EXAMPLE ESTIMATE FOR RETURN ON INVESTMENT

A business that employs 50 people at $50,000 per year would like to offer a child care benefit to its employees. Their current turnover rate is 4 employees per year. They employ 10 caregivers, each missing several days of work each year due to child care-related challenges. Below is an example for how this business can anticipate their return on investment.



1. DETERMINE YOUR GOALS AND NEEDS

- This business would like to offer some support to their working parents, while also seeing a decrease in child care-related absenteeism of 25% and a 50% decrease in their rate of employee turnover.



2. DO THE MATH ON ABSENTEEISM

- With 10 working parents, this business can expect to lose approximately $26,500 annually due to child care-related absenteeism.
  - This is using the assumption that each salaried employee costs their employer $2,650 each year due to unscheduled absenteeism.



3. COMPUTE THE COST OF EMPLOYEE TURNOVER

- The annual turnover rate costs this business $100,000.
  - This is using a conservative estimated cost of 0.5 times the annual salary to replace each employee.
  - This is also assuming a low annual turnover rate of 8%, far below the 2017 Bureau of Labor Statistics rate of 26.7%.



4. TOTAL CURRENT LOSSES & CONSIDER OPTIONS

- The current total estimated loss is $126,500 annually.
- This business is considering participating in the Kansas Child Day Care Assistance Tax Credit to help their employees locate and pay for child care. They are willing to invest $2,000 for each working parent, for a total investment of $20,000.



5. COMPUTE THE ROI FOR YOUR INVESTMENT

- ROI = (Potential Net Profit / Cost of Investment) x 100
  - Investment = $20,000
  - Potential Net Profit=
    - 50% reduction in turnover would save $50,000 annually.
    - 25% reduction in child care-related absenteeism would save $6,625 annually.
    - Annual tax credit of $6,000
    - Potential net profit = $42,625 (profit - investment cost)

Estimated ROI = ($42,625/$20,000) x 100 = 213%

NOTE: This value does not include other factors such as employee satisfaction and productivity that would qualify as a return on investment.

For this business to obtain just 100% ROI, they would need to find a savings of $14,000 after the tax credit to break even. In this example, that equates to a reduced turnover of fewer than just one employee annually, not including any reduced absenteeism.

ESTIMATE THE RETURN ON INVESTMENT FOR EMPLOYER-SUPPORTED CHILD CARE ACCESS

While difficult to estimate, defining the ROI for your business in terms of child care assistance is crucial in moving forward. Calculating ROI allows you to have a tangible indicator to aid in decision-making regarding which employee benefits you offer.



1. DETERMINE YOUR GOALS AND NEEDS

- Determine potential scope: how many employees are caregivers? How could they use support?
- Determine what your company is willing and able to provide.



2. DO THE MATH ON ABSENTEEISM

- Compute your company's current loss due to absenteeism and child care-related schedule changes.
- If you are not currently collecting this data, use an annual estimated loss of $2,650 per salaried worker or $3,600 per hourly worker.
- Consider ways to begin collecting this data for your business to have accurate data going forward.



3. COMPUTE THE COST OF EMPLOYEE TURNOVER

- Total your business's average number for annual employee turnover.
- Use employee pay grade or role and the assumption that replacing that employee will cost anywhere from 0.5 to 2.0 times their annual salary.
- Consider ways to begin tracking the cost of turnover for your business.



4. TOTAL CURRENT LOSSES & CONSIDER OPTIONS

- Using your absenteeism and turnover values, find a total monetary estimate for the cost and fluctuations in your workforce that are impacted by child care-related challenges for your employees.
- Consider other intangible factors, such as the impact child care challenges have on your company's morale and culture. All of these factors together contribute to your company's future, success, and overall bottom line.



5. COMPUTE THE ROI FOR YOUR INVESTMENT

- ROI = (Potential Net Profit / Cost of Investment) x 100
  - Investment = cost of employee benefit
  - Potential Net Profit= amount that could be saved by implementing a particular employee benefit.

RESOURCES:
(2013). The Causes and Costs of Absenteeism in the Workplace. Forbes.
(2019). This Fixable Problem Costs U.S. Businesses $1 Trillion. Gallup.
(2022). Kansas Child Day Care Assistance Tax Credit. Kansas Action for Children.