

Impacts of Child Care on the Montana Workforce

Results from a Survey of Montana Businesses



Montana Department of
LABOR & INDUSTRY



**FEDERAL RESERVE BANK
OF MINNEAPOLIS**

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Results from a Survey of Montana Businesses

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Amy Watson, Senior Economist

Montana Department of Labor & Industry

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Cover photo provided by Zero to Five Montana



Executive Summary

The lack of affordable high-quality child care in Montana has been a significant barrier to labor force participation for parents of young children. An estimated 6% of the state's labor force relies on a child care arrangement to remain in the labor force.¹ However, Montana's licensed child care capacity meets only about 47% of the estimated demand.² A recent survey by the Montana Department of Labor and Industry (MTDLI) found the child care shortage makes it more difficult for businesses to recruit and retain a qualified workforce, hampering economic growth. The impacts of the child care shortage are widespread. Over half of businesses in every region of the state reported a lack of affordable child care and stated increasing access to child care should be a priority in their community.

This survey, conducted in the first quarter of 2020, provides additional information on how Montana's lack of affordable child care negatively impacted businesses in 2019. The Federal Reserve Bank of Minneapolis partially funded this survey. Highlights included:

- Most businesses in Montana (57%) indicated a shortage of affordable child care options in their community and that increasing access should be a priority (60%).
- Approximately 40% of businesses said the shortage was impacting their ability to recruit or retain qualified workers. The impact was higher (45%) for businesses with non-traditional hours.
- Firms in the Southwest (63%) and Eastern (61%) regions were the most likely to report a child care shortage in their community.
- Businesses with a predominantly female workforce were more likely to report a lack of affordable child care in their community. 70% of these businesses stated there was a lack of child care in their community, and at least 50% reported an impact on recruitment or retention.

Businesses across the state recognize the need for increased access to safe and affordable child care and are finding innovative ways to help their employees' access and afford care. The survey found:

- Three-quarters of Montana businesses offered flexible work arrangements, which can help employees adapt their work schedule based on child care availability. The most common type of arrangement reported was flexible scheduling (59%), followed by the option to temporarily reduce hours (41%) and advanced scheduling (27%).
- An estimated 13% of Montana employers offered paid parental leave (leave beyond paid sick, vacation, or paid time off (PTO) available to parents after the birth or adoption of a child). Paid parental leave helps reduce the demand for infant care,

which is the most undersupplied and expensive form of child care. In Montana, average annual expenses for center-based infant care top \$12,750.³ Licensed infant care capacity meets less than 50% of the estimated need in every county in the state.

- Mothers had greater access to paid parental leave than fathers. Montana businesses that extended paid parental leave to their employees offered an average of seven weeks for mothers and four weeks for fathers after the birth or adoption of a child.
- On average, Montana families pay \$7,900 annually for child care, which is 14% of the state's median family income.⁴ To help offset these costs, 15% of Montana businesses offered Dependent Care Assistance Plans (DCAP). Businesses in Finance and Insurance, Utilities, and Information industries offer DCAP at significantly higher rates. Over 47% of firms in these industries offered DCAP plans to their employees.
- A few businesses offered onsite child care (2.6%) to help their employees access child care. Less than one percent of businesses offered subsidies, participated in a child care coop, or reserved spaces at a local child care facility for their employees.

Since the survey was conducted, the global pandemic has further exacerbated Montana's child care shortage as important public health precautions have contributed to reduced child care facilities' capacity across the state. In April, 43% of licensed child care providers closed as an immediate response to the pandemic, reducing licensed capacity by 10,921 child care slots.⁵ While many of these providers have found innovative ways to reopen and meet public health guidelines, shortages continue. 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 in Montana. These survey results can help understand the key role the child care sector plays in the Montana economy during the pandemic and beyond.

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Introduction

Access to affordable, high-quality child care is an essential element of a healthy economy, allowing parents of young children to engage in the labor force. 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 translates to approximately 6% of the state's labor force in 2019.⁶ Despite this reliance on child care to meet the state's workforce needs, Montana has suffered from a lack of availability. Last year, an estimated 44,000 children in Montana under six lived in households where all available adults were in the labor force. Licensed child care capacity in Montana meets only about 47% of this estimated demand.⁷

Prior to the global pandemic, Montana faced historically low unemployment rates, with employers reporting difficulty finding workers. The workforce shortage was made worse by a lack of affordable high-quality child care. The state's persistent child care shortage left many Montana parents unable to engage in the labor force, thus exacerbating the workforce shortage. This report summarizes the Child Care Business Survey results, which aimed to provide insight on the impact this lack of child care has on Montana businesses and highlight how businesses are increasing access to affordable child care for their employees.

Since this survey was conducted, the global pandemic has changed Montana's economic landscape, including a temporary rise in the unemployment rate. However, the pandemic has also worsened the child care shortage. In April, 43% of licensed child care providers closed as an immediate response to the pandemic, reducing licensed capacity by 10,921 child care slots.⁸ While many of these providers have found innovative ways to reopen and meet public health guidelines, shortages continue. Without addressing child care access, many parents will be unable to fully return to work, preventing the state from fully recovering from the pandemic-related employment losses.

Survey Design

The Montana Department of Labor & Industry (MTDLI) surveyed Montana businesses from January to March of 2020. Survey participants were businesses that participate in the state's unemployment insurance program and employed more than one employee in 2019.⁹ Businesses with multiple locations were surveyed once for each establishment location. The survey was stratified by industry, region, and urban/rural areas of the state.

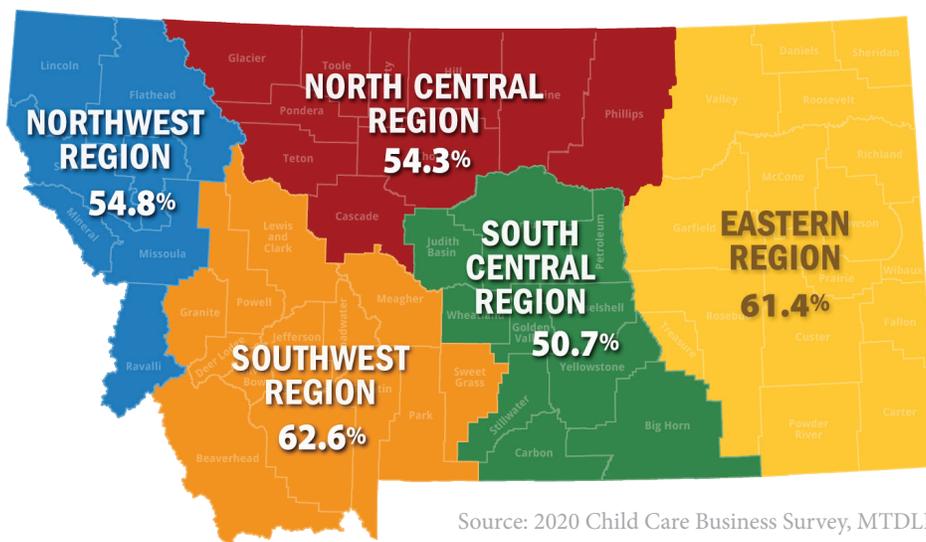
The random sample selected 3,420 businesses to participate in the survey. MTDLI mailed a total of 3,305 survey packets the first week in January after removing businesses that had closed or did not have contact information. Businesses with multiple establishments were sent one survey and asked to reply for all establishments in the sample. Respondents had the option to complete the hard copy version of the survey and return it via a prepaid envelope or fill it out online via a link provided in the cover letter.

Three mailings were conducted. The first mailing took place in January, the second in February, and the third in March. Survey recipients had three weeks to respond to each mailing. The last mailing concluded on March 31. In total, MTDLI received 1,648 responses, once the responses were applied to the full sample, this translated to a response rate of 51.3%. Survey responses were cleaned and post-stratified based on 2019 employment levels to align the sampling and reference period and correct for nonresponse bias. The report's survey results are weighted to reflect the full population of Montana businesses with more than one employee in 2019. More information about the survey design – including sampling, stratification, administration, response rates, and analysis – can be found in the appendix.

Business Perspectives

Over half of Montana businesses (57%) reported a shortage of affordable child care options in their community.¹⁰ The lack of affordable child care persisted across all state regions, with at least half of businesses in every area reporting a shortage. As shown in **Figure 1**, over 60% of businesses in the Eastern and Southwest regions identified a lack of child care in their community.

Figure 1. Percent of Businesses Identifying a Lack of Affordable Child care in their Community



An average of sixty percent of businesses statewide agree that improving access to affordable child care should be a priority for their community. At 70%, the Southwest region had the highest percentage of businesses identifying child care as a priority. Over 50% of businesses in every area responded that improving access to affordable child care should be a priority for their community.

57

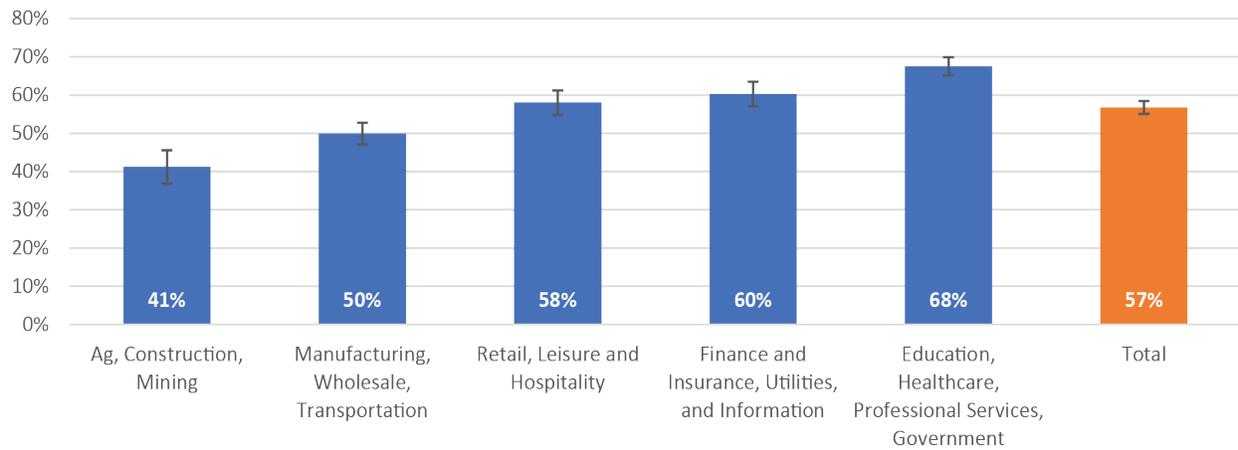
57% of businesses identify a lack of affordable child care in their community.

60

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

Businesses in education, healthcare, professional services, and government were the most likely to identify a child care shortage and respond that addressing the deficit should be prioritized. Whereas, less than half of the mining, agriculture, and construction businesses said there was a child care shortage in their community. **Figure 2** shows the breakdown of responses by industry.

Figure 2. Percentage of Businesses Identifying a Child Care Shortage by Industry



Source: 2020 Child Care Business Survey, MTDLI. Standard error depicted by black bracket.

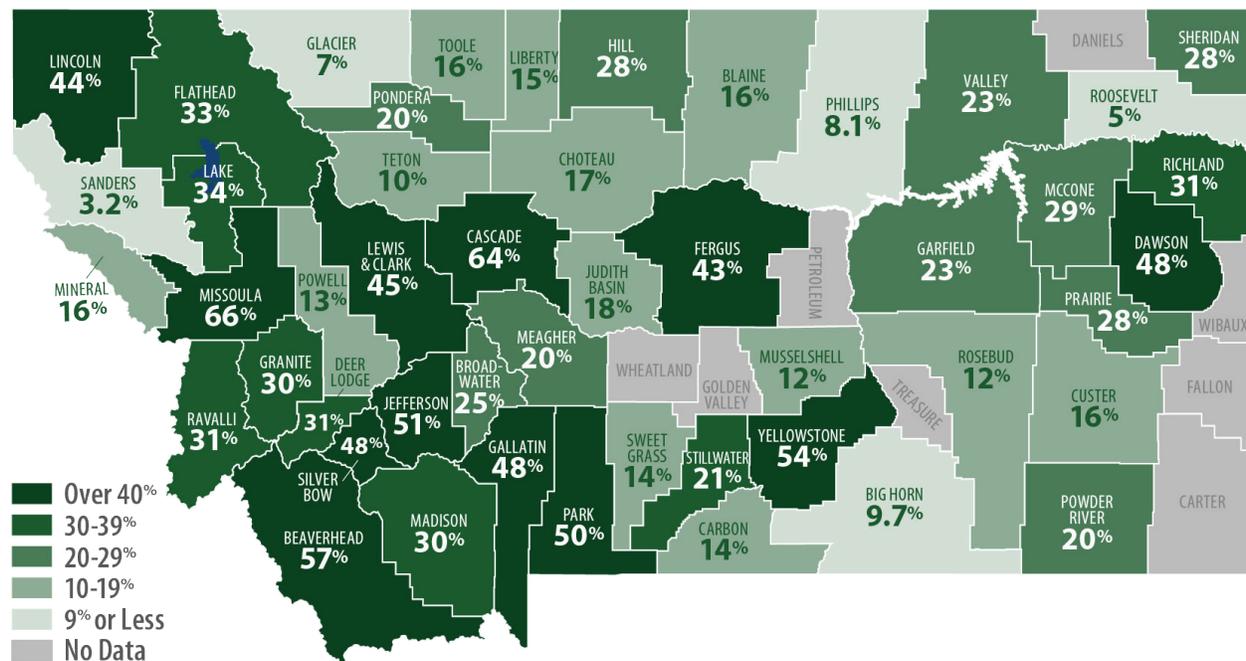
Business Growth and Workforce Impacts

Forty percent of Montana businesses reported that a lack of affordable child care in their community 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 available child care affected recruitment and retention, compared to 36% among those with traditional hours.

Recruitment and retention challenges were the most prominent in the more rural North Central and 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 the age of 5 with all available adults in their household participating in the labor force.¹¹ 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.

40% of businesses report difficulty recruiting or retaining qualified workers due to a lack of affordable child care in their community.

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



Source: DPHHS child care licensing data as of 7/20. Montana Department of Commerce, CEIC population data. 2019 ACS 1-Year Estimates.

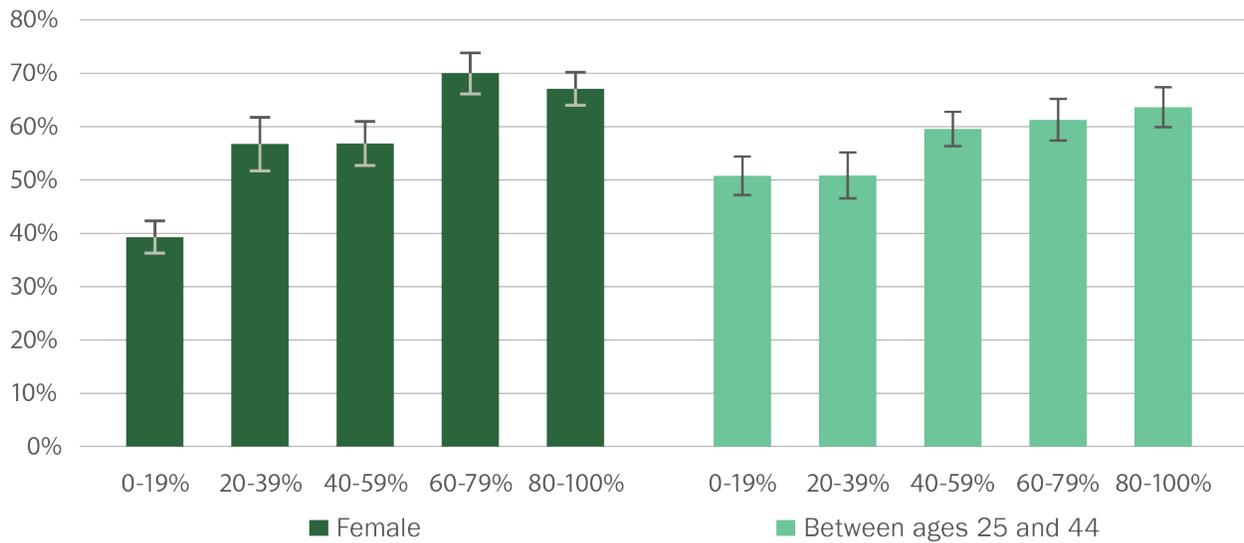
Employees who cannot find necessary child care may be more likely to miss work, be distracted while working, and more likely to exit the labor force to take care of their children. In the last year, 62% of parents with young children reported missing work due to a lack of child care.¹² Instability in a businesses’ workforce can impact growth. Thirty percent of Montana businesses reported inadequate child care prevented them from growing. Most of these businesses are in the education, healthcare, government, leisure and hospitality, and retail trade industries.

30% of Montana businesses say inadequate child care has prevented their company from growing.

Female Workforce Impacts

Historically, the responsibility of caring for children has primarily fallen to women.¹³ Traditional gender roles impact the labor force participation rates of both men and women. The labor force participation rates of women ages 25 to 44 – the ages of most parents with young children – hovers around 75% nationally. In comparison men of the same age range have labor force participation rates closer to 90%.¹⁴ **Businesses with a predominately female workforce were more likely to report a lack of affordable child care in their community.** Figure 4 shows the percent of businesses that identified a child care shortage by the percent of employees who are female or between 25 and 44.

Figure 4. Percent of Businesses Identifying a Child Care Shortage by Gender and Age of Employees



Source: 2020 Child Care Business Survey, MTDLI

Approximately 70% of businesses with more than 60% female employees reported a lack of child care, compared to only 40% with less than 20% female employees. Firms with predominately female employees were also more likely to report inadequate child care impacting their ability to recruit and retain a qualified workforce. At least 50% of these businesses reported recruitment or retention impacts, compared to only 25% of businesses with less than 20% female employees. Businesses employing mostly males may also have a child care shortage in their community but are not aware of its impact on their workforce. Several survey respondents indicated that child care was not an issue for their business because they only have male employees.

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 benefits employers can provide. The survey asked businesses about the provision of child care benefits defined by the Family Forward Montana initiative.¹⁵ There are three tiers of assistance identified by Family Forward MT – business practices, financial assistance, and access benefits. A full list of child care benefits defined by the Family Forward MT initiative can be found in the appendix.

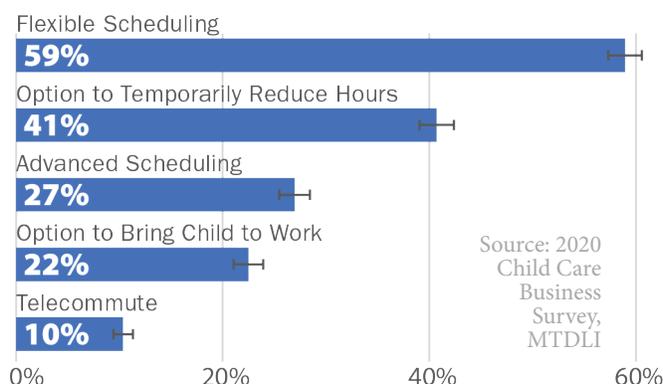
Approximately **70%** of businesses with at least sixty percent female employees stated there is a child care shortage in their community.

Flexible Work Arrangements

An estimated 75% of Montana businesses offered some sort of flexible work arrangement to their employees. Allowing parents of young children flexibility to adapt their work schedules based on child care availability is one 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 5** shows the prevalence of each type of arrangement among Montana businesses.

75% of Montana businesses offer some kind of flexible work arrangement.

Figure 5. Percent of Businesses with Flexible Work Arrangements by Type



The most common type of flexible work arrangement was flexible scheduling, with almost 60% of businesses offering this option. Forty percent of businesses allowed their employees to temporarily reduce their hours to care for their children when child care is not available. The next most common type of benefit was advanced scheduling. Twenty-seven percent of businesses offered advanced scheduling, which is a common practice among employers managing shift workers. Shift work is common in

the leisure and hospitality, and retail trade industries. Thirty-two percent of businesses in these industries provided their employees at least 14 days notice prior to their scheduled shift, allowing them time to find safe and affordable child care. About a quarter of Montana employers allowed their employees to bring their child to work. This is particularly beneficial for employees who may be called into work on short notice and do not have time to find child care.

The least common type of flexible work arrangement among Montana businesses in 2019 was telecommuting. Only 10% of businesses reported offering this option to their employees. However, there has been a nationwide shift toward remote work in response to the global pandemic. Since conducting this survey, an estimated 30% of the state’s workforce is now working remotely.¹⁶

Types of Flexible Work Arrangements

<p>Flexible Scheduling</p> <p>Businesses allow employees to work hours outside of the traditional 8-5 hours. For example, working four 10-hour days, or voluntarily work on weekends.</p>	<p>Telecommuting</p> <p>Includes working from home or another remote location.</p>	<p>Temporarily Reduce Hours</p> <p>Employees can reduce their work hours, with pay or without, in order to care for their children when child care is not available.</p>	<p>Bring Child to Work</p> <p>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.</p>
<p>Advanced Scheduling</p> <p>Employees receive their work schedules at least 14 days in advance.</p>			

Paid Parental Leave

Paid parental leave can improve postnatal health, improve parent and child wellbeing, and result in better labor market outcomes for mothers.¹⁷ Employers benefit through increased worker retention and labor force participation.^{18,19} 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 specifically designated for parents after the birth or adoption of a child. The twelve weeks of job-protected leave provided by the Family Medical Leave Act (FMLA) is not considered paid parental leave unless employees are paid during their absence. **Figure 6** shows the number of weeks available to new parents from Montana businesses who offer paid parental leave. Most businesses (67%) with paid leave policies offer leave paid at the employee’s full hourly rate.

An estimated 13% of Montana employers offer paid parental leave – leave beyond paid sick, vacation, or PTO that is available to parents after the birth or adoption of a child.

Figure 6. Number of Weeks of Paid Parental Leave

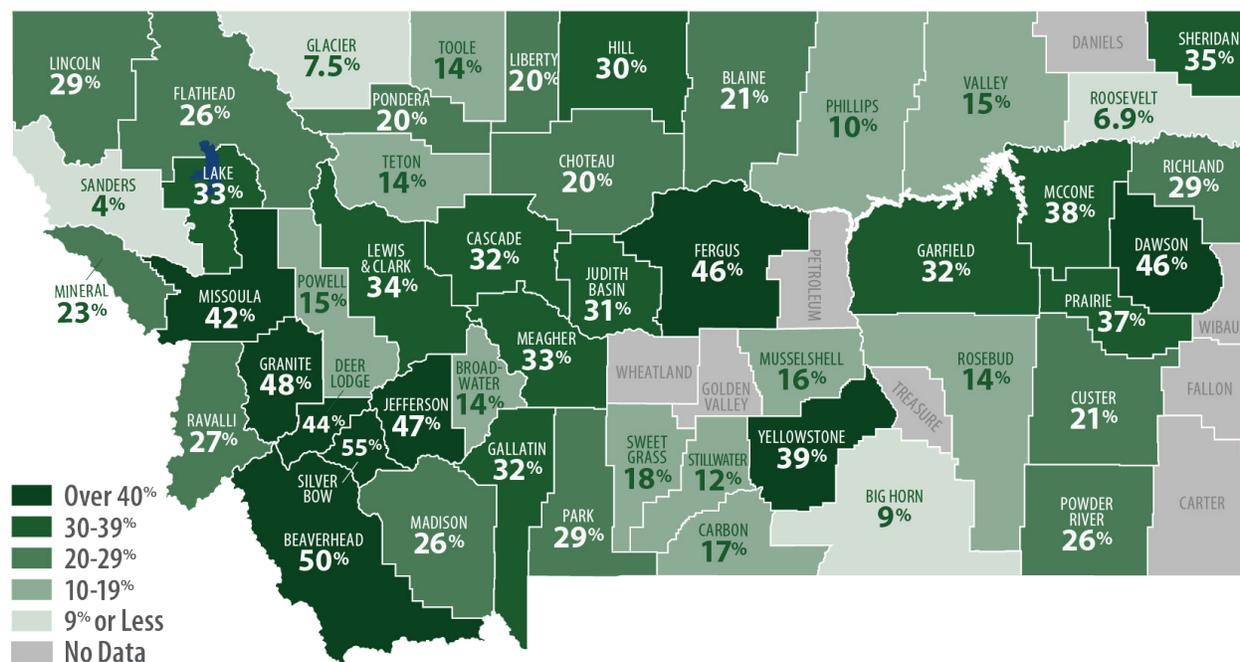
WEEKS	MATERNITY		PATERNITY	
	Estimate	Std Err	Estimate	Std Err
1-2	19.4%	4.5%	36.1%	7.0%
3-4	18.1%	5.6%	21.3%	7.5%
5-6	24.8%	5.0%	3.2%	1.1%
7-11	10.9%	4.5%	6.5%	1.4%
12+	26.8%	4.6%	12.5%	4.7%
MOM ONLY	NA	NA	20.4%	4.9%
MEAN	7.0		3.9	
Q1	2.5		0.7	
MEDIAN	4.9		1.7	
Q3	11.1		3.7	

Source: 2020 Child Care Business Survey, MTDLI

Availability of paid parental leave varied by gender, with mothers typically having more generous leave policies available to them than fathers. On average, mothers received seven weeks of paid parental leave compared to only four weeks for fathers. Twenty percent of businesses with a paid parental leave policy only had paid leave available to mothers. Only 12.5% of businesses with paid parental leave policies offered twelve weeks of paid paternity leave, compared to 26.8% that offered twelve weeks of paid maternity leave.²⁰ 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.²¹

Paid parental leave policies can help employees who cannot find affordable, safe child care for their infant. Infant care is the most expensive form of care, with increased staff-to-child ratios primarily driving the costs.²² Additionally, the supply of licensed infant child care falls well below the estimated demand. **Figure 7** shows infant capacity in each county as a percentage of estimated demand. Infant care capacity is significantly undersupplied in Montana, making it difficult for parents of children under the age of two to engage in the workforce. Approximately 58% of Montana employers with paid parental leave policies stated the policy improved their ability to recruit and retain a qualified workforce.

Figure 7. Licensed Infant Care Capacity as a Percentage of Estimated Demand



Source: 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.

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

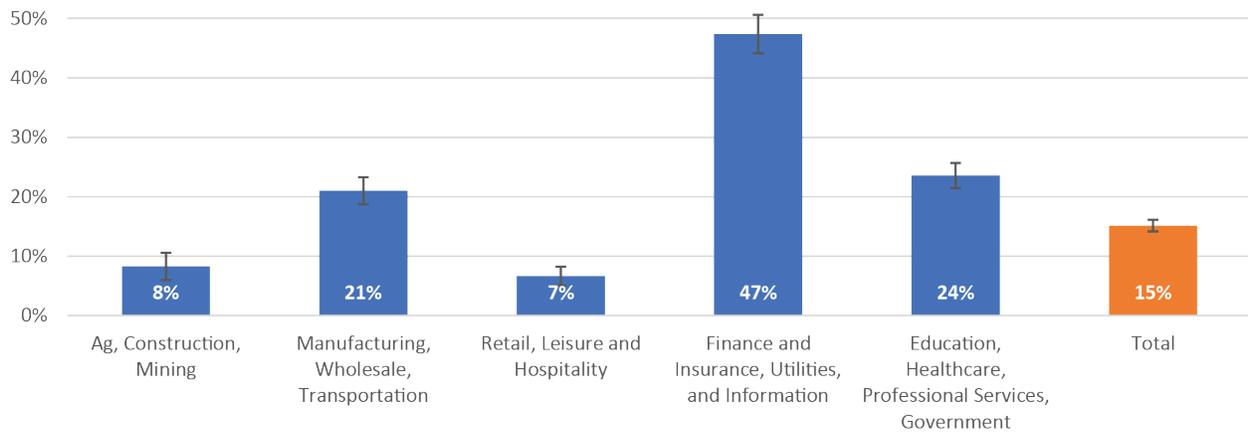
Financial Assistance

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. For many families, child care costs may exceed one parent’s income, making it financially prohibitive to remain employed. The average cost of full-time daycare for an infant in center-based care can top \$12,750 per year in Montana.²³ The cost of full-time care for an infant and toddler can exceed \$19,000 per year.²⁴

Dependent Care Assistance Plans (DCAP), also known as Dependent Care Flexible Spending Accounts, are one benefit Montana businesses can offer their employees to help offset care costs and encourage labor force participation. DCAP plans allow 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 businesses in Montana offer DCAP plans. DCAP offer rates are significantly higher for businesses in Finance and Insurance, Utilities, and Information. Over 47% of businesses in these industries offer DCAP plans to their employees. Businesses in mining, agriculture, construction, retail trade, and leisure and hospitality were the least likely to offer their employees DCAP plans – less than 10% of businesses in these industries offer the plan. **Figure 8** shows the percentage of businesses offering DCAP plans to employees by industry. No statistically significant variation in DCAP provision was observed across Montana regions.

Figure 8. Percent of Businesses offering Dependent Care Assistance Plans by Industry



Source: 2020 Child care Business Survey, MTDLI

Of the businesses that offered a DCAP plan, only 5% made contributions. Finance and insurance, utilities, and information industries had the highest percentage of businesses contributing (13.5%). The average contribution amount among businesses was \$2,750. Businesses making contributions often made them on a per child basis. 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.

Providing Access to Care

With licensed child care capacity meeting only about 47% of the estimated demand, many Montana families have difficulty securing affordable child care. Low-income families, families of children with disabilities, Native American families, and families in rural communities have the most limited access to child care in the state. Several barriers prevent families from accessing care, including cost and lack of availability for infants, toddlers, and children with special needs.²⁵ All of these barriers influence a family’s employment decisions and statewide workforce participation.

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

Figure 9. Percent of Businesses Offering Benefit Increasing Access to Child Care

TYPE OF BENEFIT	PERCENT	STD ERR
PROVIDE INFORMATION	3.78%	0.55%
ONSITE CHILD CARE	2.59%	0.45%
BACKUP CHILD CARE	1.29%	0.31%
SUBSIDIZE CHILD CARE	<1%	
CHILD CARE COOP	<1%	
RESERVE CHILD CARE SPACE	<1%	
TOTAL	7.30%	0.74%

Source: 2020 Child care Business Survey, MTDLI

About 3.8% of businesses reported that they provide information to employees about how to access child care resources in their community – such as providing the contact information for their local child care resource and referral agency. Some businesses noted they provide information about child care resources as a part of their onboarding process for new employees. This is a low-cost way to help inform employees of child care options by leveraging existing resources in the community.

Types of Benefits that Improve Access to Child Care

<p>Provide Information</p> <p>HR policies aimed at connecting employees with local resources to help them access care, such as their local child care resource and referral agency.</p>	<p>Backup Child Care</p> <p>Business contracts with a backup child care provider to offer care when employees’ children are sick or need care outside of traditional business hours.</p>	<p>Onsite Child Care</p> <p>Business operates a child care facility for their employees.</p> <p>Reserve Spaces</p> <p>Business reserves spaces at a local child care provider for employees.</p>	<p>Subsidized Care</p> <p>Business provides employees with a stipend to pay for daycare expenses.</p> <p>Child Care Cooperative</p> <p>Multiple businesses come together to operate and manage one child care facility for all their employees.</p>
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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.

Another benefit a few Montana businesses offer is backup child care when their employees' children are sick or need care outside of traditional business hours; about 1.3% of businesses offer this benefit. Businesses were asked about three other types of benefits aimed at increasing access to care – child care cooperatives, child care subsidies, and reserving spaces at a local child care facility. Less than one percent of businesses reported providing these benefits.

COVID Impacts

Since the survey was conducted, the global pandemic has altered the economic landscape in Montana. In April of this year, the unemployment rate spiked to almost 12%, as over 60,000 workers found themselves without a job. Although this crisis temporarily increased worker availability, the state quickly regained jobs, with the state's unemployment rate returning to near-normal levels by the fall. However, the state will be unable to fully regain pre-recession employment levels without addressing child care needs.²⁶

During April, 43% of licensed child care providers closed as an immediate response to the pandemic. These closures accounted for 10,921 child care slots at licensed providers.²⁷ Since then, many child care providers have found new and innovative ways to open while also adhering to important public health guidelines. Federal funding through the CARES Act provided critical support to child care providers, allowing them to stay open or reopen to care for children of essential workers.²⁸ By June, only 14% of child care providers remained closed. However, capacity remains lower than before the pandemic. Further, parents of school-aged children have needed to adjust work schedules and find alternative care due to limited after-school activities and the need to monitor children learning at home. Despite having higher unemployment, the global pandemic has exacerbated the already-existing workforce challenges regarding child care.

The global pandemic has highlighted the impact a lack of child care 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.²⁹ Engaging these parents in the workforce is a critical step for the state to reach its pre-pandemic employment levels. The state's economic recovery from the pandemic's impacts hinges on its ability to finally resolve a problem that has persisted in Montana for many years – the shortage of affordable high-quality child care.

Appendix

Definition of Child Care Benefits

Child care benefits are defined using the framework established by the Family Forward MT initiative. The initiative was designed by early childhood education (ECE) advocates to recognize businesses that are investing in Montana children and families through family-friendly policies and practices. The list of policies and practices, outlined below, were compiled by ECE experts with input from Montana businesses and local community development organizations. Family Forward MT is supported by the Zero to Five Montana, DPHHS, DLI, and the Governor's Office. The initiative identified three categories of benefits – HR policies and practice, financial assistance, and improving access to care. More information on the initiative is available at familyforwardmt.org.

Tier I: Business/Organizational Practices

1. Flexible Work Arrangements

- Flexible schedule
- Telecommuting options
- Voluntary reduced work time options
- Ability to bring an infant to work for a period of time (i.e. up to 6 months)

2. Human Resources/Management

- Your HR department receives an orientation on community resources and connections to high-quality child care from a local Child Care Resource & Referral (CCR&R) agency and/or early childhood coalition partner, AND you connect employees who are looking for child care with community resources
- Human Resources/Management practices to talk with new or expectant parents about health care, leave planning, and support needed while they are on leave

Tier II: Financial Assistance

- Dependent Care Assistance Plans (DCAP)
- Flexible Spending Accounts (FSA)
- Child Care Subsidies
- Paid Parental Leave

Tier III: Improving Access to Care

- Onsite child care
- Reserve spaces at local high-quality provider
- Back-up/Emergency child care services
- Consortium child care center to serve employees of participating companies
- Provide backbone support for benefits to a local child care center or family home provider
- Invest in the quality of a child care center or family home provider through the purchase of STARS to Quality materials, trainings, educational supports etc.

Sampling Methodology

The sample was a stratified, random sample of Montana businesses with more than one employee that participate in the state’s unemployment insurance system.³⁰ MTDLI maintains a list of these businesses that is updated quarterly and includes the businesses’ current contact information, industry classification, location, and employment and wages paid. The population of businesses used to generate the sample included all businesses with employment in Montana from the second quarter of 2018 through the first quarter of 2019, which was the most recent four quarters of data when the sample was drawn. Firms with multiple locations were included once for each of their establishment locations.

The sample was stratified by industry, region, and urban/rural categories. The industries are grouped based on the U.S Bureau of Labor Statistics National Compensation Survey data on the percent of businesses in each industry offering a dependent care FSA (DCAP). Industries with similar provisions are grouped together. Industry stratifications are identified as the following five groupings of NAICS codes

Figure A1. Definition of Industry Strata

Industry	2-Digit NAICS				
1 Construction, Agriculture, Mining	11	21	23		
2 Manufacturing, Transportation, Wholesale Trade	31-33	48-49	42		
3 Accommodations & Food Service, Admin & Waste, Retail Trade, Arts, Other Services	44-45	71	72	56	81 53
4 Finance and Insurance, Utilities, and Information	22	52	51		
5 Education, Healthcare, Professional & Technical Services, Government	61	62	54	92	55

The urban/rural stratification are defined by the grouping of Montana counties according to their population. Seven counties in Montana that are identified as urban – Yellowstone, Cascade, Flathead, Missoula, Gallatin, Lewis and Clark, and Silver Bow. All other counties in Montana are considered rural. The survey was stratified by region according to the five regions shown below. The model assumptions are the same across all regions of Montana, and are similar to the provision of dependent care FSA benefits in the Mountain region of the U.S.

Figure A2. Definition of Regional Strata

There were 3,420 businesses randomly selected as a part of the survey sample. The number of samples in each stratum were allocated using an assumed 50% response rate and a 90% confidence interval with a +/- 5% error range. The table below shows the resulting number of businesses selected in each industry and regional strata.

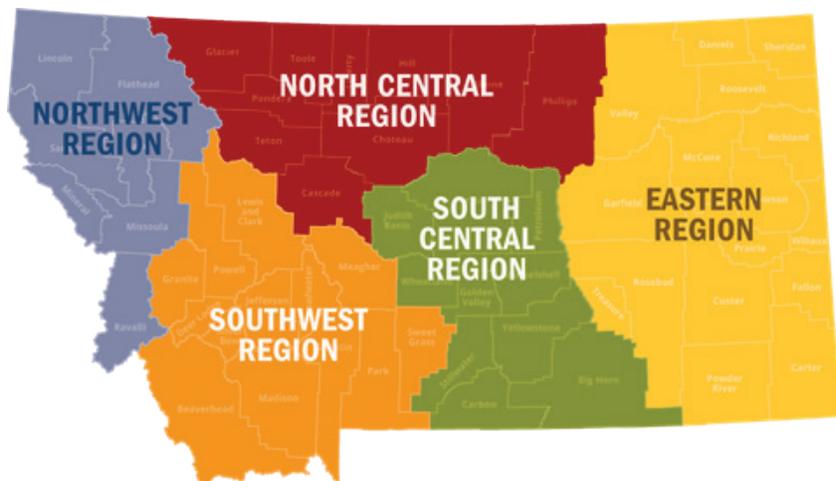


Figure A3: Distribution of Sample by Strata

Industry Strata	Region					TOTAL
	NW	SW	NC	SC	E	
Construction, Ag, and Mining	93	112	68	90	98	461
Manufacturing, Transportation, and Wholesale Trade	201	180	106	197	100	784
Accom & Food, Admin & Waste, Retail Trade, arts, other services	152	150	175	102	170	749
Finance and insurance, utilities, and information	145	135	99	111	80	570
Education, Healthcare, Professional & Technical Services, Gov	220	189	158	159	130	856
TOTAL	811	766	606	659	578	3,420

Survey Administration

Of the 3,420 businesses selected to receive the survey, twenty-three either did not have an address in the UI administrative database, their location could not be identified, or they were permanently closed. The number of closed businesses in the sample was less than 1%, which is less than anticipated. For comparison, 3.2% of all businesses closed in the first quarter of 2019.³¹ An additional 91 businesses had multiple locations included in the sample. To save costs and reduce the burden on employers, these surveys were combined into one parent survey that was mailed to the businesses’ primary address. The business was asked to respond for all locations in the sample. After these adjustments were made, a total of 3,305 surveys were mailed out to employers.

Surveys were collected via mail and internet responses from January to March 2020. Three mailings were conducted over this time frame, each one month apart. Businesses who had already responded were excluded from subsequent mailings. A second attempt was made to reach businesses if the initial address was incorrect. Mailings to physical addresses in Montana were prioritized over postal boxes or out of state addresses. The third survey mailing officially closed on March 31st.

Response Rates

MTDLI received 1,648 responses out of the 3,305 surveys – 1,106 responded via mail and 542 submitted their survey using a survey monkey link included in the cover letter. All the survey response fell into three categories – completed, closed, or refused. Those businesses who did not pass the initial screening question, meaning they did not employ anyone at the locations sampled in 2019, were considered closed. Those who reached out to state their refusal to participate in the survey fall into the refused category. The remainder of respondents fall into the completed category, meaning they responded to the survey and passed the initial screening question. Considering all three of these response types as having responded, MTDLI received 1,753 responses out of the 3,420 businesses selected in the sample – translating to an overall response rate of 51.3%.

Figure A4: Sample Response

Response	Number of Businesses
Completed	1,579
Closed	168
Refused	6
No Response	1,637
Unable to Contact	30
TOTAL	3,420

The number of businesses that completed the survey varied from 35% to 72% by stratum. The response rates for each stratum are shown in the table below. Rates below the target response rate of 50% are in red. The construction, agriculture, and mining industry grouping had the lowest response rates, followed by the manufacturing, transportation, and wholesale trade industry grouping – both of which were below 50%. Education, healthcare, professional and technical services, and government occupations had the highest response rate of 60%. The regional response rates fell relatively close together between 49% and 57%, with the most rural eastern region having the highest response rate.

Figure A5: Response Rates by Strata

Industry Strata		Region					Total
		NW	SW	NC	SC	E	
Construction, Ag, and Mining	Responses	33	60	31	39	41	204
	Response Rate	35%	54%	46%	43%	42%	44%
Manufacturing, Transportation, & Wholesale Trade	Responses	107	80	48	93	50	378
	Response Rate	53%	44%	45%	47%	50%	48%
Accom & Food, Admin & Waste, Retail Trade, arts, other services	Responses	71	78	77	54	93	373
	Response Rate	47%	52%	44%	53%	55%	50%
Finance and insurance, utilities, and information	Responses	67	61	55	53	50	286
	Response Rate	46%	45%	56%	48%	63%	50%
Education, Healthcare, Professional & Tech Services, Gov	Responses	118	120	95	86	93	512
	Response Rate	54%	63%	60%	54%	72%	60%
Total	Responses	396	399	306	325	327	1,753
	Response Rate	49%	52%	50%	49%	57%	51%

Post-stratification

Even though the sampling was conducted using employment levels from 2018Q2 – 2019Q1, businesses completed the survey in the 1st quarter of 2020 about the child care benefits they offered in 2019. To accommodate for the differences in timing from the sampling and the reference period, the survey data was post-stratified using data from the four quarters ending in 2019Q4. In addition to more closely aligning the reference period with the employment used for weighting, post-stratification reduces the impact of non-response bias and reduces survey error. Survey error is reduced in post-stratification by using known business and employment counts to create survey weights. This process also naturally adjusts for businesses that have closed between the sampling and reference period.

The weights used in survey analysis are calculated using employment data from 2019 with the same population exclusions discussed in the sampling section. The totals for the post-stratification include 29,943 employers covering 421,800 employees.

Survey Instrument

Each mailing included a hard copy of the survey instrument and a cover letter explaining the purpose of the survey and inviting participation via a provided internet link or by completing the enclosed hardcopy and returning it in the prepaid envelope provided. A copy of the survey instrument and cover letter mailed to each business are included at the end of the appendix for reference.



[Business Name]
[Address1]
[Address2]
[City], [State] [ZIP9]

Dear Employer,

With low unemployment rates across the state, it is becoming increasingly difficult for Montana employers to find qualified workers. The Montana Department of Labor and Industry is interested in understanding the impact child care availability may have on Montana businesses. Your response to this survey will generate data on child care availability and child care benefits offered to employees. **Please complete and return this brief survey; your response is essential for accurate results.**

Your Human Resources Department or Employee Benefits Manager may have the most information to complete the survey. If possible, **please provide information for all your employees working at the establishment(s) located in the following areas.**

[Locations]

Responses to this survey will remain confidential and no individual or business will be identified in the survey results. **Please complete and return the survey by January 31, 2020.** You can return the completed survey in the enclosed postage-paid envelope or fax to 406-444-2638. You can also complete the survey online at the address below. You just need to enter your employer code, shown below and in the top corner of the survey, to complete the survey online.

Online Survey: <https://www.surveymonkey.com/r/childcareMT>
Employer Code: [XXXXXX]

Thank you for your help in providing Montana businesses, workers, and policymakers better information about the impact of child care availability on the Montana economy. Results will be available on our website at www.lmi.mt.gov later this year.

Please contact us at 406-444-4100 if you have any questions.

SECTION 1: Employment and Company Information

Your company should be listed on the address label of this survey. For questions 1-13, please only include your employees located in the areas listed on the cover letter and at the bottom of this page.

1. Did your company employ people at the location(s) listed on the cover letter in 2019?
 - Yes
 - No. *Please skip to question 19.*
2. Does your company operate outside typical 8 am to 5 pm business hours?
 - Yes
 - No
3. What percentage of your company's employees are female?
 - 0-19%
 - 20-39%
 - 40-59%
 - 60% - 79%
 - 80 -100%
4. What percentage of your company's employees are currently between the ages of 25 and 44?
 - 0-19%
 - 20-39%
 - 40-59%
 - 60% - 79%
 - 80 -100%

SECTION 2: Child Care Benefits

5. Does your company offer any of the following **flexible work arrangements** to some or all of your employees? *Select all that apply.*
 - Flexible scheduling (e.g., 4-day work week, or voluntary schedules outside 9-5 hours)
 - Telecommuting options
 - Advanced scheduling (e.g., shift work scheduled at least 14 days in advance)
 - Option to temporarily reduce work hours
 - Option to bring a child to work temporarily
 - Other (please specify) _____
6. How much impact does offering **flexible work arrangements** have on your company's ability to recruit and retain qualified employees?
 - No Impact
 - Slight Impact
 - Moderate Impact
 - High Impact
 - Don't know
7. In addition to Paid Time Off, Vacation, or Sick Leave, does your company provide **Paid Parental Leave** to parents after the birth or adoption of a child? *Includes paid maternity, paternity, family leave, and pregnancy-related short-term disability insurance. Does not include unpaid FMLA leave.*
 - Yes
 - i. Company provides _____ weeks of paid leave to mothers.
 - ii. Company provides _____ weeks of paid leave to fathers.
 - No. *Please skip to question 9.*
8. Does your company pay workers at the **full hourly rate for paid parental leave**? *Paid parental leave is leave in addition to paid time off, vacation, sick leave, and unpaid FMLA leave.*
 - Yes, workers on parental leave earn the same wages as if they were working.
 - No, workers on parental leave earn prorated wages of _____ % of their usual earnings
9. Does your company offer **Dependent Care Assistance Plans (DCAP)**, also referred to as dependent care flexible spending accounts (FSA), to help your employees afford child care? *Plans allow employees to use pre-tax earnings on child care expenses for qualifying dependents.*
 - Yes
 - No. *Please skip to question 11.*

Locations: [Locations]

10. Does your company make contributions to DCAPs or dependent care FSAs? *Employer and employee contributions cannot exceed \$5,000 per year.*

- Yes, employer contributes \$_____ per participating employee annually.
 No, DCAP plans are funded only by the employee.

11. How much impact does offering paid parental leave, DCAPs, or dependent care FSAs have on your company's ability to recruit and retain qualified employees?

- No Impact Slight Impact Moderate Impact High Impact Don't know

12. Does your company provide any of the following child care benefits to improve access to child care for your employees? *Select all that apply.*

- Onsite child care
 Offer spaces at co-op child care program for employees of participating businesses
 Reserve spaces at a local child care program
 Back-up or emergency child care services
 Subsidies other than contributions to DCAPs to help cover child care expenses
 Information on local child care options
 Other (please specify) _____

13. How much impact does offering child care benefits have on your company's ability to recruit and retain qualified employees?

- No Impact Slight Impact Moderate Impact High Impact Don't know

SECTION 3: Business Impacts

Please indicate the extent to which you agree with the following statements regarding your community, as defined by the locations listed at the bottom of this page.

14. There is a shortage of affordable child care options in my community.

- Strongly Agree Agree Neutral Disagree Strongly Disagree

15. Increasing access to affordable child care should be a high-priority for my community.

- Strongly Agree Agree Neutral Disagree Strongly Disagree

For questions 16-18, please indicate how much of an impact inadequate child care has on the following.

16. Your company's ability to recruit qualified employees.

- No Impact Slight Impact Moderate Impact High Impact Don't know

17. Your company's ability to retain qualified employees.

- No Impact Slight Impact Moderate Impact High Impact Don't know

18. Your company's ability to grow.

- No Impact Slight Impact Moderate Impact High Impact Don't know

Thank you for completing the survey.

19. Would you like to be connected with efforts to increase child care capacity in your community?

- Yes, my email is _____
 No

Locations: [Locations]

Endnotes

- 1 2014-2018 ACS 5-Year Estimates.
- 2 There were an estimated 44,000 children last year in Montana under the age of six who lived in households where all available adults were in the labor force according to 2019 ACS 1-Year Estimates. Licensed child care capacity in September 2020 was 21,000 as reported by Montana Department of Health and Human Services.
- 3 “Lost Possibilities: The Impacts of Inadequate Child Care on Montana Families, Employers, and Economy” University of Montana Bureau of Business and Economic Research, September 2020.
- 4 “Lost Possibilities” University of Montana BBER, September 2020.
- 5 Montana Department of Health and Human Services, child care licensing database
- 6 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.
- 7 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.
- 8 Montana Department of Health and Human Services, child care licensing database
- 9 There are some businesses employing Montanans who do not participate in Montana’s UI system. Self-employment, independent contractors, and some federal employers do not participate.
- 10 Community is defined in the survey as the city where the business is located.
- 11 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 5 need care.
- 12 “Lost Possibilities” University of Montana BBER, September 2020.
- 13 American Time Use Survey, 2019. Women working full-time spend more time caring for children under 18 than men who are working full-time.
- 14 U.S. Bureau of Labor Statistics, 2016 annual data.
- 15 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
- 16 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>
- 17 Christopher J. Ruhm, Parental leave and child health, *Journal of Health Economics*, Volume 19, Issue 6, 2000, Pages 931-960, ISSN 0167-6296, [https://doi.org/10.1016/S0167-6296\(00\)00047-3](https://doi.org/10.1016/S0167-6296(00)00047-3).

- 18 Barbara Broadway, Guyonne Kalb, Duncan McVicar & Bill Martin (2020) The Impact of Paid Parental Leave on Labor Supply and Employment Outcomes in Australia, *Feminist Economics*, 26:3, 30-65
- 19 Shuhei Nishitateno, Masato Shikata, Has improved daycare accessibility increased Japan's maternal employment rate? Municipal evidence from 2000–2010, *Journal of the Japanese and International Economies*, Volume 44, 2017, Pages 67-77, ISSN 0889-1583, <https://doi.org/10.1016/j.jjie.2017.04.002>.
- 20 FMLA leave does not count as paid parental leave because it is unpaid. All employers with more than 50 employees are required to provide twelve weeks of FMLA leave to their employees.
- 21 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
- 22 2016 Child care Market Rate Survey, Montana Department of Health and Human Services and the Montana State University Extension Center.
- 23 “Lost Possibilities” University of Montana BBER, September 2020.
- 24 Child care costs calculated based on full-time tuition rates of STARS level 4 center-based care in Lewis and Clark County as of September 2020.
- 25 Montana's Early Childhood System: A Comprehensive Needs Assessment, DPHHS Early Childhood Services Bureau, September 2019.
- 26 Trautman, Emily. “The COVID-19 Recession: Frequently Asked Questions,” MTDLI, June 2020. <http://lmi.mt.gov/Portals/193/Publications/LMI-Pubs/Articles/2020/0620-COVID-Recession.pdf>
- 27 Montana Department of Health and Human Services, child care licensing database
- 28 The federal government provided states with supplemental funding for child care (\$10.1 million for Montana) through the Child Care Development Block Grant (CCDBG) <https://www.acf.hhs.gov/occ/resource/2020-cares-act-ccdbg-supplemental-funding-allocations-for-states-and-territories>. As well as the additional \$50 allocated from the MT allocation of the Coronavirus Relief Fund (approximately \$8 million of which went to licensed child care facilities and \$30 went to school-age children during out of school time). <https://dphhs.mt.gov/aboutus/news/2020/maintainandexpandchildcare#:~:text=Governor%20Bullock%20Directs%20%2450%20Million,in%20response%20to%20COVID%2D19>
- 29 Micro CPS monthly data, IPUMS May 2020.
- 30 There are some businesses employing Montanans who do not participate in Montana's UI system. Self-employment, independent contractors, and some federal employers do not participate.
- 31 Business Employment Dynamics, March 2019. Rates of private sector establishment births and deaths in Montana, seasonally adjusted.

Research and Analysis Bureau
P. O. Box 1728
Helena, MT 59624-1728
Phone: (406) 444-4100
www.lmi.mt.gov

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