 percent). For State and local governments, comparable data are available for 4 years: 1990 (63 percent),

1992 (61 percent), 1994 (71 percent), 1998 (90 percent.)

Besides reimbursement accounts, childcare support services include paid and unpaid family leave, adoption assistance, and flexible workplace plans. With flexible workplace plans, employees can coordinate parental and job responsibilities more easily because of reduced time conflicts.

BLS has expanded the amount of data available on childcare benefits over time. In 1990, part-time workers were added to the survey, and data collection began in Alaska and Hawaii.¹⁰ In 1992, BLS began publishing data for childcare benefits and reimbursement accounts for full-time employees based on union status. The following year, data were published for full-time employees based on four geographic regions—Northeast, South, North Central, and West—and two large industry breakouts: goods-producing and service-producing.¹¹

Results of the pilot survey

The childcare resource and referral services pilot survey was designed to determine whether private employers and State and local governments offer these particular services to their employees. The survey was not designed to collect or measure more traditional childcare services, as earlier BLS surveys, described in the previous section of this article, had done.

In June 2000, 13.8 percent of all civilian workers (private industry and State and local government workers) had access to childcare resource and referral services. Overall, these services were more often provided to workers outside contractors than provided internally. (See chart 1.) Childcare resource and referral services are defined as by employer-sponsored benefits that provide information to employees regarding childcare providers. These services include information on childcare options, costs, schedules of availability, and the qualifications of the caregivers in the local community.¹²

The percentage of civilian workers with access to childcare resource and referral services increased substantially

as the employment size of the establishment increased. In establishments with fewer than 100 workers, 4.5 percent of employees had access to childcare resource and referral services. In establishments with 5,000 workers or more, 45.8 percent of the employees had access to these services. (See chart 2.)

Childcare resource and referral services were offered to 17 percent of employees in State and local governments, compared with 13.3 percent of employees in private industry. For in-house services, 10.1 percent of State and local government workers had access, while 5.3 percent had access to services by a contractor. (See table 1.)

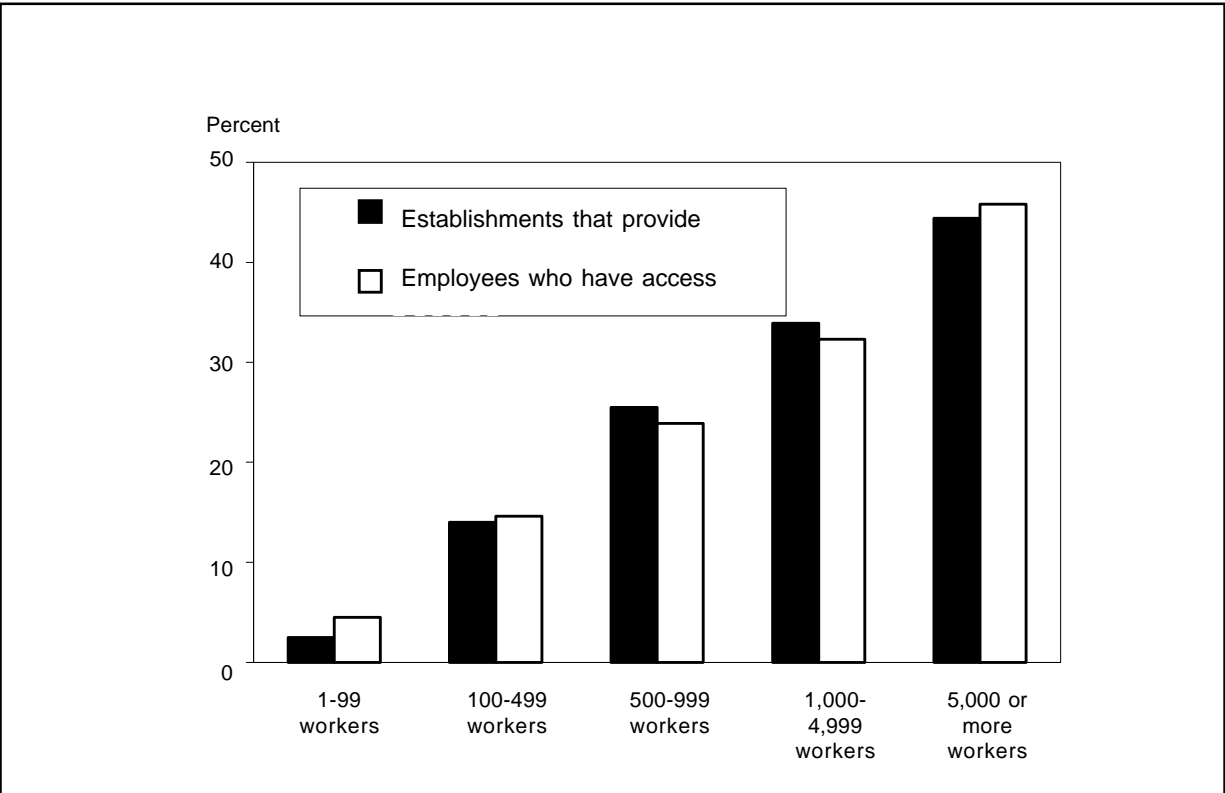
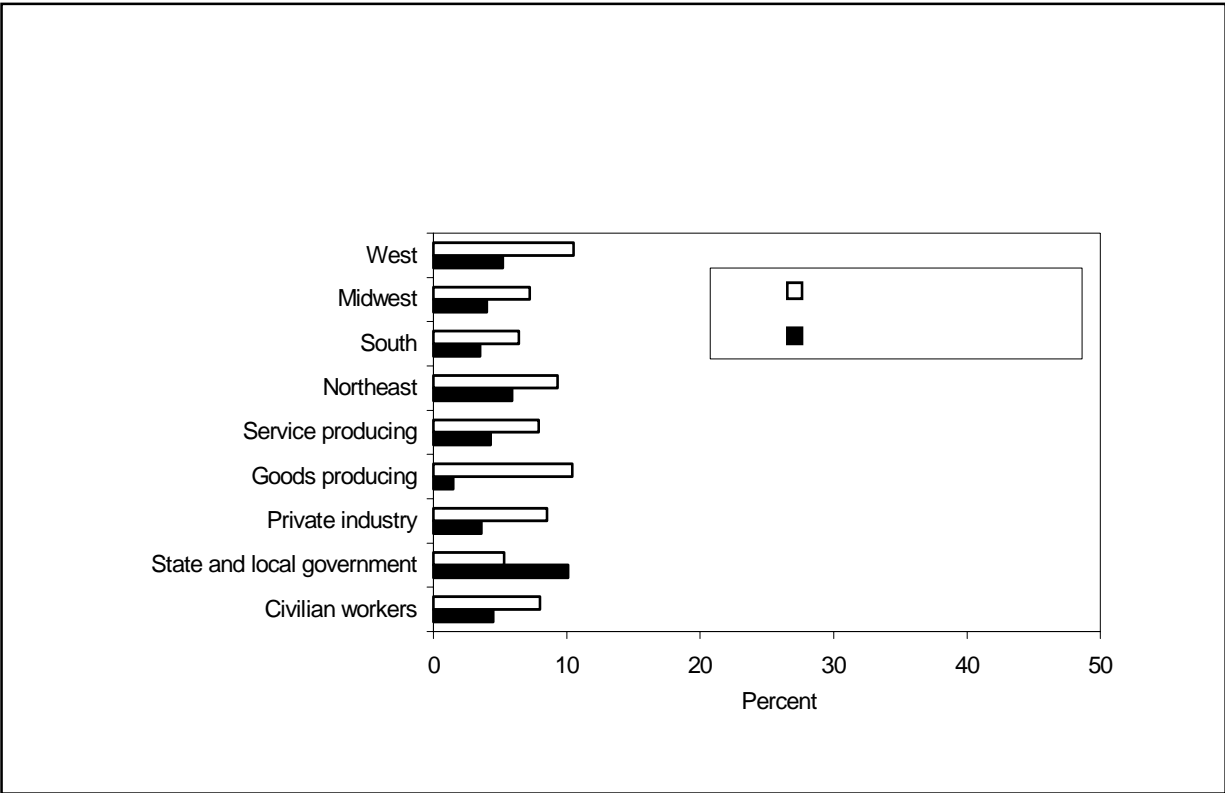
Within private industry,¹³ 14.7 percent of workers in goods-producing industries had access to childcare resource and referral services, compared with 12.8 percent of workers in service-producing industries. For 8.5 percent of all private workers, contractors provided these services; for 3.6 percent of workers, services were provided in-house.

By geographic region, access to childcare resource and referral services ranged from 17.7 percent in the West to 10.3 percent in the South.

Data also are available on the percentage of establishments that provide childcare resource and referral services; 3.0 percent of all establishments provided such services to their employees in June 2000. Among State and local governments, 13.5 percent of the establishments provided these services, compared with 2.7 percent of private industry establishments.¹⁴

Pilot survey characteristics and future data collection

BLS collected data for the pilot survey in conjunction with its June 2000 Employment Cost Index (ECI) survey.¹⁵ The estimates are based on a sample of about 6,800 establishments in the June quarter ECI survey. The survey sample represents approximately 7.0 million establishments and 123.1 million employees. The survey estimates cover private industries and State and local governments in all 50 States and the District of Columbia. Not covered are



farm, household, Federal Government and the self-employed.

The establishments in the survey were notified about the one-time supplemental survey prior to collection. For collection, the establishments received the survey as a self-administered questionnaire, which contained instructions, two questions, and a definition. In most cases, the survey questionnaires were completed during the telephone followup interview. About 88 percent of the establishments in the sample provided usable data.

Some BLS field economists reported that it was challenging to collect childcare resource and referral services data with no additional discussion of childcare benefits. BLS resource considerations prompted the collection of these benefits data in conjunction with a cost trend survey (the ECI), rather than with BLS benefits surveys. Currently, the ECI does not include childcare costs. The pilot survey was not a seamless fit within the setting of the ECI survey update.

The pilot survey revealed that parts of the benefit definition were not clear to respondents (for example, the phrase “childcare resource”). In many cases, respondents felt comfortable with the ECI survey update, but had to identify and involve another staff member to answer the pilot survey questions. Without the benefit of personal contact, such communication demands placed an added burden on survey participants.

Currently, the BLS National Compensation Survey (NCS) collects employer-sponsored childcare benefits data as part of its benefits incidence component. BLS intends to collect childcare resource and referral services data in the future and incorporate the collection efforts into the current NCS collection of employer-sponsored childcare benefit data. The aim is to add clarity and context to the collection of these data. The following set of employer-sponsored childcare benefit data has been proposed for collection:

- Incidence of childcare assistance in the form of funds
- Incidence of childcare assistance in an onsite or offsite facility
- Incidence of childcare assistance through a childcare resource and referral service provided internally or by a contractor

The NCS will continue to capture data on the incidence of reimbursement accounts.

Conclusion

Due to the increasing percentage of working mothers, both single-income and dual-income, interest in and demand for childcare benefits is likely to increase as well. Most BLS data reflect this trend by showing increasing levels of access to childcare services over time.

In the context of increased demand for childcare benefits, employers have turned their attention to resource and referral services as an attractive adjunct to more traditional benefits. These services are less costly than providing funds for childcare, making them an attractive alternative for employers with a more limited budget for childcare services. According to the survey, the incidence rates for childcare resource and referral services are higher than those for childcare benefits themselves. Incidence rates for reimbursement accounts exceed those for both childcare and resource and referral services.

The strong demand for childcare assistance and employer budget considerations may continue to spur innovation in childcare benefits such as reimbursement accounts and resource and referral services. ■

Availability of additional data

BLS has data on childcare assistance on its Employee Benefits Survey Internet site, <http://www.bls.gov/ebshome.htm>. Questions on this survey can be addressed to the information line (202-691-6199) or, by e-mail, to ocltinfo@bls.gov. These childcare resource and referral services survey results also are available at the Web site: <http://www.bls.gov/comhome.htm>.

¹ Changes in family structure, decreased reliance on family, friends, and neighbors for childcare, and parents' desires to provide their children preparatory preschool educational experiences also explain this increased demand. See D. J. Hernandez, "Changing demographics: Past and future demands for early childhood programs," *The Future of Children*, winter 1995, pp. 145-60.

² The Current Population Survey is a monthly survey of about 50,000 households conducted by the U.S. Census Bureau for the Bureau of Labor Statistics. It provides a comprehensive body of data on the labor force, employment, unemployment, and persons not in the labor force. Studies based on the Current Population Survey cover a broad range of topics, including the Nation's overall labor market situation as well as those of special worker groups such as minorities, women, school-age youths, older workers, disabled veterans, contingent workers, and displaced workers. Data for 1994 and later years are not directly comparable with data for 1993 and earlier years because of a major redesign of the Current Population Survey.

³ See "Hours at Work," *Report on the American Workforce, 1999* (U.S. Department of Labor, 1999), p. 96.

⁴ The Office of Management and Budget (OMB) is part of the Executive Office of the President. OMB provides overall coordination for the Federal statistical system. Based on statistical oversight and policy considerations, OMB requested the one-time survey on childcare resource and referral services.

⁵ In 1980, BLS published data on eligibility for childcare for private sector establishments employing at least 50, 100, or 250 workers, depending on the industry. See *Employee Benefits in Private Industry, 1980*, Bulletin 2107 (Bureau of Labor Statistics), table 36, p. 30. This survey found that 1 percent of covered workers were eligible. The next BLS childcare data appeared in 1985.

⁶ The BLS Employee Benefits Survey provides information on benefit incidence and detailed benefit provisions. This program is in the process of being integrated into the National Compensation Survey, which uses a common sample and methodology for occupational earnings, compensation cost trends, benefit incidence, and detailed benefit provisions.

⁷ For a more detailed treatment of childcare assistance options available to employers see Stephanie L. Hyland, "Helping employees with family care," *Monthly Labor Review*, September 1990, pp. 43-47.

⁸ Reimbursement accounts are a mechanism by which money is taken out of the employee's paycheck on a pretax basis, thereby lowering his or her tax burden. These accounts are used to reimburse the employee for expenses associated with providing not only childcare, but also healthcare and eldercare.

⁹ The last Employee Benefits Survey year for medium and large private establishments was 1997. Future benefits and provisions data will be published as part of the BLS National Compensation Survey. NCS data will be provided for "all private" establishments, which is a combination of small private establishments and medium and large private establishments. NCS benefits data are expected to be published sometime in 2002.

¹⁰ In 1990, these changes appeared in the BLS State and local government survey, as well as in the small private establishment survey. These changes appeared for medium and large private establishments in 1991.

¹¹ BLS has data on childcare assistance on its Employee Benefits Survey Internet site: (<http://www.bls.gov/ebshome.htm>). Questions on this survey can be addressed to the information line at (202) 691-6199 or, by e-mail, to ocltinfo@bls.gov. These childcare resource and referral services survey results also are available at the Web site: (<http://www.bls.gov/comhome.htm>).

¹² The definition provided in the questionnaire read as follows: "A childcare resource and referral service maintains and provides information on childcare providers in the local community. This would be supplied by either a company employee or a contractor and would include information on the range and nature of available childcare services, their costs, their schedule of availability and, often, the qualifications of the caregivers." The questionnaire also elaborated on what these services could include, such as:

(1) Direct or indirect access for employees to a company employee or outside contractor who is knowledgeable on the topic of childcare resources; (2) a company employee or an outside contractor to help employees evaluate family childcare needs with a tested assessment tool; (3) information on childcare options for parents, such as lists of childcare centers, family childcare providers, and in-home care givers; (4) listings of childcare resources provided in the local area; (5) listings of summer camps for school-age children; (6) worksite seminars on community childcare providers; and (7) information about subsidies, scholarships, and sliding fees.

¹³ Sample establishments are classified by industry categories based on the 1987 Standard Industrial Classification (SIC) system, as defined by the U.S. Office of Management and Budget.

¹⁴ The difference between employee estimates and establishment estimates was small based on the various establishment size breakouts. By industry and region however, employee incidence estimates are substantially higher than establishment estimates. See table 1.

¹⁵ The ECI survey is a quarterly measure of the change in employer costs for employee compensation—wages, salaries, and employee benefits.