

A Cost Benefit Analysis

On the Positive Side

In its October 3, 2000 publication, The National Report on Work & Family affirmed that investments in child care have a positive effect in the work place. A survey of nearly 1,500 employees at companies participating in the American Business Collaboration (ABC) for Quality Dependent Care found that nearly two-thirds believe their productivity has improved as a result of the child care programs supported by their employers. According to the survey:

- 40% of the respondents felt less stressed by family responsibilities and spent less time at work worrying about their family because of the child care programs;
- 35% were better able to concentrate on work; and
- 30% left work less often to deal with family situations.

The manager of the program for ABC, Betty Purkey of Texas Instruments, said the survey confirms the belief of the participating corporations that dependent care programs help attract and retain "a more productive and motivated workforce."

Purkey further stated, "The study reinforces our belief that investing in dependent care programs for our employees is beneficial in attracting and retaining a more productive and motivated workforce."

Cost Benefit Analysis

Before embarking on a new work/life policy, you may wish to do a cost benefit analysis on each of the specific options you are considering. It is important to realize that in most cases such an analysis is not an exact science as it often involves estimates. However, by comparing estimated costs with expected benefits, you can begin to get an idea of which options would be more cost-effective to implement in your company or organization. You may wish to work with your accountant or a work/life consultant in this process. Cost-benefit analysis may provide a useful tool to evaluate a proposed child care policy. This type of analysis works well in assessing the impact of child care policies and programs on factors that are easily quantifiable, such as reduction in turnover and absenteeism, and productivity gains. The worksheet below may be used for calculating costs of turnover and absenteeism.

Calculating Employee Turnover Costs

Step 1

Calculate the Current Rate of Turnover

- a) # of employees leaving per year _____
- b) average number of employees _____
- c) divide line a by line b _____
- d) % of turnover = line c x 100 _____

Step 2

Calculate the Annual Cost of Employee Turnover to the Company

- Employment Advertising - all recruitment advertising and related costs _____
- Employment Agency and Search Fees - fees to employment agencies, search firms, and recruitment consultants _____
- Internal Referrals - costs for bonuses, fees, gifts, etc., awarded to employees participating in a company sponsored referral program _____
- Applicant Expenses - travel and subsistence costs _____
- Relocation Expenses - moving expenses and all other costs associated with relocation _____
- Employment Staff Compensation - all salaries, benefits and bonuses of the employment staff involved in recruiting, interviewing, hiring and training new employees _____
- Other Employment Expenses - all other related expenses, such as the cost of facilities, telephone, consultants, etc. _____
- Orientation and Training - include management time, trainer fees, materials, and other costs for training new employees _____

Estimated Total Costs	_____
Number of New Employees	_____
Average turnover cost per new employee: divide total costs by the number of new employees	_____

Step 3

Calculate Estimated Reduction in Turnover

Use data collected from needs assessment surveys, focus groups, exit interviews, etc., to determine how many of your separating employees typically leave because of dependent care or other work/life issues

Deduce how many of these people probably would not have left had your proposed program or policies been in place. (Remember that employees often are reluctant to name child care as a reason for leaving. Therefore, your needs assessment may understate the problem.)

Estimated reduction in turnover: subtract line 2 from line 1

Step 4

Multiply the expected reduction in turnover (step 3) by the average turnover costs per new employee (step 2) to determine the expected savings in turnover costs.

Calculate Expected Savings in Turnover Costs

$$\begin{array}{l} \text{_____} \quad \times \quad \text{_____} \quad = \quad \text{_____} \\ \text{(reduction in turnover)} \quad \text{(average turnover cost)} \end{array}$$

