



Tackling Childcare

**THE BUSINESS CASE FOR
EMPLOYER-SUPPORTED CHILDCARE**

EXECUTIVE SUMMARY

ABOUT THIS EXECUTIVE SUMMARY

This is the executive summary of the 2017 report developed as part of IFC's Tackling Childcare initiative, led by IFC's Gender Secretariat. The report, titled *Tackling Childcare: The Business Case for Employer-Supported Childcare*, serves as a guide for companies and draws on 10 in-depth case studies of companies around the world that offer various childcare options to their employees, highlighting how investments in childcare can strengthen the bottom line. It also discusses how companies can analyze their workforce to identify the type of childcare support they can offer to their employees—from on-site childcare to subsidies—that best suits their needs.

Visit www.ifc.org/tacklingchildcare to download the full report.

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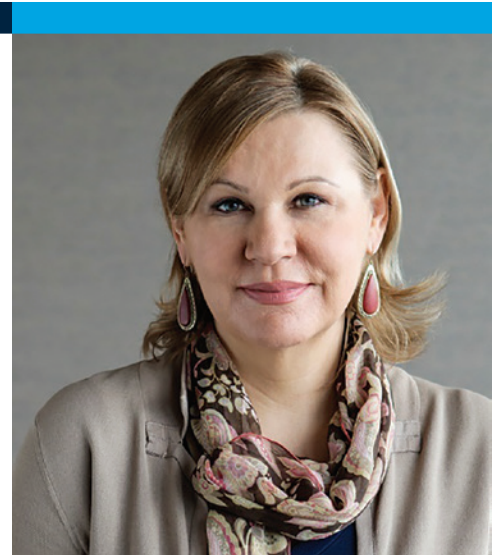
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Foreword



No country, community, or economy can achieve its potential or meet the challenges of the 21st century without the full and equal participation of women and men, girls and boys—a fact that is reflected in the Sustainable Development Goals. Reliable, affordable, and good-quality childcare is essential for making progress. Yet today, in many parts of the world, working parents face several challenges in accessing decent childcare. The lack of access not only affects early childhood development but also hurts businesses and economies that depend on acquiring and retaining a skilled workforce.

Inadequate childcare also contributes to falling female labor force participation rates, as globally women spend three times as many hours in unpaid care work as men. Childcare, however, is not a women’s issue alone. All working parents, women and men, usually need childcare options to retain or get new jobs, with benefits accruing to communities, businesses, and economies.

Along with governments, the private sector, which provides about 90 percent of jobs in developing countries, is well-positioned to be an essential partner for addressing the global childcare challenge. Still, employers do not always understand the business case for investments in childcare and often look at it from a compliance or corporate social responsibility perspective. Even when companies are convinced of the business case for employer-supported childcare, they may have difficulties defining what works best for their companies and employees, and how to get there.

This report, *Tackling Childcare: The Business Case for Employer-Supported Childcare*, highlights innovative approaches that companies across sectors and regions have taken to better meet their employees’ childcare needs. Featuring 10 case studies, the report shows how companies can choose from a range of childcare options, from on-site crèches to partnerships with governments and local childcare providers. As a result, companies can better attract and retain qualified staff—helping boost employee productivity and strengthening the bottom line.

Our aim is that this publication will reach hundreds of businesses that can learn from our partners’ experience and replicate solutions. It is also a call to action, encouraging all stakeholders to invest in childcare and support the infrastructure necessary for high-quality childcare providers to expand and meet the growing demand for childcare.

On behalf of IFC, I would like to thank the companies that participated in the IFC-led Tackling Childcare Initiative and generously shared their data and good practices in the case studies. We are aware that documenting the business case for employer-supported childcare is just one aspect of tackling the global childcare challenge. We all can do more.

At IFC, we are committed to achieving this goal by applying the knowledge gained with our private sector clients and strengthening our partnerships with the public sector, as outlined in our World Bank Group Gender Equality Strategy and IFC’s vision focused on creating markets, particularly in fragile, conflict-affected, and low-income countries. Only through partnerships with the public and private sectors as well as civil society will we be able to better support parents’ access to affordable, reliable, and good-quality childcare. Success will score a triple win for all: employees and their children, businesses, and economies.

A handwritten signature in black ink that reads "N. Stoiljkovic".

Nena Stoiljkovic

Vice President – Blended Finance and Partnerships
International Finance Corporation



PHOTO: DOMINIC CHAVEZ/INTERNATIONAL FINANCE CORPORATION

Executive Summary

THE DEVELOPMENT CASE FOR EMPLOYER-SUPPORTED CHILDCARE

Almost one in 10 of the world's population, 679 million, are children younger than five years old. To thrive and develop, these children and their older siblings need care. Yet in many parts of the world, childcare remains scarce. Globally, just over half of the children under age five benefit from a preschool program. Formal childcare is often outside the reach of low- and middle-income employees. For those who can afford it, available options are often limited and poorly aligned with full-time working hours. Access to care is particularly lacking for children younger than three.

For employers, the lack of good quality and affordable childcare for their employees can translate into higher turnover and absenteeism, lower productivity, and difficulty recruiting skilled employees. This is because the unavailability or unaffordability of care affects the choices that parents make regarding the type of work that they do, whether they stay at home, or how they combine work with care. For families, gaps in access to quality care can mean less paid working time and lower household incomes.

Because women are more likely than men to bear childcare responsibilities, lack of childcare is a major barrier to women's full and equal participation in paid work. According to the International Labour Organization, globally, women's labor force participation rate is just over 49 percent, nearly 27 percentage points lower than the rate for men. A McKinsey Global Institute study estimated that closing gender gaps in economic participation would increase global gross domestic product (GDP) by 26 percent by 2025, adding \$12 trillion. Evidence from the Caribbean, Latin America, and Organisation for Economic Co-operation and Development (OECD) countries suggests that access to subsidized childcare can have a significant positive impact on women's employment rates and the number of hours that women work.

Policymakers internationally are recognizing the importance of access to childcare for both economic and gender equality. To date, 192 nations have signed the Global Goals for Sustainable Development, which include the target, "By 2030, ensure that all girls and boys have access to quality early childhood development, care and preprimary education so that they are ready for primary education." In countries such as Brazil, Chile, Ecuador, India, Japan, Jordan, and Turkey, statutes require employers to provide or support childcare. Even when not driven by regulatory compliance, many employers are providing childcare supports as part of their general compensation strategy to achieve better business outcomes. Yet there is a lot more that can be done through partnerships and collaboration between the public and private sectors and civil society organizations.

For the International Finance Corporation (IFC), a member of the World Bank Group and the largest global development institution focused exclusively on the private sector in developing countries, improving access to childcare goes hand in hand with fostering workplace gender diversity and helping parents enter and advance in the workforce while enabling companies to strengthen their bottom line. IFC's focus on removing barriers, such as lack of childcare, to women's (and men's) access to more and better jobs is embedded in the World Bank Group's Gender Strategy and IFC's vision focused on creating markets, particularly in fragile, conflict-affected, and low-income countries. In countries where employer-supported childcare is mandatory, IFC is working with its clients to substantiate the business case and to help them go beyond compliance and implement childcare strategies best suited to their business needs, thus resulting in better business results.

WHO: THE 10 TACKLING CHILDCARE CASE STUDIES

This report shows that employer-supported childcare can yield substantial business benefits for employers across national, regulatory, and sector contexts. To substantiate the business case, the report draws on 10 case studies of employers who provide their workers with childcare-related benefits in a variety of ways. The companies are located in different parts of the world—seven are in emerging economies, three are in developed economies—and represent a cross-section of regulatory contexts and industries, some with predominantly female workforces and others in sectors where women are the minority of the workforce. These 10 companies are:

- **Afrifresh**, agribusiness, South Africa
- **Akamai**, information technology, United States of America
- **Borusan**, industry/heavy manufacturing, Turkey
- **The Bank of Tokyo-Mitsubishi UFJ, Ltd.**, financial services, Japan
- **Martur**, automotive component manufacturing, Turkey
- **MAS Kreedaa Al Safi-Madaba**, garment manufacturing, Jordan
- **Mindtree**, information technology, India
- **Pandurata Alimentos Ltda. (Bauducco)**, food manufacturing, Brazil
- **Safaricom**, telecommunications, Kenya
- **Schön Klinik**, healthcare, Germany

The selection of companies reflects IFC's network, the availability of companies to participate within the Tackling Childcare Project's timeframe, and their willingness to share data to assess the impact of childcare supports on their key performance indicators and to reflect on lessons learned.

The Bank of Tokyo-Mitsubishi UFJ, Ltd., **Martur**, and **Pandurata Alimentos Ltda. (Bauducco)** are IFC investment clients, and **MAS Kreedaa Al Safi-Madaba** (a factory of IFC investment client MAS Holdings) is a participant in the ILO/IFC Better Work Program in Jordan.

WHY: THE BUSINESS CASE FOR EMPLOYER-SUPPORTED CHILDCARE

Based on 10 in-depth studies, as well as supplemental case studies on 14 companies and organizations and a review of academic research, the report highlights the business benefits of employer-supported childcare that can accrue for employers through improved recruitment, retention, productivity, diversity, and access to markets:

- **Business Benefits for Recruitment:** Offering childcare supports can improve the quality of applicants and the speed at which vacancies can be filled. It helps **Akamai** in the United States and **Mindtree** in India to recruit and retain highly qualified

software engineers, enables **Borusan** in Turkey to work toward building a gender-diverse workforce in a mostly male-dominated heavy manufacturing industry, allows companies such as **Schön Klinik Neustadt** in Germany to recruit staff for their 24/7 operations, and helps **MAS Kreedaa Al Safi-Madaba** and **Martur** recruit women in locations where it is uncommon for mothers to enter formal employment.

- **Business Benefits for Retention:** Offering childcare can lead to substantial reductions in employee turnover. Replacing an experienced employee, even if unskilled, is costly. Textile producer **Nalt Enterprise** in Vietnam estimates that it costs 85 percent of a factory worker's annual salary to replace that worker.

Offering childcare at Nalt reduced staff turnover by one third. Similarly, car component producer **Martur** in Turkey estimates that it takes eight months for a new production worker to become fully productive. In Martur's team-centered environment, a new employee's lower productivity reduces the productivity of the whole line. At Martur, offering childcare-related benefits reduced staff turnover by approximately 15 percent. **The Bank of Tokyo-Mitsubishi UFJ, Ltd.** in Japan realized a more than four-fold increase in the retention of new mothers and saved an estimated 5,000 million Japanese yen (\$45 million) in employee-turnover related costs by offering childcare and related initiatives such as extended maternity leave.

- **Business Benefits Through Productivity Gains:** Offering childcare can improve productivity through reduced absences, greater focus, and enhanced motivation and commitment. At **MAS Kreeda Al Safi-Madaba**, absences due to sick leave fell by 9 percent in the first nine months after a workplace crèche was opened. By enabling its employees to work through childcare crises, **Akamai** more than recoups the costs of its back-up care benefits. Farm employees at **Afrifresh** in South Africa have reported greater peace of mind and ability to focus on their work knowing that their children are out of harm's way and cared for in the company's on-site crèche. A plant manager at **Pandurata Alimentos Ltda. (Bauducco)** in Brazil has noted that childcare benefits have led to a reduction in accident rates as employees are more focused and at ease knowing that their children are safe.
- **Increased Workforce Diversity:** Childcare is an important building block for improving gender diversity and the advancement of women into leadership positions at **Akamai, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mindtree**, as well as at **Safaricom** in Kenya. These companies are seeking to capture the benefits of diversity for innovation, leadership, and financial performance that are supported by research.

- **Business Benefits Through Enhanced Corporate Reputation and Access to Markets:** For **Afrifresh** in South Africa and **MAS Kreeda Al Safi-Madaba** in Jordan, efforts to support the childcare needs of their employees and compliance with local and international regulations and standards are enhancing their reputations as "employers of choice" in their respective communities of operation. Investments in childcare are also helping strengthen their relationships with high-value, international buyers, hence ensuring greater and more long-term market access and growth opportunities.

HOW: CHOOSING AND IMPLEMENTING EMPLOYER-SUPPORTED CHILDCARE

Employers seeking to support their employees' childcare needs have many options from which to choose. The options that best meet business objectives take into account employee needs, the impact of childcare constraints on the business, and the childcare environment.

- Options for supporting childcare range from more resource-intensive strategies such as workplace crèches to less resource-intensive ones such as information and referral services and back-up care benefits. Many leading employers offer more than one option. Complementary benefits such as flexible working and paid parental leave enable parents to care for their children themselves.
- Consulting with employees and their representatives is integral to ensuring that childcare options meet the needs of employees across four dimensions of childcare: availability, affordability, accessibility, and quality. Cultural and social norms, beyond the preferences of employees, can influence both the demand for and supply of childcare. Employers can use a range of analytics and methods for deciding whether, how, to whom, and at what cost to offer childcare.

Exploring All Options for Tackling Childcare

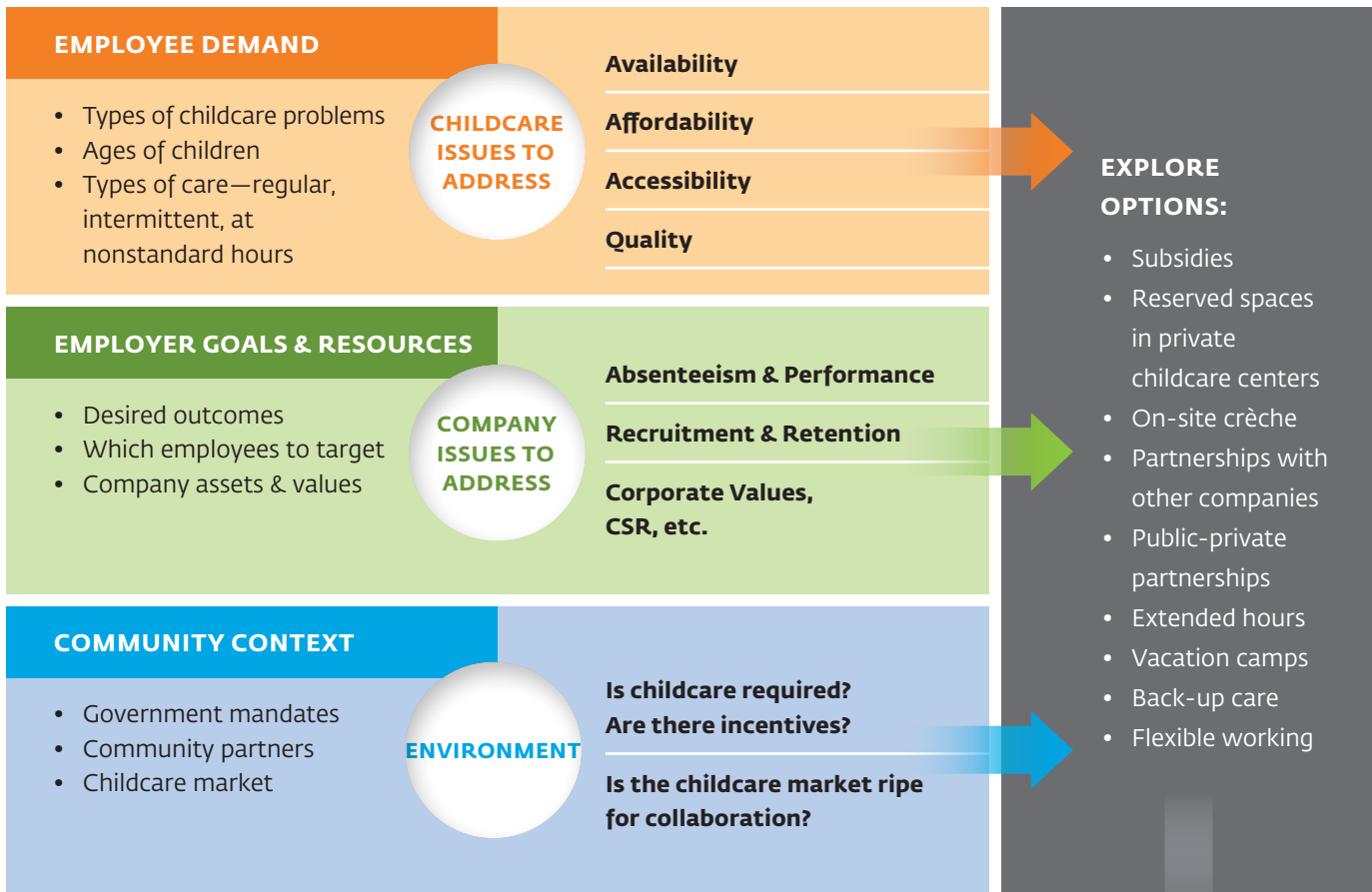


PHOTO: DOMINIC CHAVEZ/INTERNATIONAL FINANCE CORPORATION

- Options for meeting the demand are influenced by the childcare environment, including the availability of private or nongovernmental childcare providers, the feasibility of public-private partnerships or partnerships with other employers, and the regulatory and fiscal environment.
- Establishing a baseline and metrics for tracking the impact of childcare supports on key business outcomes—such as time taken to fill vacancies, turnover of employees with and without childcare supports, absenteeism rates, and responses to employee satisfaction surveys—can help finetune a childcare strategy. Data and examples of business impacts can help build support among corporate decision makers for childcare investments.

LESSONS LEARNED FOR STAKEHOLDERS' CONSIDERATION

The case studies and wider research show that providing childcare can be a win-win solution for employees, companies, and economies. Here are 10 lessons learned for stakeholders' consideration:

- 1) There is no "one size fits all" approach to childcare solutions.** Companies profiled in this report highlight how employers can provide a variety of childcare options—from back-up care in emergencies to on-site childcare centers for nearly 100 children—customized to their business and employees' needs. Providing childcare is perceived positively by employees, customers, and investors more broadly.
- 2) Offering childcare support as part of a holistic strategy yields the biggest returns.** Companies learned over time that their returns on investment increase when their childcare strategies are part of their diversity policies and combined with other measures to support employees' work-life needs.

Communicating and integrating the childcare focus beyond human resource management to functions such as marketing, sustainability, and customer service can further catalyze business benefits.

- 3) Provide childcare support to both mothers and fathers.** Common to many companies profiled in this report is a focus on increasing the gender balance of users of childcare benefits. Encouraging and enabling fathers to use policies as actively as mothers is particularly likely to yield returns, including through the business benefits of diversity.
- 4) The quality of caregiving jobs is key.** The growing demand for childcare services can drive job opportunities, but to attract talented people, efforts need to be made to compensate careworkers fairly, treat them well, and equip them with the skills they need to perform better. This would ensure that more consistent and higher quality care is delivered to children.
- 5) Employees' care needs go beyond childcare.** Factors such as aging populations, cultural shifts, and a growing number of dual-earning families are driving the demand for care. Many employers are offering eldercare support in addition to childcare to better meet their employees' care needs. Recognizing the potential impact eldercare can have on job creation, IFC is committed to contributing to this area with research, knowledge, and advice.
- 6) Resolving childcare needs for populations at the bottom of the pyramid.** Low-income parents often have the greatest need for childcare options. Good-quality childcare boosts early childhood development and helps parents retain their jobs. Organizations such as Kidogo in Kenya and Annapurna Mahila Mandal in India are exploring ways to offer sustainable, private sector-supported childcare for low-income parents.

7) The regulatory environment matters.

For employer-supported childcare to have a significant impact on early childhood education and (women's) labor force participation, governments can put in place policy or regulatory frameworks that enable private sector childcare provision. The case studies in this report highlight the benefits to both employers and communities when supportive public policies are in place, such as capacity-building initiatives, fiscal incentives, and advisory services helping companies that are seeking to supplement childcare provisions, as well as win-win solutions when employers and municipalities collaborate to expand childcare provisions.

8) It takes government and private sector collaboration to create markets for employer-supported childcare.

Taking to scale the promising private sector practices highlighted in this report will require complementary investments by the public sector to build the capacity of quality and affordable childcare providers, provide incentives for employers to engage in this field, and develop regulations and enforcement mechanisms of standards of care that are relevant to parents and providers of childcare.

9) Investments are needed to build capacity and skills that open new market opportunities.

Several of the companies profiled in this report rely on the services of corporate childcare providers. To meet the demand for employer-supported childcare, increased investments are necessary to expand quality childcare service options for employers and their employees. For financial institutions, this is an opportunity to explore funding options for childcare providers—from micro entrepreneurs to small and medium enterprises (SMEs).

10) Through demonstration efforts, other employers may be encouraged to replicate employer-supported childcare.

Highlighting the successes of “early-mover” companies can prompt other employers to replicate their efforts. As this report shows, employer-supported childcare has many business benefits. Lasting development impact can be achieved at the industry or national levels once a critical mass of employers view employer-supported childcare as key to remaining competitive.

This report is structured in six parts. Following an introduction and a description of the methodology, section 2 focuses on the why—the reasons that companies may want to invest in childcare support. Section 3 focuses on the what—the different ways to offer childcare support and the factors companies may consider when deciding on a childcare strategy. Section 4 takes up the how—the process of evaluating and costing different childcare options, and implementing a chosen childcare benefit. Section 5 presents the main take-aways or recommendations gleaned from the study. Finally, section 6 includes the 10 detailed company case studies conducted for this report.

A regulatory framework analysis for each country accompanies each case study. This analysis was provided by the World Bank Group's Women, Business and the Law (WBL) program. WBL collects data on the legal barriers that limit women's full economic participation and encourages policymakers to reform laws and regulations. Under its Incentives to Work Indicator, WBL provides a country-by-country review of regulations pertaining to privately-provided childcare services. WBL's country-level analysis will complement this business case research and will be available from February 2018 onward at <http://wbl.worldbank.org/>.

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