How Regulatory Change and Voluntary Benefits will Bridge the Child Care Gap

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Even before the COVID-19 pandemic increased the pressure on working parents by forcing families to share at-home workspaces, child care perks were one of the most buzzed-about topics in employee benefits. The buzz is a result of what experts are calling the "child care gap"—one of several crises (along with mental health, housing and economic) affecting workers every day.

With an estimated four children vying for every daycare slot[1] and an average price tag of $8,355 per child per year,[2] concerns about child care rank among employees' biggest distractions, putting a drain on productivity and increasing absenteeism.

However, lost productivity isn't the only caregiving-related issue facing workplaces. It's estimated that 43% of women in full-time positions who exit the office for maternity leave will never return, resulting in increased turnover and recruiting costs.[3] It's not surprising that 67% of survey respondents who aren't offered employer-subsidized child care say they'd be more loyal to an employer that did.[4]

But, even with widespread employer awareness of these issues and interest in coverage, child care benefits are hard to find.

Measuring—and Understanding—the Child Care Gap

The United States Bureau of Labor Statistics (BLS) defines child care benefits as a workplace program that provides full or partial subsidy for the cost of caring for an employee's children on or off the employer's premises. Care can be offered in a nursery or daycare center, as well as by a babysitter.

Access to this benefit is tracked by the BLS in an annual nationwide survey. According to the most recent report, just 11% of American workers had the option in March of 2020, up only one point since 2016.[5]

The child care gap between need and programming is caused by various factors.

Beyond the expense and scarcity of services, administration of the benefit raises equity and compliance concerns that act as a barrier to employer investment.

However, emerging regulatory changes in a handful of states, starting with New York, could put child care benefits back on the fast track. New York announced the addition of an employer child care tax credit as part of its FY2022

[1] The Center for American Progress, "Costly and Unavailable: America Lacks Sufficient Child Care Supply for Infants and Toddlers"
[2] CNBC, "Parents spend an average of $8,355 per child to secure year-round child care"
[3] BizJournal, "Nearly half of working moms take a career break"
[4] Care.com, "Back-to-School 2020: Care.com survey reveals what's really on the minds of working parents"
[5] U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2020"

state budget.[6] If passed, this tax credit will offer a financial incentive for employers to unravel the administrative web and begin offering child care benefits. The Biden administration has also expressed interest in incentivizing employer-sponsored coverage for dependents young and old.

Potential Voluntary Benefit Solutions

While these proposals wind their way through the legislative process, a slate of new voluntary benefit vendors have emerged to solve those complex administration and compliance issues.

Some examples include:

- New York startup Arvorie, which offers concierge services for both employers and employees trying to get the most of their child care benefits. They assist employees in finding suitable providers, last-minute care and competitive pricing. For employers, they ensure organizations are getting the most of existing tax credits, track utilization and oversee equal access for employees of all demographics.
- International network of family support providers, Bright Horizons. Bright Horizons offers on-site child care, back-up care, elder care, college coaching, services for individuals with special needs and tuition subsidies.
- Care.com, a household name in child care research and vetting for a decade, recently launched Care@Work, a membership program that offers concierge services for both children and elderly dependents, back-up care in the case of cancellations, event-based care for employer-sponsored events and help for employers managing tax incentives.
- CorporateCARE Solutions, founded by a former provider of child and adult care services, specializes in emergency care situations such as unexpected breakdowns in regularly scheduled child care that typically leave the employee relying on PTO.
- Vivvi, a New York City-based child care solution, offers in-home, on-campus or in-office services led by accredited educators.

The key to learning which vendor is right for your organization is to start a conversation with your benefits broker. They can help you find a financially responsible solution that checks all the boxes.

On the other hand, if these options are still out of your price range, keep an eye on your local policymakers. Several state legislatures have expressed interest in expanding access to affordable child care in the wake of the pandemic, and with encouragement from the Biden administration, we expect to see new opportunities continuing to emerge in the coming years. ■

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[6] New York State, "Highlights of The FY 2022 State Budget"