

Out of the Office

How a lack of child care has impacted Montana businesses

By Amy Watson, Senior Economist

Access to affordable, high-quality child care is essential to a healthy economy,

allowing parents of young children to engage in the labor force. In Montana, an estimated 32,000 working parents with children under six-years-old rely on some form of child care arrangement to remain in the workforce, which translated to approximately 6% of the state's labor force in 2019.¹ Despite this reliance on child care to meet the state's workforce needs, Montana's parents and businesses have suffered from a lack of availability. Licensed child care capacity in Montana meets only about 47% of estimated demand.² The global COVID-19 pandemic has exacerbated this shortage as important public health precautions have reduced the capacity at child care facilities across the state.

The Montana Department of Labor & Industry (MTDLI) surveyed Montana businesses to determine the impact a lack of child care has on their business and to understand how businesses are increasing access to affordable child care for their employees. Nearly one-third of businesses reported a lack of child care limited business growth, and 60% of businesses believe this issue should be prioritized. This article presents a summary of the results from the survey. More detailed information is available in the full-length report, titled "[Impacts of Child Care on the Montana Workforce](#)," which can be found at lmi.mt.gov.

Businesses Recognize a Lack of Available Care

Over half of Montana businesses (57%) recognized a shortage of affordable child care options in their community.³ As shown in **Figure 1**, over half of businesses in every region identified a lack of child care in their community. Sixty percent agree that improving access to child care should be a priority for their community.

Businesses with higher shares of women in their workforce were more likely to identify child care shortages. **Figure 2** shows the percent of businesses that identified a child care shortage by the share of female employees. Among female-dominant firms (where the staff was 60% or more female), approximately 70% reported a lack of child care



57% of businesses identify a lack of affordable child care in their community.



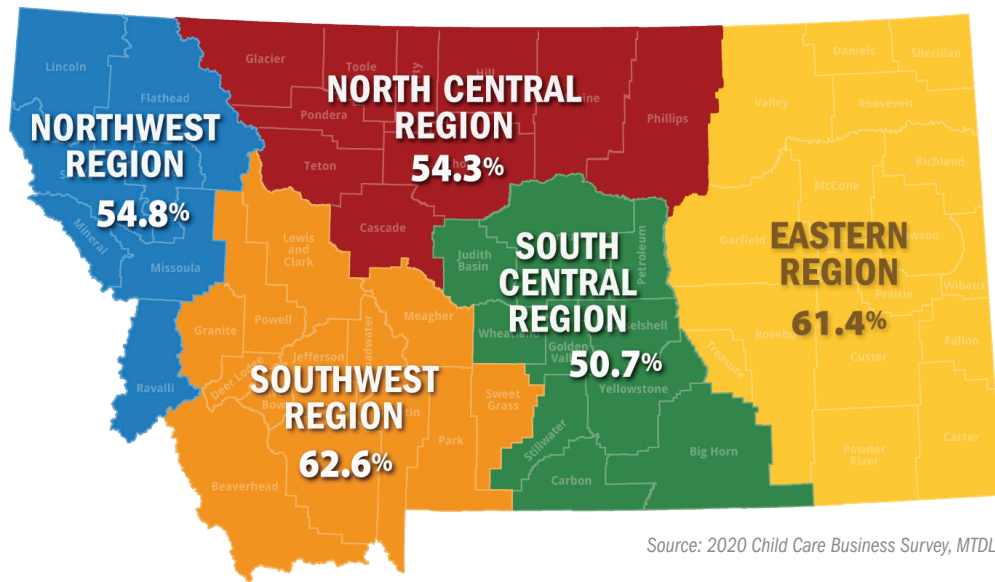
60% stated improving access to child care should be a priority for their community.

¹ Number of parents estimated based on the number of children in two-parent or single-parent households where all available adults are in the labor force using 2014-2018 ACS 5-Year Estimates.

² Calculation based on 2019 ACS 1-Year Estimates and licensed child care capacity in September 2020 as reported by Montana Department of Health and Human Services.

³ Community is defined in the survey as the city where the business is located.

FIGURE 1
Percent of Businesses Identifying a Lack of Affordable Child Care in their Community



availability. Among male-dominant businesses where women comprised less than 20% of the workforce, only 40% recognized child care shortages. The gender composition of the workforce drives differences in industry response as well, with female-dominant industries (such as education, healthcare, professional services, and government) most likely to identify a child care shortage. Less than half of business in male-dominant industries (such as mining, agriculture, and construction) identified a child care shortage in their community.⁴

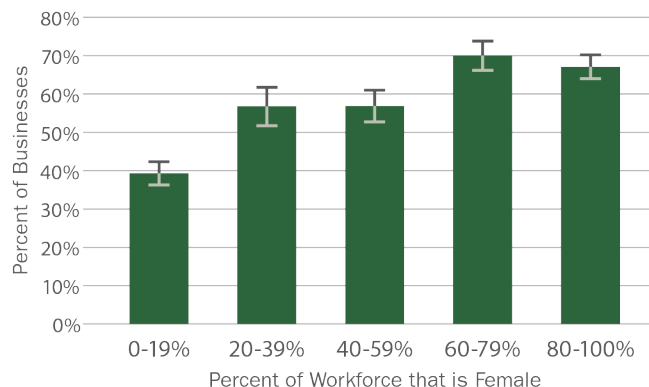
A lack of affordable child care disproportionately impacts businesses with primarily female employees.

Child Care Shortage Impacts Recruitment and Retention

A lack of affordable child care has consequences for Montana businesses. Forty percent of Montana businesses reported a lack of child care impacted their ability to recruit and retain a high-quality workforce. The impact was higher for companies operating outside of traditional 8 to 5 business hours. Forty-five percent of businesses with non-traditional hours reported that a lack of child care affected recruitment and retention, compared to 36% of those with traditional hours. Firms with predominately female employees were also more likely to report inadequate child care impacting their ability to recruit and retain a qualified workforce.

Recruitment and retention challenges were the most prominent in the more rural North Central and

FIGURE 2
Percent of Businesses Identifying a Child Care Shortage by Gender



Source: 2020 Child Care Business Survey, MTDLI

⁴ Responses by industry are available in the full report, available at Imi.mt.gov/publications.

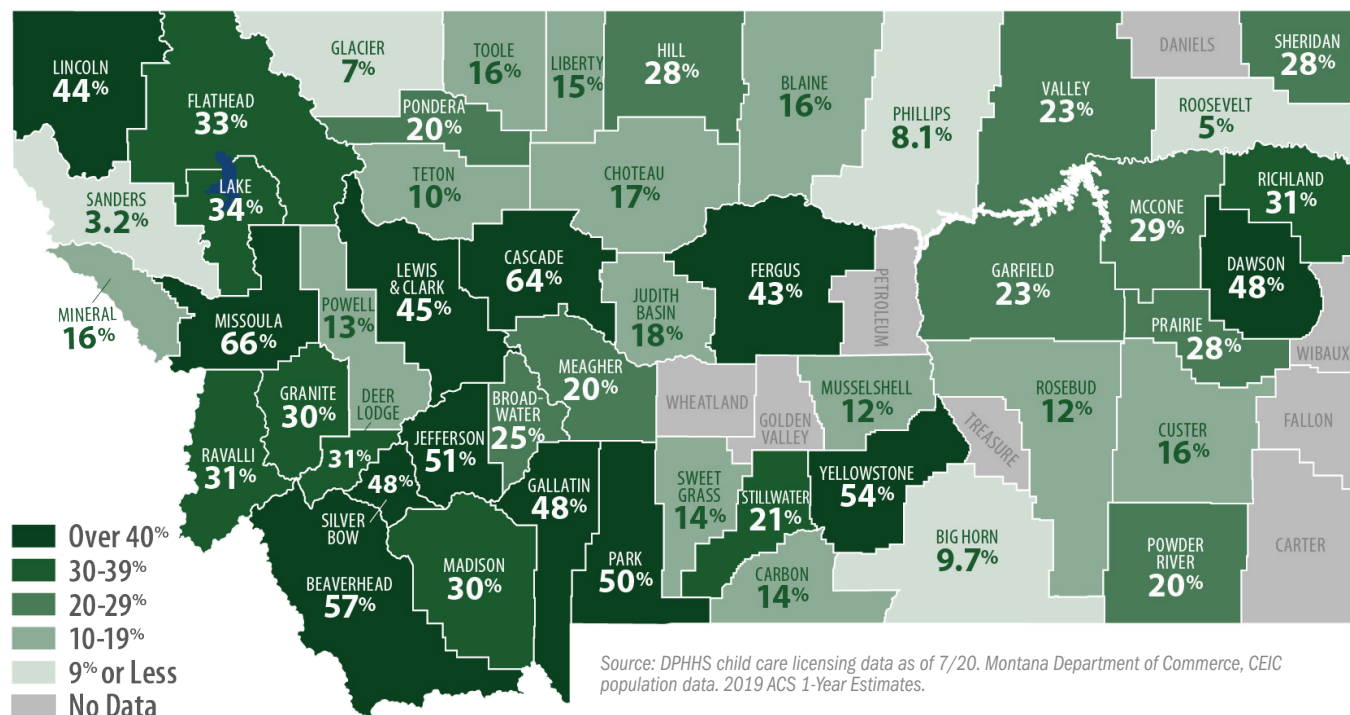
Eastern regions of Montana, where 44% and 46% of businesses reported difficulty, respectively. Compared to more urban areas, these regions of the state have less licensed child care capacity relative to the number of children who potentially need care. **Figure 3** shows the licensed child care capacity in each county as a percentage of estimated demand. Estimated demand is calculated as the number of children in each county under age five, with all available adults in their household participating in the labor force.⁵ Five of the eight counties without a licensed child care provider are in the Eastern region. All but two counties in the North Central and Eastern regions are unable to meet more than one-third of the estimated demand.

Employees who cannot find necessary child care are more likely to miss work, be distracted while working, and exit the labor force to take care of



their children.⁶ In the last year, 62% of parents with young children reported missing work due to a lack of child care.⁷ Instability in a businesses' workforce can impact growth. Thirty percent of Montana businesses reported inadequate child care prevented them from growing. Most of these businesses were in the education, healthcare, government, leisure and hospitality, and retail trade industries.

FIGURE 3
Licensed Child Care Capacity as a Percent of Estimated Demand by County



⁵ County population data by age comes from the Montana Department of Commerce, CEIC. The percentage of children age 0-6 with all parents in the workforce from the 2019 ACS 1-Year Estimates is then applied to the population totals in order to estimate how many children under the age of five need care.

⁶ "Lost Possibilities" University of Montana BBER, September 2020.

⁷ "Lost Possibilities" University of Montana BBER, September 2020.

Child Care Benefits

One of the primary tools businesses can use to overcome the workforce challenges associated with inadequate child care is to offer child care benefits to their employees. There are a variety of child care benefit options employers can provide. The survey asked businesses about the provision of child care benefits defined by the Family Forward Montana initiative.⁸

Flexible Work Arrangements

An estimated 75% of Montana businesses offered some flexible work arrangement to their employees. Allowing parents of young children flexibility to adapt their work schedules based on child care availability is a way businesses can help mitigate the impact of inadequate child care on their workforce. Employers were surveyed about their provision of five different types of flexible work arrangements. **Figure 4** shows the prevalence of each type of arrangement among Montana businesses.

The most common type of flexible work arrangement was flexible scheduling, with almost 60% of businesses offering this option. The least common type of flexible work arrangement among Montana businesses in 2019 was telecommuting. Only 10% of respondents reported offering this option to their employees. However, there has been a nationwide shift toward remote work in response to the global COVID-19 pandemic. Since conducting this survey, an estimated 30% of the state's workforce is now working remotely.⁹

Paid Parental Leave

In Montana, an estimated 13% of businesses offer paid parental leave to their employees. Paid parental leave is leave in addition to paid sick, paid vacation, or paid time off (PTO) and is for use after the birth or adoption of a child. **Figure 5** shows the number of weeks available to new parents from Montana

Types of Flexible Work Arrangements

Flexible Scheduling

Businesses allow employees to work hours outside of the traditional 8 a.m. – 5 p.m. hours. For example, working four 10-hour days, or voluntarily work on weekends.

Telecommuting

Includes working from home or another remote location.

Advanced Scheduling

Businesses provide their employees with their work schedule at least 14 days in advance.

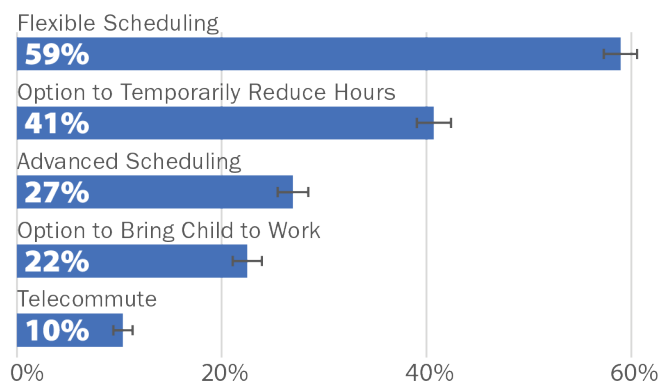
Temporarily Reduce Hours

Employees can reduce their work hours, with pay or without, in order to care for their children when child care is not available.

Bring Child to Work

Employees can bring their young children to work either temporarily or indefinitely. For example, an employer may allow new parents to bring their child to work until the child is six months old.

FIGURE 4
Percent of Businesses with Flexible Work Arrangements by Type



Source: 2020 Child Care Business Survey, MTDLI

⁸ The Family Forward MT Initiative is a collaborative effort by Zero to Five, the Governor's Office, DPHHS, and MTDLI to recognize businesses who are investing in children, families, and the economy by offering benefits to their employees to help them access child care. More information is available at familyforwardmt.com

⁹ Brynjolfsson, E., Horton, J. J., Ozimek, A., Rock, D., Sharma, G., & TuYe, H. (2020). COVID-19 and Remote Work: An Early Look at US Data. National Bureau of Economic Research. doi:<https://www.nber.org/papers/w27344>

FIGURE 5
Number of Weeks of Paid Parental Leave Offered among Montana Firms

NUMBER OF WEEKS	MATERNITY		PATERNITY	
	Estimate	Std Err	Estimate	Std Err
1-2	19.4%	4.5%	36.1%	7.0%
3-4	18.1%	5.6%	21.3%	7.5%
5-6	24.8%	5.0%	3.2%	1.1%
7-11	10.9%	4.5%	6.5%	1.4%
12+	26.8%	4.6%	12.5%	4.7%
MOM ONLY	NA	NA	20.4%	4.9%
MEAN	7.0		3.9	

Source: 2020 Child Care Business Survey, MTDLI

businesses who offer paid parental leave. Among businesses with paid leave policies, 67% offer leave paid at the employee's full hourly rate.

The availability of paid parental leave varied by gender, with mothers typically having more generous leave policies than fathers. Among positions where leave was offered, mothers received an average of seven weeks of paid parental leave compared to four weeks for fathers. The most common maternity leave

policies included either six weeks (25%) or twelve weeks or more (27%) of paid leave. For fathers, the most common policy was one or two weeks of paid leave (36%), consistent with national trends.¹⁰

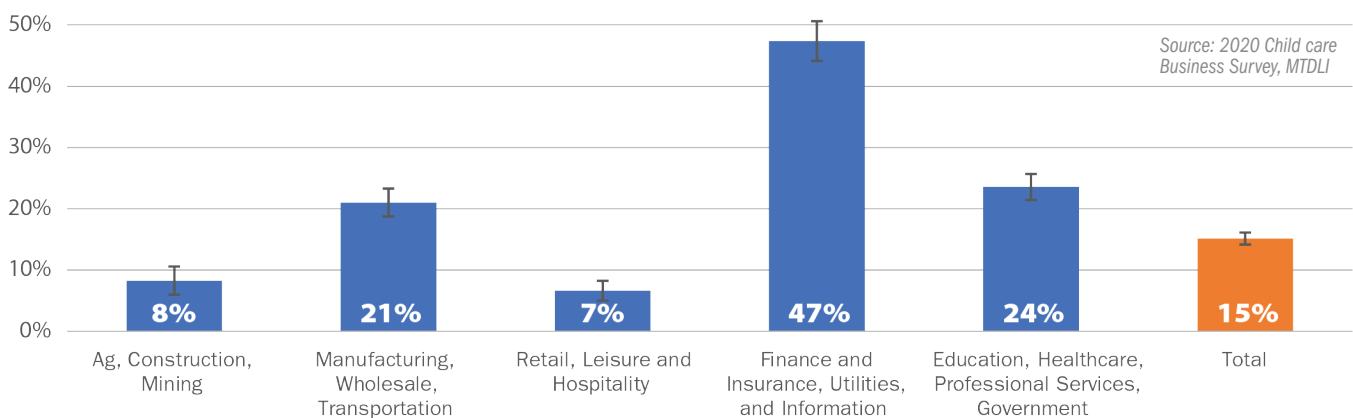
Paid parental leave throughout the first year after birth has high value to new parents, as infants are the most expensive age group for child care.¹¹ Further, the supply of licensed infant child care is more constricted than for child care for older children, with most Montana counties meeting less than a third of demand.¹² Approximately 58% of Montana employers with paid parental leave policies stated the policy improved their ability to recruit and retain a qualified workforce.

15% of Montana businesses offer Dependent Care Assistance Plans (DCAP) to help their employees afford the cost of child care.

Financial Assistance

Child care expenses can quickly become one of the largest expenses a household faces, particularly for families with multiple children under the age of five. The average cost of full-time daycare for an infant in center-based care is \$12,750 per year

FIGURE 6
Percent of Businesses Offering Dependent Care Assistance Plans by Industry



Source: 2020 Child care Business Survey, MTDLI

¹⁰ Richard J. Petts, Chris Knoester & Qi Li (2020) Paid paternity leave-taking in the United States, *Community, Work & Family*, 23:2, 162-183, DOI: 10.1080/13668803.2018.1471589

¹¹ "Lost Possibilities" University of Montana BBER, September 2020.

¹² DPHHS child care licensing data as of 7/20. Montana Department of Commerce, CEIC population data. 2019 ACS 1-Year Estimates. Infant is defined as a child less than two years old.

FIGURE 7
Percent of Businesses Offering Benefit Increasing Access to Child Care

TYPE OF BENEFIT		PERCENT	STD ERR
PROVIDE INFORMATION	HR policies aimed at connecting employees with local resources to help them access care, such as their local child care resource and referral agency.	3.78%	0.55%
ONSITE CHILD CARE	Businesses operate a child care facility for their employees.	2.59%	0.45%
BACKUP CHILD CARE	Business contracts with a backup child care provider to offer care when employees' children are sick or need care outside of traditional business hours.	1.29%	0.31%
SUBSIDIZE CHILD CARE	Business provides employees with a stipend to pay for daycare expenses.	<1%	
CHILD CARE CO-OP	Multiple businesses come together to operate and manage one child care facility for all their employees.	<1%	
RESERVE CHILD CARE SPACE	Business reserves spaces at a local child care provider for employees.	<1%	
TOTAL		7.30%	0.74%

Source: 2020 Child care Business Survey, MTDLI

in Montana.¹³ Dependent Care Assistance Plans (DCAP) (also known as Dependent Care Flexible Spending Accounts) help offset care costs by allowing employees to set aside a portion of their paycheck in a pre-tax account to use for qualifying dependent care expenses. Businesses can also make contributions to their employees' accounts. The IRS limits the combined employer and employee contributions to \$5,000 annually.

Approximately 15% of Montana businesses offer DCAP plans, with roughly 95% of the plans funded through employee contributions only. About 43% of businesses that offer DCAP plans to their employees reported the plans helped improve their ability to recruit and retain a qualified workforce. Businesses in finance and insurance, utilities and information offer DCAP plans at significantly higher rates than other industries. **Figure 6** shows the percentage of businesses offering DCAP plans by industry.

Providing Access to Care

A few businesses in Montana (7%) offer child care benefits for their employees, specifically targeted at helping them access high-quality child care in

their community. **Figure 7** shows the percentage of businesses offering child care benefits aimed at increasing access to care for their employees.

The child care benefit that requires the largest investment from employers is establishing an onsite child care facility, which is not feasible for every business. Only 2.6% of businesses in Montana reported that they have an onsite child care facility. Those that reported having an onsite child care facility said it improved worker recruitment and retention.

Conclusion

The global pandemic has highlighted the impact a lack of child care has on the prosperity and resiliency of Montana's economy. Without improved access to child care, estimates suggest at least 20,000 Montana parents remain sidelined from the workforce.¹⁴ Montana's economic recovery from the pandemic's impact hinges on its ability to engage more parents in the workforce by resolving the lack of affordable, high-quality child care. These survey results can help explain the key role the child care sector plays in the Montana economy during the pandemic and beyond.

¹³ "Lost Possibilities" University of Montana BBER, September 2020.

¹⁴ Micro CPS monthly data, IPUMS May 2020.