Book review: Rachel Connelly, Deborah S. DeGraff, Rachel A.Willis. Kids at Work: The Value of Employer-Sponsored On-site Child Care Centers. W.E. Upjohn Institute for Employment Research, Kalamazoo, MI (2004), ISBN 0-88099-304-9 (175pp, $16.00, Paper).

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David Ribar. *Kids at Work: The Value of Employer-Sponsored On-site Child Care Centers*, by Rachel Connelly, Deborah S. DeGraff and Rachel Willis, *Economics of Education Review* 26:2 (April 2007), 257-8. doi:10.1016/j.econedurev.2006.07.003

Article:

Few employers offer direct child-care assistance to their workers, and of those that do only a tiny fraction operates on-site day care centers. Given the tremendous growth in market work among women and especially among mothers of young children in the last three decades, we might have expected to see wider adoption of on-site child care as an employee benefit, yet this did not happen. Could the reason be that on-site day care is not sufficiently valued by workers and therefore not highly demanded? In Kids at Work, Rachel Connelly, Deborah DeGraff and Rachel Willis take on this question by surveying workers at three firms—two firms with on-site centers and another without—about their usage and contingent valuations of these services.

To facilitate comparisons, the three firms in the study were all in the same industry and were located in the same metropolitan area. Thus, the firms faced the same product and labor markets, while the workers faced the same labor and child care markets. The authors succeeded in gaining the cooperation of between 60 percent and 75 percent of each firm's employees, conducting more than 900 interviews between 1996 and 1998.

Casual evidence indicates that the two on-site centers were popular with employees. About half the costs at each center were subsidized, and the remaining costs were covered through fees of just under $50 per child per week. Despite the fees, both centers were full, with modest waiting lists. Among the parents of young children, 66 percent at one firm and 41 percent at the other were using the on-site centers. In contrast, less than a third of the parents of young children at the comparison firm and only about a quarter of full-time working mothers nationally used any type of center-based care. As the authors wrote in the title of an article they published with these results, “If you build it, they will come.” Moreover, parents seemed happy with these centers, reporting greater satisfaction with on-site care than with other arrangements. Given that the centers appeared to offer high quality care, the children likely benefited as well.

So what were these centers worth to the employees? Analyses of contingent valuation questions indicated that workers, on average, would part with $3–11 from their biweekly paychecks to either open or maintain a center. These amounts may seem small, but they include all of the workers, not just those who were using the center. When aggregated across all employees, the high-end estimates are consistent with the subsidies that the firms reported paying.

Coupling these findings with a conjecture that firms underestimate workers’ valuations, the authors conclude “that the current level of [employer-sponsored child care] is suboptimal” and that “increasing government funding in this area should have substantial benefits given that only a marginal push is needed” (p. 124). The conclusions may be sensible but unfortunately are only loosely supported by the actual analyses in the book.

Early on, the book winnows a general and reasonable set of questions regarding why more firms do not offer on-site day care down to a single question regarding whether employees value this service. Employee valuations are important, to be sure, but there are many other issues that should have been carefully investigated.

For economists, an immediate question involves the firm's choice set and specifically, its foregone alternatives—why on-site day care and not something else? What are the relative merits of offering any employee benefits at all, offering different child care benefits, or even offering different on-site services? To be provocative, why not open a beauty parlor, a Starbucks or a golf shop?

Ultimately, the provision of benefits is the firm's decision, and firms that offer on-site services must be gaining something. In motivating their analyses and drawing their conclusions, the authors pin a lot on the difficulty that firms face in measuring what benefits are worth to employees, but what about the value to the firm? The authors interviewed owners and company officials at each firm, but they write little about the decision experiences. The owner of one company "started the day care center to attract women employees in a very tight labor market … [and] indicated that it was a fairly impulsive decision, not one subject to detailed cost-benefit analysis" (pp. 35–6). Narratives from this owner later in the book expand on the center's utility in recruiting and retaining employees, especially managers. For the other company with a center, "there was some sense among administrators with whom we spoke that [the] rationale for opening the center was to better compete with [the other company] for workers" (p. 36). For the company without a center, an official "indicated that he felt very confident that the firm's benefits dollars are better spent elsewhere" (p. 37). Not only are the narratives scanty, but none of them even hints at problems in valuing the benefits to workers. Instead, they emphasize recruitment advantages and different mixes of benefits. These are specific and economically sensible leads that the authors should have pursued either in follow-up questions with the officials or in the surveys of workers.

Even within the narrower area of valuations, the analyses are not completely convincing. Questionable patterns appear in the contingent valuations of on-site day care that raise doubts about their validity. For instance, there were few noticeable or consistent differences in valuations between mothers of young children and other workers, or for that matter, between current center users and other workers. An expanded analysis examining direct information on the aspects of care, such as convenience, reliability, and curriculum, or other indicators, such as retention rates, productivity or observed pay differentials, could have helped to validate the findings.

The decisions of firms to provide on-site day care and the decisions of employees to take up these benefits are intriguing with numerous economic, social, and family implications. Kids at Work gives us some insights into the operations of two well-regarded and popular on-site centers. The book goes some way toward showing that on-site centers can be successful, although more evidence is needed. Kids at Work will undoubtedly motivate additional research on what contributes to a successful center and how such centers can be replicated.