

Emergency Childcare: The business case

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“Childcare” related support and specific family friendly policies have traditionally been seen as fringe benefits – ‘nice to have” and relevant to high paid professionals, but not necessarily applicable to the wider market. However, over the past few years emergency childcare has gradually become as mainstream in the UK as it is the US.

The investment banking community have brilliant emergency childcare schemes but nowadays so too do Santander and parts of British Gas. The reason for that shift is purely financial. The business case is ever easier to make and the cost benefit analysis transparent.

Here we look at emergency childcare schemes in more detail and explain how much (or little) it might cost.

Definitions

Before explaining the business case it’s worth defining what a backup care scheme should cover. People talk about emergency childcare - “emergency” is an emotive and memorable word. But about half of childcare related stresses are not emergencies.

If the day your nursery plans to close clashes with your must attend client meeting, no amount of forewarning will help if you don’t have a backup in place. For parents of older children don’t even mention school holidays. And there’s also the growing and increasingly important part of any workforce who have dependent care commitments. There’s little point implementing an emergency childcare scheme without also engaging the eldercare population.

The business case

There’s a massive need for it.

The typical working parent suffers a care breakdown 9 times a year. Most people who have used nurseries will have experienced the frustration of having to pull their child out for the day because of a mild touch of conjunctivitis. Anyone who uses an individual for care (au pairs, nannies, childminders) is obviously subject to the individual being ill, having their own emergency or even taking an occasional holiday.

Thanks mainly to the reality of flexible working, the old networks of friends and families have broken down. Financially more of us need to work longer hours and thanks to the fluidity of the labour market we can usually find something that suits our needs.

School holidays in particular are a source of massive stress for anyone with school age children. You have plenty of time to plan, there are plenty of very good holiday clubs out there and half of Europe takes the summer off anyway. But it’s still massively complicated for those involved. It’s why school holiday cover is included in comprehensive backup care schemes and why organisations as diverse as Pfizer and HMRC run dedicated holiday clubs for employees.

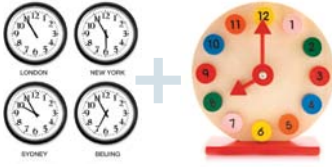
The Stress Factor

When childcare breaks down it is incredibly stressful. Childcare is very rarely an acceptable excuse for absence even though it is a huge cause of it. For career mothers who have crossed numerous hurdles to achieve a semblance of work-life balance, a childcare problem will only increase negative impressions from colleagues, perceived or otherwise.

Cost Effective

The biggest reason for the growth of backup care is that it’s incredibly cost effective. Typically as an employer you can see who has used the benefit, why they used it and what the cost was. As a tool to reduce childcare related absenteeism it’s brilliant: replacing a checkout assistant at a supermarket will cost £80 to £100 a day; a very good childminder will only cost £45 a day. Those are easy numbers to work with.

For professionals the margins are much bigger. The best and most expensive nanny to the home will cost £180 a day. A lawyer being charged out by the hour is obviously producing a good deal more than that.



Different solutions

My Family Care is the UK's leading provider of backup care (providing a range of both child and eldercare solutions).

The original model for UK companies was the permanent nursery one: for as little as £12,000 per year to as much as £20,000 you can buy a permanent place at a nursery for use by employees. For some organisations, notably those where everyone has an easy journey to work and preferably a parking space, this can be a very good and effective solution.

For most however the inherent inflexibility and the typical UK commute means permanent nursery places is a very ineffective way to provide support.

What should you look for in a backup care scheme?

There are two look-outs: pay a price that reflects the amount the service will be used; and make sure all the options are covered. Providing something that only helps out parents of 0-5 year olds is going to cause some resentment. Adding school holiday cover into the mix will massively increase the number of employees who might benefit. Also, make sure carers of adult dependents have support.

A good backup care service can become a genuine part of the diversity strategy.

For a backup care scheme to be effective it needs three key elements. It needs to be:

- **Affordable**
- **Accessible**
- **Trusted**

Affordable

The employer needs to subsidise some or all of the care, otherwise the employees won't use it and there's no benefit. Typically employees who need backup care have already paid for their usual childcare solution that has fallen through, so asking them to pay a premium for additional cover will rarely be palatable.

Accessible

Backup care also needs to be accessible. There's no point providing a resource near work if the commute will make it virtually impossible for people to arrive with their children. We work on the basis that if the employee needs to travel more than an additional ten minutes to find backup care then it won't be used.

Trust and quality

This is an absolute must for successful backup care schemes, and not only for employees. Childcare and eldercare are sensitive issues. Employers will also want to feel comfortable about the options they are providing for their parents and carers.

The first part of the trust equation for parents is giving them choice. Whilst everyone loves the idea of backup care you will find some fairly strong opinions about what constitutes the right option.

For some employees only a nursery will work: and then it's not any nursery, it will typically be a particular nursery that the parent knows and has used or seen before. Others will only be comfortable with the childminder route. And a third section of your working parents will need and want the flexibility of a nanny.

Ofsted generally gets bad press but the truth is that it's a big, ugly regulator with teeth. The standard of care in the UK's childcare centres can generally be relied on but even then parents are very unlikely to touch or use a nursery or childminder without visiting first and making sure they are comfortable with who's going to provide the backup care when it's needed. It would be bad if it was otherwise!

Giving parents a choice and then making sure they understand and feel comfortable with the whole process is essential for any scheme to work effectively.



Take up rates and costs

Take up rates and usage

All things being equal and assuming:

- You implement a backup care scheme which is fully or generously funded; and
- That usage is encouraged rather than frowned upon.

Then you would expect the take up rate to be about 50% higher than the number of employees who use childcare vouchers. Usage will be hugely determined by your organisational culture and industry sector but as a rule of thumb expect those registered to need and use the service between 1 and 5 times a year.

Costs

Subject to the usual provisos about industry sector, organisational culture and employee engagement the costs you are likely to pay for a complete backup care programme, including school holiday cover and eldercare support, are as follows:

The All Inclusive Service – expect to pay anything from as little as £15 per employee per year up to £40 per employee per year. Within those costs employees would be able to book from between 6 to 20 sessions of backup care per year. Including school holiday cover in the mix and allowing employees to block book 5 days in a row is the other factor that will influence the fee you end up paying.

Some employers, such as IBM and P&G, request employees to part pay for the costs of care (usually an employee will be asked to pay the first £10 to £15 of each booking). Asking employees to part pay will reduce the usage and the costs per employee can come down to as little as £10 per employee per year.

Set-up fees – expect to pay a small set up fee for dedicated websites and employee validation.

Pay as you go – you can also set up schemes where you pay on a monthly basis for only the care used plus a management fee. Costs of care will vary enormously but as a guideline school holiday clubs cost £35 per day; childminders £45; nurseries £70; and nannies and domiciliary carers £18 per hour.

Permanent nursery places – expect to pay between £12,000 and £20,000 per place and to need one place per 750 / 1,000 employees.

The SME route

If you have an engaged workforce; a good payroll team; and a finance function which is prepared to be flexible then what you should do is:

- Inform every employee that they can book emergency childcare if it will genuinely result in them being in work when they otherwise wouldn't be
- Allow them to put the costs through on expenses provided there is a valid receipt and manager sign off
- There will often be a number of other company specific parameters which we often help draft

Doing it this way means you genuinely only pay for the care used and the productivity gains should be immediate and tangible. At least half of our registered users have come to us as individuals rather than via an employer subsidised site.

Find out how My Family Care could make a difference to your company

Call 0845 676 7680
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