This publication explains to Arizona employers the effect of child care difficulties on the work force and profitability and describes ways to help employees meet their child care needs. Discussion concerns the benefits of employee child care assistance programs, program options available to employees, and the steps required to implement the programs. Sections of the document discuss: (1) the necessity of investing in child care assistance programs, changes in the work force and family, difficulties in obtaining child care, various programs, and common issues of concern; (2) available assistance options, including direct and indirect services; (3) program development through needs assessment, the analysis of program feasibility, and program implementation and evaluation; and (4) the process of locating expert advice. Appendices provide a summary of three national surveys of corporations that offer child care assistance; a list of corporations that provide child care and related services; a primer on child care liability and insurance; and a list of suggested readings. (RH)
Child Care

A Business Investment That Works

Children's Action Alliance
Arizona Business and Industry Coalition for Child Care

Support for this project provided by:

American Express
Honeywell, Inc.
Intergroup of Arizona
KAET TV

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About the Children's Action Alliance...

The Children's Action Alliance is a non-profit research and policy development organization that advocates on behalf of Arizona's children. The Alliance focuses on programs and policies that affect large numbers of children and youth rather than on helping families on a case by case basis. Its work is supported by grants and contributions from business and industry, foundations, and individuals.

The overall purpose of the Alliance is two-fold: First to develop and work toward the implementation of findings and recommendations that contribute to the well-being of Arizona's children. Second, to bring about increasing understanding by policy-makers, business and community leaders, members of the media, and citizens of the high economic and social stake that all Arizonans have in what happens to our children.

About the Arizona Business and Industry Coalition for Child Care...

The Arizona Business and Industry Coalition for Child Care came about as a result of a grant to the Children's Action Alliance from the American Express Company in cooperation with KAET, a public broadcasting television station. Coalition members believe that the demographic changes in our families and in our labor force have resulted in a clear challenge to employers to address the important problem of child care for their employees. This publication is one of the products of the Coalition efforts.
"Our child care program makes good business sense. It makes our company more competitive by improving recruitment, employee loyalty, morale, and productivity. Most importantly, it is good for our employees, as well as for today’s children and tomorrow’s adults."

---

Michael Conway
President, America West Airlines

"American Express is involved because the child care problems in America have reached crisis proportions. Corporations cannot ignore their responsibility... not if they want to attract and retain productive employees... not if they want to do business in economically healthy communities. The private sector must operate as a partner with the public sector to see to it that the quality and supply of child care meets the growing needs of our nation."

---

Harry L. Freeman
Executive Vice President, American Express Company
Arizona Business and Industry Coalition for Child Care

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Acknowledgments:

We gratefully acknowledge the work of the Coalition’s Publication Task Force and the leadership of its chair, R. William Phelps. We particularly want to acknowledge the work of Margaret R. Stout, Research Coordinator for Summa Associates, who was a principal author of the publication and Carol Kamin, Executive Director of the Alliance, who provided the staff direction and support throughout the project.

Without listing them individually, we would like to express our appreciation to all those Arizona employers who have become involved in the child care issue in one way or another.

We would especially like to gratefully acknowledge and thank American Express and KAET TV for their initiation and funding of the project; Honeywell Inc., for the printing of this publication; Intergroup of Arizona for their important financial contribution. We thank each one of these organizations for their generosity and commitment to Arizona’s children.
Executive Summary

Child care is your business.

Dramatic changes in our labor force, our families and our economy have convinced many employers that providing some form of child care assistance to their employees is a sound investment. These employers report that their child care programs improve recruitment, retention, attendance, productivity, morale, and public image.

Employers who have invested in child care for their employees have understood that many families need help in balancing their work and child care needs, that government programs meet only a very small portion of that need, and that helping employees with child care is a business bargain. They also recognize that mothers of young children are the fastest growing group in the paid labor force.

Many of Arizona's business leaders are beginning to acknowledge the critical link between quality child care programs and better prepared high school graduates and workers. They have begun to recognize the respected research that shows that high quality child care is an economical way to lower the drop-out rate and increase literacy and productivity.

Assisting employees with child care can take many forms depending on the make-up of the particular work force and resource availability. Employers can provide direct assistance through child care centers (on-site or near-site), contracts with existing child care providers, or care for sick children. They can also provide indirect assistance through employee information programs, financial assistance, or flexible personnel policies. Whatever the employer chooses, good planning and careful program design are essential.

The purpose of this publication is to explain to Arizona employers how child care difficulties affect the work force and the bottom-line, as well as to acquaint them with ways to help employees meet their child care needs. Members of the Arizona Business and Industry Coalition for Child Care strongly believe that by helping employees better balance their work and child care responsibilities, the business community can make a sound investment in its own success and in the success of our state.
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I. Introduction

The purpose of this publication is to explain to Arizona employers how child care difficulties affect the work force and the bottom-line, as well as to acquaint them with ways to help employees meet their child care needs. The benefits of employee child care assistance programs, the program options available to employees, and the steps required to implement those programs will all be presented.

Traditionally, most businesses have steered clear of child care, drawing a broad line between work place and family matters. However, dramatic changes in our labor force, our families, and our economy have convinced many employers that providing some form of child care assistance to their employees is a sound investment. These employers report that their child care programs improve recruitment, retention, attendance, productivity, morale, and public image.

Recognizing that these same issues are negatively impacted by the lack of child care, why is it difficult for employers to make child care a priority? Perhaps the most prevalent reason is uncertainty regarding costs and benefits. This publication will explicitly address this issue. However, other reasons are assumptions that linger in the minds of many business people which are based on a society that truly does not exist.

Some employers believe that child care is a problem for families to work out on their own, or for which government programs exist to help. In reality, many families are truly unable to solve the child care problem alone, and government programs meet only a very small portion of the need.

Child care is the fourth largest expense for working families after housing, food, and taxes. In a recent study, 75 percent of the women and 57 percent of the men surveyed found it difficult to find affordable child care. This is especially true for infants and toddlers. Most experts agree that government assistance programs for child care are extremely inadequate.
An additional concern created by the lack of child care is the more long-term effect. Arizona's business leaders are calling for better prepared high school graduates and workers. Experts report that quality child care experiences can result in enormous long-term academic and social benefits for children. Research shows that high quality child care is an economical way to lower the drop-out rate and increase literacy and trainability. Many employers are beginning to realize that such experiences are critical for future workers to gain the skills essential to the success of the economy.

All arenas of society must be involved in creating a solution to the child care problem. By accepting this challenge--by helping employees meet their pressing child care needs--the business community can make a sound investment in both its immediate and continued success.
II. Child Care Assistance Programs Are A Necessary Investment

A. The Changing Work Force

The work force has been steadily changing over recent decades. A larger percentage of mothers are working, and there are less employable people in the United States. Shortages of workers will dominate the 1990s, so attracting and retaining skilled employees will become the central challenge for employers.

- The number of workers aged 16 to 24 years declined 8 percent from 1979 to 1986 and will continue to decrease over the next fifteen years.

- The total potential and actual entrants into the labor force in 1980 (those people aged 18-24 years) exceeded 29.7 million in 1980. In 1995, this number will drop to 22.7 million—a decrease of 7 million potential workers. A rate of decrease of one million per year can be expected through the 1990s:

![The Shrinking Labor Force Graph](image-url)
These changing demographics are creating an increasing need for employers to remain competitive through employee benefits and assistance programs. Many potential employees will be mothers of young children—the fastest growing group in the paid labor force. Therefore, one of the most effective employee assistance programs is the support of child care needs.

- The Hudson Institute predicts that by the year 2000, 47 percent of the work force will be women and 61 percent of all women will be working.

- In 1986, almost 72 percent of all women aged 25-34 were working. By the year 2000, this number is expected to rise to over 82 percent.

![Bar chart showing Working Women of Child-Bearing Age from 1986 to 2000.](chart.png)

- Working Women of Child-Bearing Age

<table>
<thead>
<tr>
<th>Percentage</th>
<th>1986</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>40-60</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>80-100</td>
<td>0</td>
<td>10</td>
</tr>
</tbody>
</table>
A common misconception is that women work out of choice, rather than out of necessity. However, the statistics show that the overwhelming majority of employed women face clear economic needs. Women are important earners in their families, both dual-earner and single-parent families.

- According to the U.S. Department of Labor statistics, in 1982 over two-thirds of employed women are either the sole earners in their families or are married to spouses earning under $15,000 per year.

- Among married women who work outside the home, 27 percent are married to men earning less than $10,000; 51 percent are married to men earning less than $15,000; and 73 percent are married to men who earn less than $20,000.

B. The Changing Family

The American family is no longer characterized by a working husband with a wife and children at home. In 1960, 43 percent of all families were headed by a male breadwinner. Today, only 14 percent of all families are structured this way, almost 40 percent of today's work force are families with both spouses working, and another 6 percent are single parents, as shown below.

Employee Household Structure

- 14.00% Two Parents, One Employed
- 40.0% Two Parents, Both Employed
- 40.0% Single Parent, Employed
- 6.00% Employees Without Children
Because of these changes, lifestyles and attitudes have changed—parents are trying to create and maintain a healthier balance between work and family responsibilities. The following statistics highlight these changes:

- According to the Census Bureau, almost one half of the work force is female, and 90 percent of those women will bear children while employed.

- Experts estimate that by 1990, 66 percent of all children under the age of six years and 75 percent of all school age children will have working mothers.

- There is a new baby boom—in 1990 there will be over 23.3 million children under the age of six—up 23 percent from 1980.

- The number of working women whose children are under six has risen from about 12% in 1950 to more than 57% today:

![Working Mothers With Children Under Age Six](image-url)

*Percentage of working mothers with children under age six from 1950 to 1989.*
C. Child Care Difficulties

1. For Employees

The influx of women into the work place and the resulting changes in family structure have created a need for quality, available, affordable child care. The key ingredients of quality care are generally agreed to be: small groups of children; a stable, well-paid, well-trained staff; and low staff to child ratios. Unfortunately, such care is hard to find in many areas. When it is available, it often will not meet parents needs for irregular schedules, specific age groups of children, children with special needs, or moderately ill children.

Additionally, when quality care is available and meets all needs, it is often not affordable for many parents. Full time care can cost from $3,000 to over $6,000 per year. Experts feel that families earning under $10,000 per year have virtually no money available for child care. Families earning from $10,000 to $15,000 can reasonably afford to spend up to 5 percent of their income, and families earning over $15,000 can comfortably pay up to 10 percent of their income. So, for a family earning $15,000 per year, the maximum amount available for child care is only $1,500—yet care would probably cost at least twice that amount, as shown below:

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Amount Available For Child Care</th>
<th>Average Cost Shortage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $10,000</td>
<td>$0</td>
<td>$3,000</td>
</tr>
<tr>
<td>$10,000</td>
<td>$500</td>
<td>$2,500</td>
</tr>
<tr>
<td>$15,000</td>
<td>$750</td>
<td>$2,250</td>
</tr>
<tr>
<td>$20,000</td>
<td>$2,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>$25,000</td>
<td>$2,500</td>
<td>$500</td>
</tr>
<tr>
<td>$30,000</td>
<td>$3,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

2. For Employers

With these difficulties facing them, the fact remains that working parents need reliable care for their children. They need to be assured their children are in an environment that facilitates development. To concentrate on their work, they need to have confidence in their child care arrangements.
Parents and employers alike describe a variety of problems experienced in the workplace due to unstable or inadequate child care arrangements. The inability to return to work after having or adopting a child; increased absenteeism and tardiness; lowered productivity; the inability to concentrate; problems with co-workers; lower morale; and high levels of stress due to work/family conflicts are all commonly reported problems.

D. The Benefits of Child Care Assistance Programs

The best research to date relies on measures of attitudes and perceptions of management representatives. Three major studies have been conducted which addressed the effects of child care assistance programs: Kathryn Senn Perry for the U.S. Department of Labor (1982); Renee Y. Magid for the American Management Association (1983); and Sandra Burud, et al., for the National Employer Supported Child Care Project (1984). The complete results of these studies are provided in Appendix A, while selected results are given in this section.

These studies show that employees benefit from the availability of reliable, quality child care while employers benefit from a happier, more productive work force. The benefits reported by diverse types of employers are: lower absenteeism and turnover, improved recruitment and employee morale, and better community relations and public image. Additionally, having the most competitive and dependable work force facilitates corporate goals to remain competitive and effective in the marketplace. In short, employers are finding that assisting employees with child care needs is ultimately good for both financial and social bottom-lines.

The reasons for becoming involved in child care vary from employer to employer. Some of these reasons and the resulting impact of child care assistance are to (1) address employment problems, (2) recruit and retain skilled workers, (3) create family-oriented policies, (4) avoid pressure from outside groups, and (5) remain competitive in the community.
1. Addressing Employment Problems

Many employers initiate child care assistance programs to address current management problems such as absenteeism, tardiness, turnover and low productivity. Corporate studies have found:

* Neuville Mobile Sox reported a 1 percent absenteeism rate as opposed to the industry average of 5-10 percent. They also reported saving $25,000 to $29,000 in one year due to lowered turnover. With an industry average rate of 50-100 percent, theirs was 4-8 percent.

* Union Bank found that during the first year of operating an on-site center, the turnover rate of parents using the center was one-tenth of that of the bank overall.

* In a study of IBM, Sears Roebuck & Company, Delta Airlines, and Coca Cola, productivity for middle management increased between 7 and 16 percent.

* A study conducted at AT&T found that child care difficulties had a significant impact on performance and overall corporate productivity.

2. Recruiting & Retaining Skilled Workers

Child care assistance programs can also be used to increase an employer's attractiveness to skilled potential employees. Many national studies have found that child care needs affect whether or not women will return to work after having children. One study found that 3 percent of unemployed women turned down job offers due to child care difficulties, while another 26 percent would not even look for work unless child care were made available to them at a reasonable rate. Additionally, in a study of employed parents, 9 percent of full time workers and 21 percent of part time workers stated that they would work more hours if child care were available to them at affordable rates.

* Neuville Mobile Sox reported that in the first two months of operation of their child care center, 95 percent of applicants applied because of it.

* Photo Corporation of America (PCA) saved $30,000 in recruitment costs in one year. Because of PCA's on-site centers, they had 3,500 walk-in applicants in one year.
3. Creating Family-Oriented Policies

Many employers wish only to match other socially conscientious and humanly sensitive management practices to make the lives of their employees easier and more rewarding. Such practices inevitably increase morale. In a study of 650 employees in a Boston-based corporation, it was found that the stress of balancing work and family responsibilities was the greatest contributor to depression, regardless of gender.

Steelcase believes it is important that employees feel their personal lives are cared about enough to be addressed, which their child care program has done.

4. Avoid Pressure from Outside Groups

Some employers develop programs to avoid external pressure from labor groups or government mandates. Current events show that federal, state, and local ordinances may be heading toward mandating such benefits. For instance, although no laws have been passed to date, for several years Congress has been debating mandated unpaid parental leave with continuation of benefits and the guarantee of a job upon return. Additionally, the City of San Francisco recently passed a local ordinance requiring developers to either provide space for child care in all new or renovated buildings, or contribute to a city fund which supports child care programs in the community.

5. Remain Competitive in the Community

Most employers in a given community or industry do not want to be the first to provide child care assistance. However, almost none would care to be the last. As child care assistance grows in availability, many employers will wish to jump on the bandwagon to maintain equal status in the public eye in comparison with competitors offering assistance. Mr. Armory Horton of Corning Glass is frequently quoted as saying, “Child care is one of those small pockets of excellence by which corporations and their people are judged.”

- The Zale Corporation reported 500 separate incidences of publicity in one year due to their child care center.

- Zehntle, Inc. estimated that an investment of $10,000 in child care bought them $100,000 worth of positive publicity.
E. Common Issues of Concern

1. Liability & Insurance

While employers need to be concerned about liability problems, "it is not, however, something to panic about," according to an October 1988 child care liability and insurance report written for the U.S. Department of Labor (Appendix C). The report, "Child Care Liability & Insurance Primer," urges employers to get professional advice before using methods to reduce liability, such as yielding control of some aspect of child care to an independent contractor, incorporation, or written agreements to reimburse employers for any legal and other costs in the event of a lawsuit.

One of the best ways to create protection from liability is to provide the best quality of care. The report urges, for example, "good and regular communication" with the adults responsible for a child, and compliance with all local and state codes, licenses, permits, inspections, and rules. It should be pointed out that in the history of employer-supported child care programs, there have not been any reported cases of child abuse.

Many consultants recommend that the employer contract with an outside management firm to actually operate the program or contract with existing child care providers, buffering the employer from liability. However, individual state laws differ greatly in the degree to which liability can be minimized.

Although in 1985 a shortage of child care insurance coverage occurred, such coverage is now available in several forms. In some states there are policies that are backed by a state guarantee fund, coverage by a state when a shortage of carriers exists, and group purchase plans, under which groups of child care providers arrange for a single insurance carrier to provide coverage to all members. Some large employers are also extending their self-insurance plans to cover their child care needs.

2. Equitability of Benefits

The very nature of employee benefits is inequitable. For instance, insurance costs vary greatly from age group to age group, yet in group plans, those costs are averaged and divided amongst all participating members. In addition, as is
evidenced by the rise of flexible benefits plans, employees vary widely in their specific needs and preferences in types of benefits. In a dual career couple, perhaps the wife's employer offers excellent health care so the husband would prefer a different option—perhaps child care assistance.

Additionally, as indicated by the effects of such programs, there is a definite overlap in employee assistance programs from employee benefit to employer benefit. To a large extent, child care can be considered a business investment necessary to solve serious management problems.

3. Cost-Effectiveness

Overall, 95 percent of all employers interviewed for the National Employer Supported Child Care Project reported that the benefits of their programs outweigh the costs. The Union Bank on-site child care center conducted a more empirical study, measuring a variety of variables before the program was initiated and then one year later. The Bank reported an estimated savings of more than $4 for every $3 spent in the first year of construction and operation of the program. These savings were realized through lowered turnover and absenteeism, increased recruitment due to the center, and shorter maternity leaves. Also noted were higher levels of productivity and morale, and numerous public relations opportunities. Appendix A includes descriptions of various studies that attest to the cost effectiveness of a variety of employer supported child care programs.
III. What assistance options are available?

Child care assistance programs can take a variety of forms. Programs may be created by a single employer or by a group of employers working cooperatively through a consortium. Programs may provide child care services directly, or community services may be enhanced in some way for employees indirectly. A combination of several options, perhaps both direct and indirect, may be the most effective in meeting the needs of a particular work force.

A. Direct Services

Direct child care assistance program options include (a) child care centers, (b) home care networks, (c) contracts with existing child care providers, (d) care for moderately ill children, (e) school age programs, and (f) transportation of children to and/or from child care programs.

Child care centers can be either owned by employers or partially or fully subsidized by employers. Such centers are developed on or near the work-site of a single employer for the sole or primary use by the employees of that company. A consortium center is similar, but is developed in close proximity to a group of employers for primary use by employees of those companies.

+ Complete flexibility in meeting specific needs, as well as complete control over quality

- Most costly option initially, potentially longest development time
Child Care Home Networks are systems of private homes where care for children is provided by an individual or group depending upon state regulations. These systems may be created for exclusive or primary use by employees of a company or consortium.

+ Complete flexibility in meeting specific needs, (e.g., location, scheduling, ages served, and quality), less costly than a child care center

- Must be well designed to recruit and retain quality providers, hard to monitor, greater liability concerns

Contracts With Existing Child Care Providers are another way employers can provide direct services to employees through a particular center or system of homes. Through this type of program, an employer may purchase or guarantee that a certain number of spaces will be occupied by its employees' children, paying the cost per space either partially or wholly, or negotiating a discounted rate.

+ Relatively inexpensive and flexible to the changing needs for numbers of children served and location

- Limited to service provided by program contracted with, concerns with quality or hours of operation must be negotiated and monitored

Care for Moderately Ill Children is care designed for children who are not contagious, are running a low-grade fever, do not require the care of a physician, yet are still not allowed to be in their regular care situation. Care for such children can be provided through the use of child care homes, child care centers, a special sick bay in a health care facility, or a visiting nurse service.

+ Can dramatically decrease the amount of absenteeism caused by ill children

- Must be very well designed to be accepted, trusted, and used by parents; is very expensive to provide
School Age Programs can be especially helpful to parents of school age children before and after school and during vacations when school is not in session. Such programs can take a variety of forms, including the funding of programs through the existing school districts.

- Addresses a very important portion of child care difficulties, and is relatively inexpensive due to the fewer number of hours care is required
- Does not address the needs of parents with children of preschool ages

Transportation To and From Child Care is another valuable service for parents of school age children, or children who are in other preschool programs for only part of the work day. Very few school districts provide extended hour programs. Therefore, children must be transported from care to school, or from school to care. If a parent-employee's schedule is such that arrangements can't be made, the child may be unable to participate in an additional child care program, or may end up staying home alone.

+ Helps reduce tardiness and improves the lifestyle of the children served
- Must be designed well to coordinate and meet all needs and remain cost-effective
B. Indirect Services

Indirect child care assistance programs include (a) information programs, (b) direct financial assistance, (c) donations to existing services, and (d) flexible personnel policies.

Information Programs include several options. Parenting seminars may be offered in a series of workshops that provide child care support to parent-employees. They may be provided as formal presentations, informal discussions, or video tapes with written support materials. Similarly, parent resource centers can be created to provide information and counseling services pertaining to the balancing of work and family responsibilities. Referral services can also be provided in-house or contracted from the community to assist parents in finding quality care for their children.

+ Easy to implement, low in cost
- May not be enough as stand-alone services to meet the needs of parent-employees, because quality care may not be available or affordable

Direct Financial Assistance may take several forms. The Internal Revenue Service (IRS) allows employers and employees to contribute to Dependent Care Assistance Plans where non-taxable funds are put aside for the sole purpose of paying for child care or elder care. Many lower income families will not use this option as it is more advantageous for them to use another IRS program offering dependent care tax credits at the end of the year for taxable income spent on child care. The other method an employer may use is to provide vouchers or reimbursements for child care costs. These funds are considered taxable income to employees and would be eligible for the tax credit.

+ Easy to implement, low in cost, and pre-tax payroll deductions usually pay for themselves in FICA tax savings
- May not be enough as stand-alone services to meet the needs of parent-employees because quality care may not be available even if it is made affordable
Donations to existing services is a way for employers to support parent-employees by creating or expanding quality child care in the community. Through corporate giving, existing child care services may be given actual dollars or in-kind donations such as land, buildings, utilities, and maintenance services. This helps reduce the cost of quality care, and therefore the fees to parents. In this way the employer supports parents within its organization, as well as the community at large.

+ Contributes to the community and the quality of child care as a whole

- May not be perceived by employees as actual assistance

Flexible personnel policies are effective both alone and in conjunction with other assistance options. Such policies allow parents the flexibility to meet their child care needs more effectively by reducing the number of hours care is required. Flexible hours or flex-time, compressed work weeks, flex-place or telecommuting using computers connected with the workplace over the telephone are examples of such policies. In addition, offering part-time professional status or job-sharing retaining full benefits and extended parental leave with pay or at least a continuation of benefits can also be effective in assisting working parents. Another option is to restructure sick leave policies to allow parents to use time off to care for ill children, or to give special consideration to parents for short-term time off for activities necessary for raising their children such as doctor's appointments and school functions, phone calls for family-related needs, or sensitivity to scheduling needs. In less structured organizations, perhaps a workshop helping to increase managers' awareness of the child care difficulties parents experience may be sufficient.

+ May be relatively cost-free, and fit easily within an overall human resources plan

- May not work in many industries or small businesses because of the need for consistent numbers of employees throughout the work day, the interdependency of positions, the technological inability to provide alternatives, etc.
IV. How are programs developed?

The successful implementation of any employee assistance program requires careful planning, in-depth program design, comprehensive management, and thorough monitoring of its cost effectiveness. Child care assistance programs are no different from any other employee benefit. Expertise in assessing needs and choosing the most appropriate program option is critical to the success of a child care assistance program. There are several steps which are of equal importance and which are interdependent in the development process:

- Assessment of Needs
- Analysis of Program Feasibility
- Program Implementation and Employee Communication
- Program Operation and Management
- Measurement of Program impact
- Re-assessment of Needs

As becomes apparent in these steps, a systems view should be employed to assure that the program continues to meet the changing needs of both the employer and the employees served.

A. Assessment of Needs

The first step of any process is the cornerstone or foundation upon which the remaining steps depend. In this case, the needs assessment is critical to a successful child care assistance program. A needs assessment must be tailor-made for each organization, depending upon its size and intent or ability to provide services. Perhaps a large employer will use an extensive written survey while a small employer may use small focus groups. However, regardless of the specific data collection methods utilized, several types of issues need to be addressed:

- Difficulties with current care
- How difficulties affect the parent-employee
- How difficulties affect the work place
- Which assistance options are preferred
Difficulties with current care. There are several issues to consider in determining whether or not current child care arrangements are meeting the needs of employees: the very existence of quality care may be limited; waiting lists may be long; the location may be inconvenient; the cost may be prohibitive; care may not be available at the times required; specific age groups such as infants and toddlers may not be accepted; alternate care for moderately ill children or when a regular provider falls through may be difficult to arrange; and arrangements for children with special needs may be extremely limited.

Usually a combination of these factors will simultaneously affect a parent. Many times these problems are met with a chaotic patchwork of arrangements consisting of paid providers, relatives, and older children. The worst case scenario is when children are left to care for themselves.

How difficulties affect the parent-employee. Child care difficulties place a heavy burden on working parents. The stress of balancing work and family responsibilities often leads to lower productivity and the inability for parents to pursue work-related activities, advancement, and specific types of work or schedules. When child care difficulties require parents to make hard choices and concessions in the work place, no one wins. Measuring these hindrances empirically is difficult, but parents' perceptions of these effects are easily obtained and are valid in their own right.

How difficulties affect the work place. Child care difficulties have been found to affect the major management concerns of recruitment, retention, absenteeism, scheduling and productivity. Measuring these effects is also difficult to achieve empirically, yet should be done as thoroughly as possible. Although these effects exist, and are quite dramatic at times, it is difficult for individuals to estimate the actual extent of effects on specific employment concerns given the ripple-effect of child care problems. Unfortunately, when it comes to human lives, vacuums for the measurement of individual variables do not exist. Life is a constantly changing, interconnected set of variables. However, it is again important to acquire a general idea of how parents and co-workers experience the effects of child care difficulties.
What assistance options are preferred. In terms of program interest, it is important to first consider the variety of options the employer is willing to or capable of offering. From these choices, the personal preferences and interests of parents in using each one needs to be measured. Even the best child care assistance program cannot meet the needs it is designed to address if it is not utilized. However, preferences can only serve as a general indicator of usage, as many variables contribute to whether or not a parent will use a particular service—quality and cost being major factors.

B. Analysis of Program Feasibility

The design of a program to meet the child care needs of parent-employees is based largely on the employer's needs, the demographic profile of the parents, the difficulties experienced with current care, the extent to which those difficulties affect the work environment, the program preferences of the parents, and the type of care available in the community. All of these variables must be considered to develop the most appropriate, comprehensive, and cost-effective program in terms of both employee usage and corporate goals.

To accomplish this task, a high level of expertise is required. The results of the thorough needs assessment are the basis from which an in-depth evaluation of child care available in the community is made. If services available cannot meet or be enhanced to meet the needs found in the assessment, all options are carefully weighed to determine what can be created within the abilities of the employer.

C. Program Implementation and Employee Communication

Once the feasibility of all aspects of the child care assistance program is determined, actual program planning, development, and implementation can begin. This process also requires a high level of expertise in both organizational skills and experience with early childhood programs. The type of expertise required, of course, will vary according to the type of program being implemented.
An important aspect of this phase which is not always considered is appropriate communication with employees regarding the child care program. Often an employer will assume that because the service is offered, all parent-employees will immediately use it. However, choosing child care is perhaps the most important decision a working parent makes, and arrangements (no matter how unsatisfactory) are not changed easily. The program needs to be publicized and well-explained to insure the highest usage.

D. Program Operation and Management

Operation and management of the child care assistance program will vary dramatically depending upon the type of services being offered. Whichever options are employed, the highest level of expertise is necessary for the program's success. For instance, if a Dependent Care Assistance Plan (DCAP) is being offered, the expertise of a financial consulting firm is advisable in creating and operating the program. Similarly, if a child care center or home network is being offered, the expertise of a child care management firm is advisable.

Some companies may choose to hire such experts and run the program in-house without the assistance of outside consultants. Other companies may choose to contract with outside firms who will provide training of an in-house staff. Still other companies may not wish to "get into the child care business" and contract the entire program operation and management outside. This choice depends upon what degree the company wishes to become involved and responsible. Often, when dealing with direct services, liability issues may warrant using external contracts only. Regardless of how the program is operated and managed, the most important factor is using the most knowledgeable professionals for each aspect of the program.

E. Measurement of Program Impact

All employee assistance programs, including child care assistance, are eventually measured in terms of the bottom-line. Even intangible program impact variables are assigned some type of monetary value. To estimate the fiscal impact of child care assistance, its cost-effectiveness is analyzed. For a thorough examination, a longitudinal study is necessary to analyze first the impact of child care problems on turnover,
Absenteeism, and productivity; and second, the impact of the child care program on problems originally experienced. Also to be considered are the effects of the program on morale and public relations.

The costs of turnover, absenteeism, and lower productivity can be estimated from the original information obtained through the needs assessment. As program planning is taking place, methods for tracking changes in parent-employee turnover and absenteeism should also be designed. Other items such as attention to the program by the press, public speaking engagements, awards and other public honors of the program should also be tracked. A time after implementation of the program should be chosen for measuring the impact of the program.

Perhaps one year later, a follow-up survey very similar to the original needs assessment can be conducted relating to the impact of the program. Items tracked by management can be compiled at that time as well. Additionally, parent satisfaction with the program and its affects on personal life can be measured. All of these items combined allow for an estimation of the productivity impact and cost-effectiveness in meeting the goals originally sought. For truly empirical data, items must be measured for well-matched groups of parent-users, parents who do not use the program, and non-eligible employees.

This process begins the re-assessment of the child care assistance program from which goals may be re-defined and modifications to the program may be made if deemed necessary. This process is perhaps the most important key to the continued success of a child care program.

Additional factors for success include the following:

- Commitment from top management
- Realistic financial expectations
- Thorough planning and development
- The highest quality program and staff
- Employee involvement in the program
- Continued marketing of the program to employees
V. Where can expert advice be found?

Obtaining expert advice is perhaps one of the most important factors in the success of a child care assistance plan. Consultants should be objective in that no one program option is assumed to be the best solution for every employer. Additionally, quality child care consultants should be able to effectively and efficiently conduct or facilitate the entire process from a position of experience, without having to re-invent the wheel or learn through trial and error.

The following is a list of current resources based in Arizona and a self-submitted description of services. This list is not to be considered comprehensive, but merely a place to begin investigating advice. The Children's Action Alliance does not recommend or endorse any or all of these organizations by providing this list.

**Association for Supportive Child Care**
2218 S. Priest
Tempe, Arizona 85281
(602) 829-0500

ASCC, through its Child Care Resource Network, contracts with corporations to provide child care counseling and referral information to employees. These services are given over the phone, materials are sent to the parents, as well as follow-up calls on all employees using the service.

**Children's World Learning Centers**
Children's World works with employers on dependent care programs or matching subsidies in its 18 child care centers in Arizona. Children's World is also able to assist with on-site centers, from initial needs assessment to facility design, turn-key construction and total management services.

**Family Service Agency**
Family Connection
1530 E. Flower
Phoenix, Arizona 85014
(602) 254-9891

Family Connection provides services in the resource, referral, and home child care field. Its corporate assistance program works with employers to design a resource and referral package that assists employees in the selection of a variety of child care, parent education, and senior adult care options.
Montanari & Associates
4617 E. Ardmore
Phoenix, Arizona  85044
(602) 238-3111

A consulting firm specializing in working with employers. Services include assessing the work/family needs of employees; conducting feasibility studies and cost/benefit analyses; and developing a full range of child care options for employees.

Summa Associates, Inc.
735 E. Guadalupe Road
Tempe, Arizona  85283
(602) 820-9844

A comprehensive child care consulting firm offering services including assessment of employee child care needs, program feasibility studies, program design and implementation (including facility design), program management and operation, and program evaluation. All possible assistance options are always taken into consideration with each individual employer, tailoring each project to the client's needs.

Sunrise Preschools
9128 E. San Salvador Drive, Suite 200
Scottsdale, Arizona  85258
(602) 860-1611

Sunrise Preschools, provides corporate child care services for all ages of children, including children with special needs, and assists employers through utilization of Sunrise Preschool campuses located throughout metropolitan Phoenix. Other services include child care survey/feasibility studies, and assistance in implementation of government tuition assistance programs.

Tucson Association for Child Care
1030 N. Alvernon
Tucson, Arizona  85711
(602) 881-8940

T.A.C.C. offers the Sick Child Home Health Care Program, Child Care Resource & Referral, and Child Care Education for Parents to employer groups as employee assistance programs, as well as consulting services including feasibility and needs assessment studies to develop additional options.
### Appendix A: Three National Surveys of Corporations Offering Child Care Assistance

<table>
<thead>
<tr>
<th>Survey</th>
<th>Question</th>
<th>Survey</th>
<th>Question</th>
<th>Survey</th>
<th>Question</th>
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<tbody>
<tr>
<td>Appendix A</td>
<td>Perry, 1978*</td>
<td>Magid, 1983†</td>
<td>Burud, et al., 1984†</td>
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<tr>
<td>Survey question</td>
<td>&quot;What, if any, of the following changes are changes that have occurred as a result of having a day care center for employees?&quot; Respondents were given a list of 18 items and were asked to indicate which had been affected by the child care service.</td>
<td>&quot;Which of the following items do you perceive as having been affected by the child care program?&quot; Respondents were given a list of 18 items and were asked to rank the top 5 items that were most significantly affected by the child care service. Each item was then weighted according to the number and order of the rankings and a cumulative rank assigned. (Only positive items were listed, like &quot;recruitment advantage,&quot; &quot;less turnover,&quot; &quot;lower absenteeism,&quot; etc.)</td>
<td>&quot;Would you say that the child care service has had an effect on any of the following aspects of company operations?&quot; Respondents were given a list of 18 items and were asked to rate the effect of the child care program on each as positive, no effect, unknown, or no effect.</td>
<td></td>
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<tr>
<td>Survey sample</td>
<td>58 employers responded, most of which were hospitals with on-site child care centers.</td>
<td>204 companies responded.</td>
<td>Out of 415 surveys, approximately 178 businesses answered this question. The majority of respondents were employers that sponsor their own day care centers.</td>
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</table>

<table>
<thead>
<tr>
<th>Aspects affected</th>
<th>Percentage of employers responding affirmatively</th>
<th>Aspects affected</th>
<th>Cumulative rankings by respondents</th>
<th>Aspects affected</th>
<th>Percentage of employers responding affirmatively</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased ability to attract employees</td>
<td>88%</td>
<td>Recruitment advantage</td>
<td>448</td>
<td>Employee morale</td>
<td>90%</td>
</tr>
<tr>
<td>Lower absenteeism</td>
<td>72</td>
<td>Improved employee morale</td>
<td>345</td>
<td>Recruitment</td>
<td>80</td>
</tr>
<tr>
<td>Improved employee attitude toward sponsoring organization</td>
<td>65</td>
<td>Lower absentee rates</td>
<td>214</td>
<td>Public relations</td>
<td>85</td>
</tr>
<tr>
<td>Favorable publicity because of center</td>
<td>60</td>
<td>Less turnover</td>
<td>211</td>
<td>Employee work satisfaction</td>
<td>83</td>
</tr>
<tr>
<td>Lower job turnover rate</td>
<td>57</td>
<td>Attract persons on leave back to work</td>
<td>203</td>
<td>Publicity</td>
<td>80</td>
</tr>
<tr>
<td>Improved employee attitude toward work</td>
<td>55</td>
<td>Attract available talented employees</td>
<td>205</td>
<td>Ability to attract new or reentering workers</td>
<td>79</td>
</tr>
<tr>
<td>Improved community relations</td>
<td>36</td>
<td>Improve employee work satisfaction</td>
<td>170</td>
<td>Employee commitment</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Better public relations</td>
<td>154</td>
<td>Turnover</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Better community image</td>
<td>137</td>
<td>Employee motivation</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Less tardiness</td>
<td>88</td>
<td>Absenteeism</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve employee motivation</td>
<td>67</td>
<td>Scheduling flexibility</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve production efficiency</td>
<td>48</td>
<td>Productivity</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Availability of temporary help</td>
<td>20</td>
<td>Quality of work force</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tax advantage</td>
<td>14</td>
<td>Equal employment opportunity</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide equal opportunity employment</td>
<td>13</td>
<td>Quality of products or service</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improved quality of product produced</td>
<td>11</td>
<td>Tardiness</td>
<td>36</td>
</tr>
</tbody>
</table>


Appendix B:
Who's doing what in Arizona?

Near or On-Site Child Care Centers
Boswell Hospital
Carondelet St. Joseph's Hospital
Circle K Corporation
John C. Lincoln Hospital
State of Arizona

Consortium Child Care Centers
America West Airlines/US West

Family Home Day Care Systems
America West Airlines

Resource and Referral Services
Aetna Life and Casualty
Allstate Insurance
American Express
Amphitheater Public Schools
Amdahl Computer Systems
Ameriteck
Apple Computers
Apollo Computers
Arizona Public Service
Binney & Smith
Chubb
Clava-Gileg Pharmaceuticals
City of Scottsdale
Colgate/Palmolive
Digital Equipment Corp.
Eastman Kodak
Exxon
First Interstate Bank
Government Accounting Office
IBM
Merck
Mita Corporation
NCR
Perini Construction
Pitney Bowes
Progressive Companies
Rohm & Haas (Attorneys)
Salt River Project
Social Security Administration
Streich, Lang, Weeks & Cardon
Tandem Computers
Touche Ross & Company
Tucson Citizen Newspaper
Tucson Daily Star Newspaper
Tucson Medical Center
University of Arizona
University Medical Center
U.S. Office of Personnel Management
Xerox Corporation

Sick Child Care Services
Frank Avietta, CPA
Billby, Shoehalr (Attorneys)
Bogutz & Gordon (Attorneys)
Burr Brown
City of Tucson
Fish, Duffield, etc. PC
Intergroup of Arizona
John C. Lincoln Hospital
Laventhal Horvath (Accountants)
Maryvale Samaritan Hospital
O'Connell & Associates (Attorneys)
Phoenix Baptist Hospital
St. Mary's Hospital
Tucson Electric Power Company
Tucson Medical Center
University of Arizona
University of Arizona Medical Center

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<table>
<thead>
<tr>
<th>Contracts With Existing Child Care Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best Western</td>
</tr>
<tr>
<td>City of Phoenix</td>
</tr>
<tr>
<td>Maricopa County</td>
</tr>
<tr>
<td>St. Joseph's Hospital</td>
</tr>
<tr>
<td>St. Luke's Medical Center</td>
</tr>
<tr>
<td>Tempe St. Luke's Hospital</td>
</tr>
<tr>
<td>Valley St. Luke's Behavioral Health Center</td>
</tr>
</tbody>
</table>
Appendix C:

Child Care Liability & Insurance Primer

This document has been assembled to provide general background information on liability and insurance issues associated with providing child care. It is based upon information gathered informally by the Department of Labor as part of a broader investigation of child care issues during 1988. It should be noted that the Department of Labor does not have general responsibility for liability and insurance matters, and does not in any way vouch for the accuracy, currency or completeness of this information. Accordingly, you should treat this information as a starting point, and not as a substitute for expert advice concerning the particulars of your situation.

1. Does a child care provider really need to be concerned about liability protection?

You should be concerned: both because you could get sued, and because your recognition of the factors which lead to suits can help you avoid harming the children for which you are responsible. It is NOT, however, something to panic about.

2. What about an employer or resource and referral center that does not actually provide child care?

Although the risks involved are different, the answer is exactly the same.

3. How frequently are suits filed? Are they valid?

Experts tell us that there are such suits, trials, and settlements. We have not been able to locate nationwide data, however, as to whether those involved in child care are sued more than other businesses, how frequently plaintiffs win in cases that go to trial, or the value of any settlements.

One of the problems in ascertaining the level of risk is that suits may not be filed for many years concerning events that have already taken place. Most states allow the normal deadlines for filing suit to be extended until the child reaches adulthood. Also, experts in the field point out that litigation may sometime arise out of child custody fights, with the ultimate purpose of demonstrating negligence on the part of the spouse who arranged for the child care while he/she had custody.
4. What kinds of risks to children for the basis of suit?

Child care providers are often called upon to exercise judgment in making decisions. Whether adequate care was taken in making those decisions can be the subject of a lawsuit. These include decisions about general policies and decisions that arise in the course of day to day supervision — about the type of play equipment required, about procedures for pickup and emergencies, about how the children teach each other, about how any staff treat the children, about identifying children with special needs and responding thereto, about hiring of staff, and so forth. There are liability risks in undertaking certain actions for a particular child — e.g. inappropriate punishments, or taking a trip without parental authorization — and risks for not undertaking other action — e.g. providing adequate stimulation, changing diapers when needed, etc.

Some special risks which child care providers may face arise from problems in food quality or serving, giving medication, the operation of vans or cars in connection with the business, and risks associated with building or property — e.g. fire hazards, both those created by you and by other tenants. For those who refer parents to child care providers or hire providers for others, a key issue may be the effort made to check the qualifications of those providers.

5. Are there ways to reduce the risks?

Yes, and they are not necessarily expensive. Experts tell us that simply keeping in mind that your actions in making decisions and supervising the children can lead to lawsuits will oftentimes lead to a course of action that eliminates hazards and improves the quality of care. Good and regular communications with the adult or adults responsible for a child is an important element in appreciating and responding to a child's needs, and in dealing with adult concerns before they harden into a "lawsuit mentality".

Beyond that, the most obvious — but often overlooked — thing to do is to MAKE SURE you are in compliance with all local and state codes. Violation of these codes can have an important bearing on the outcome of a lawsuit. Compliance with codes includes such matters as obtaining any necessary licenses and permits, submitting to any required inspections, following any rules on staff size or qualifications, equipment specifications, fire safety requirements, and any other rules.

Child care resource and referral networks may have further suggestions about risk control, or be able to refer you to safety consultants or architects with expertise in child care facilities and operations. Insurance companies, private attorneys, bar associations, and state and local agencies may also have resources to help you in this regard.
6. Aren’t there organizational or legal arrangements that can be taken to limit liability?

No doubt you will have heard that there are a variety of methods to reduce liability. Among those frequently suggested are: yielding control of some aspect of actual care to an independent contractor; incorporation; and written agreements to reimburse you for any legal and other costs in the event you are sued.

It might be very helpful to seek professional advice before you incorporate such approaches into your child care plan. Such methods may not be available under all circumstances in your state, may be of limited value in reducing your liability, and may have tax and other implications that bear consideration. Yielding control of some aspect of your business to someone else, for example, may not in fact eliminate your liability for any harm — indeed it might increase your liability if you make a poor choice of contractor. Moreover, there may be strong reasons why you should retain day-to-day control of the care provided. Your local bar association may be able to suggest practitioners with experience on this subject, or refer you to legal or child care associations familiar with legal requirements in your area.

7. Is there insurance available to cover any remaining risks?

There was a great shortage of child care coverage starting in 1985. According to the department’s research into this matter in mid-1988, however, there is currently insurance coverage available. Policies are being offered in some places by “admitted” carriers (those whose policies are backed by a state guarantee fund); in other places by “surplus” carriers (those companies permitted to provide coverage by a state when there is a shortage of admitted carriers providing coverage); and, where they are permitted to operate, by “group purchase plans” (organizations of child care providers who, pursuant to federal law, arrange for a single insurance carrier to provide coverage to all of their members). In addition, some large employers are apparently extending their self-insurance plans, or “risk retention plans” entered into with other similar firms, to cover their child care needs.
8. Must I meet any requirements to obtain this coverage?

The basic requirement appears to be the need for a licence to provide child care services.

The information in our informal survey also found examples of insurance companies who imposed one or more other conditions for coverage. One company, for example, was reported to be requiring a minimum staff: child ratio be maintained — a ratio more stringent than local requirements in many jurisdictions. Another company was reported to be requiring loss-control inspections by its own personnel. Experts in the area advise us that such requirements are an effort by insurers to minimize their risk in providing coverage, based on factors they believe may be relevant to the outcome of any lawsuits that may be filed. There do not appear to be any generally accepted standards in this regard, however, at the present time.

9. How do I find affordable insurance protection?

Depending upon where you are located, how large your insurance needs are, and — perhaps most importantly — how thoroughly you look, you may find insurance easy to obtain or hard to locate, find the coverages you want or only a limited policy, find conditions that you may or may not be able to meet, and find a reasonable price or one you cannot afford.

Finding what you want may take some work. Locating an insurance broker or agent who has developed some familiarity with child care insurance, or who is willing to spend the time necessary to become familiar with the current insurance market, is a good place to start. Consulting with other providers in your area may provide good information on such individuals or current insurance availability. Other sources may include national child care organizations, child care consultants, or your state insurance commissioner.

One of the questions you could ask insurance carriers is whether discount might be avaiilable for "good customers": those who take extra loss-control steps (e.g. conducting a program for staff in how to communicate with parents and other loss-control techniques), or those with a lawsuit-free record of operation. Some of the insurance carriers in our informal mid-1988 survey indicated they were exploring the possibility of offering such discounts.
10. What kinds of coverage are necessary?

To begin with, you will need all coverages required under local and state license requirements.

The various types of risk discussed above are frequently covered under separate insurance policies. Risks associated with supervision and hiring practices may be covered under a professional liability policy. Food safety may be covered under a products liability policy. Medical attention may require an incidental malpractice policy. Special policies for automobile use, fire, and other specialized risks may also be required.

For convenience, some insurance companies package these coverages into a standard “child care” package for different types of providers. Insurance brokers can arrange such packages for large entities, and insurance agents may be able to do this as well. Other companies may cover many of these situations under a general business liability policy. Riders on your home insurance, where available, are probably more limited.

Even if a policy covers a particular class of risks, it probably contains exclusions and limitations of that coverage. Most, if not all insurance companies currently limit their policies to avoid payments in connection with child abuse; but some will pay the legal fees and even any judgments in actions against the child care provider for negligence in the hiring of an abuser. There may be a number of other exclusions or limitations, which may vary from company to company, so be sure to consider this as a factor in evaluating a policy’s coverage. In particular, you will want to inquire to see if what is being offered is a “claims made” policy, since these cover only those claims actually filed during the policy period.

In addition to covering the risks noted above, you may need to obtain special policies to cover any “hold harmless” agreements with other potential defendants, since normal insurance policies limit their coverage in this regard. Also, some experts in the field suggested to us that “medical payments” insurance may be of great value in reducing the development of a “lawsuit mentality”. Their rationale is that the availability of such insurance — which will pay a child’s initial medical expenses in the event of injury — avoids the need of the parents to use their own insurance deductibles, deal with their own insurance companies, and otherwise make the incident less traumatic for the family.
Appendix D:

Suggested Reading List


Brownsey, Donne. “Meeting the Demand for Child Care: How Cities Can Develop and Expand Programs with State Funds.” Western City LXII (July 1986): 15.


Catalyst. Flexible Benefits: How to Set Up a Plan When Your Employees Are Complaining, Your Costs Are Rising, and You’re Too Busy to Think About It, 1986. 250 Park Avenue South, New York, NY 10003.


School-Age Child Care — Getting It Started In Your Community. California Child Care Resource and Referral Network. 809 Lincoln Way, San Francisco, CA 94122.


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