



Request for Information / NJEDA
2023-RFI-178
Child Care Employer Innovation Pilot Program

June, 2023

The Employers Association of New Jersey (EANJ or the Association) is a nonprofit trade association dedicated exclusively to helping employers make sound and responsible employment decisions through education, informed discussion, training and access to benefits' plans. Established in 1916, EANJ has been part of New Jersey's mainstream employer community for over a century.

EANJ maintains a statewide membership base of employers, with employer-members in each of New Jersey's twenty-one counties. Membership is comprised of employers of all sizes from diverse industries, representing a wide range of sectors, including manufacturing, transportation, warehousing, health care, home health care, retail and janitorial services, among many others. The Association currently has just over 500 employer-members, employing close to 101,000 employees.

The availability of stable child care is a necessary component of a functioning economy in New Jersey, as the majority of families rely on dual incomes and single-parent households have become increasingly common. When employees struggle to find and afford quality care the impacts carry over to the workplace leading to decreased productivity, increased absenteeism and turnover, reduced employee engagement and morale, challenges in attracting and retaining talent and setbacks in diversity and inclusion efforts.

The COVID-19 pandemic brought the importance of reliable child care to the forefront when schools and daycare centers were shuttered for health and safety reasons for prolonged periods, leading parents to scramble to find alternatives. The role of caregiver is one predominately assumed by women, and by January 2021, 10 months into the COVID pandemic, women's labor force participation had hit a 33-year low, with more than 2.3 million women having left the labor force.¹ According to a national survey of 2,500 working parents, 26% of women who became unemployed during the pandemic said it was due to lack of child care.²

Out of necessity, employers responded during the pandemic by implementing strategies to support working parents, such as flexible work arrangements, enhanced leave policies, remote work options, financial assistance and collaboration with child care providers. These strategies have been continued

¹ Connley, Courtney. "Women's labor force participation rate hit a 33-year low in January according to new analysis." *CNBC.com*, February 8, 2021. Retrieved from <https://www.cnbc.com/2021/02/08/womens-labor-force-participation-rate-hit-33-year-low-in-january-2021.html>

² Modestino, Alicia Sasser, et al. "Childcare is a business issue." *Harvard Business Review*, April 29, 2001. Retrieved from <https://hbr.org/2021/04/childcare-is-a-business-issue>

by many employers, particularly large employers, who recognized the ongoing importance of assisting employees with child care issues beyond the pandemic. However, New Jersey is a small business state - **ninety-six percent (96%) of workers in NJ are employed by an employer with less than 50 employees.**³

Of the 315,000 private sector business establishments in New Jersey, 96% employ fewer than 50 employees; 83% of that cohort employ nine employees or less, with more than half employing five or less employees.⁴ According to a national small business owner survey, the main reasons owners started their businesses had to do with working from home or being their own boss.⁵ When asked how big they wanted their business to grow, most stated maybe a few employees. Small business owners simply do not view themselves as “employers.” As such, a significant challenge is reaching these small businesses to make the business case that supporting employees in regard to their child care needs is a critical business issue.

To survive and thrive, small employers run lean and streamlined operations. Small employers don’t have a designated human resource professional and often HR-type issues fall directly on the business owner, office administrator or bookkeeper, all of whom tend to wear many hats and none of whom are likely to have knowledge of HR best practices. Most small employers underestimate the benefits of supporting workers on what is viewed as a personal issue and overestimate the burden it will have on their operations.

Focusing education and outreach initiatives on the small employer community is essential in supporting workers and ensuring employer “buy-in” and cooperation. Small employers need to understand how supporting workers directly impacts their bottom line; they need to understand the options available; and they need strategies for assisting employees.

A substantial percentage of women prioritize childcare benefits when choose to remaining with an employer. According to data compiled by McKinsey & Company, 69% of women with children aged five and under said they would be more likely to choose an employer that offered assistance with child care expenses or provide access to on-site child care; 83% of women said that child care benefits would be a “very important” or “somewhat important” factor in deciding to stay with a company or switch to another; and 38% of workers said their companies assistance with child care would be a key factor in their staying put⁶. Employers who can recognize the recruitment and retention benefits may gain a competitive edge with current and prospective employees.

Despite these findings, employee access to reliable, affordable and quality child care is an essential, but often overlooked, component for employer success. In May 2023, EANJ conducted a survey of its members on the child care assistance offered to their workforces. Among 70 employer-respondents,

³ Private Sector Worksites Covered by Unemployment Insurance by Industry Sector and Average Employment Size Group, Third Quarter 2022. https://www.nj.gov/labor/labormarketinformation/assets/PDFs/employ/qcew/size_class/qcew_size_class_nj_3q2022_pub.xlsx

⁴ Ibid

https://www.nj.gov/labor/labormarketinformation/assets/PDFs/employ/qcew/size_class/qcew_size_class_nj_3q2022_pub.xlsx

⁵ Hurst, E. & Pugsley, B. *What Do Small Businesses Do?* University of Chicago Booth School of Business. 2011

⁶ Gitlin, Sarah, et al. "The childcare conundrum: How can companies ease working parents' return to the office." *Mickinsey.com*, May 9, 2022. Retrieved from <https://www.mckinsey.com/featured-insights/sustainable-inclusive-growth/future-of-america/the-childcare-conundrum-how-can-companies-ease-working-parents-return-to-the-office>

37% indicated they do not assist with child care needs; 16% offer informational resources or support to employees searching for available child care; and 11% offer discounts at a particular child care provider. Only respondents who were businesses in the childcare industry (3%) indicated they operate a childcare center at the worksite to which their employees have access and they offer partial or full reimbursement for child care costs. By far, the greatest support respondents provide to their workforce is access to tax-advantaged flexible spending accounts (FSA) for dependent care expenses with 51% of respondents indicating they offer this benefit.⁷

There are no federal, state or local laws requiring employers provide access to child care benefits. Employer childcare benefits are entirely determined by the individual contract or policy between employer and employee. In part, New Jersey faces a childcare crisis for working families because it is a small business state. Typically, a small business competes on price, not talent, making it far less likely that a small business would invest in a child care benefit. It is unclear whether a small business tax credit would make any meaningful difference.

Interestingly, during World War II, Congress passed the first, and thus far the only, national child care program to pay for child care facilities in areas where many women were employed in defense-related industries. New York City is currently working on a model for offering near-universal daycare for working parents.

The business case for prioritizing childcare as a critical business issue should be emphasized, and efforts should be made to reach small businesses and educate them about the benefits of supporting their employees in this regard. Ultimately, by addressing the child care needs of employees, employers can contribute to a thriving economy and establish themselves as desirable employers in the competitive job market.

Respectfully submitted,

Employers Association of New Jersey

⁷ Survey respondents offer multiple forms of child care assistance, resulting in percentages being greater than 100.