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Corporate responses to day-care needs as a function of organizational characteristics : going beyond the bottom line with babies

Maria LeGrand

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CORPORATE RESPONSES TO DAY-CARE NEEDS
AS A FUNCTION OF ORGANIZATIONAL CHARACTERISTICS:
GOING BEYOND THE BOTTOM LINE WITH BABIES

An independent research project
submitted in partial fulfillment of
the requirements for the MBA degree

by
Maria leGrand

Executive MBA, Class of 1990
University of Richmond

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ABSTRACT

This paper reviews various aspects of the child care issue: demographic, economic, political and psychological. It also reviews the day-care options available to organizations. A review of organizational characteristics includes looking at the organization's goals, external environment, technology and structure. Finally, day-care options and the organizational characteristics are linked to form a set of hypotheses, the testing of which is beyond the scope of this paper.

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INTRODUCTION

Family issues have come into their own in the last decade. Chief among them is day-care, an issue that gained prominence in the 1988 Presidential campaign. It became commonplace to see the candidates sitting in child-size chairs, with their knees in their chins, trying to relate to small humans who would not cast a vote in the November election. Indeed, the newly-elected Governor of the Commonwealth of Virginia emphasized that one of the main themes of his Administration will be family and child care issues.

This paper examines the issue of child care and its ramifications for Corporate America. It shows that women are becoming an increasingly greater proportion of the work force and that these women are having children, a factor which affects their work in various ways; it looks at the supply, demand, and affordability of child care services; it examines the costs to businesses of supplying child care and the costs of ignoring the needs of America's families; it reviews the measures enacted and those being considered on the political front to address this growing need; and it shows the psychological impact child care issues have in the work place. The paper outlines the various options available to business to assist with child care; it dissects the generic characteristics that organizations possess to gain an understanding of the differences in these entities. It views the issue from these various angles and fits it into a framework for decision making. No one answer or option is appropriate to all organizations, and a thorough understanding of an organization will lead to child care decisions appropriate to that entity.

The journey begins by looking at what relevant statistics reveal. Chapter I reviews those issues gleaned from the literature arranged in the following broad categories: demographic, economic, political and psychological. Chapter II outlines day-care options available to American businesses. Chapter III examines businesses and their generic characteristics. These characteristics impact the strategic decisions firms make, including how the issue of day-care will be addressed. Chapter IV provides a decision-making framework for firms in choosing day-care options. Finally, Chapter V draws conclusions and offers recommendations for future research.

CHAPTER I

LITERATURE REVIEW: MICRO ISSUES

Introduction

What do statistics tell us about the female work force today? Who are the women workers who complete America's work? Do statistics shed some light on this segment of the population and the issue of day-care?

Louis Rukeyser (1988), in his Business Almanac, has accumulated some relevant facts that are worth noting:

In 1988, there were 247.5 million Americans.

In September, 1987, 114.5 million Americans had jobs, and 53.9 million of those workers were women.

Only 11% of all women fit the "housewife" stereotype: a married woman with children at home who does not work.

49% of all women with children under the age of one are working, and by the 1990s over 10 million children under the age of six will have working mothers.

The fertility rate for American women is about 1.8.

Currently, about 21% of all children are born to unmarried women.

Approximately 25 million mothers and their children live in poverty.

About 3.8 million women are managers, executives or administrators.

By 1985, 2% of the nation's top executives were female.

47% of all working women regard their jobs as careers, while 57% of men consider their jobs a career.

The most common occupation for a woman is secretary.

Only one third of women who work full-time hire outside help.

14% of all husbands do half of the housework.

71% of married women have to do three quarters of the housework.

In 1986, women earned 69.2 cents for every dollar men make, but women between the ages of 25-34 average 73.5% of what men make.

These statistics are interesting, but what do they tell us--and how do they relate to day-care? The numbers reveal that very large numbers of women work, many with small children; that the days of Donna Reed are over and that women must work to support themselves and their families; that women are still struggling for economic equality in the work place; and that women who work still perform most of the housework with little outside help.

What follows is a review of the literature and a catalogue of the issues involved in day-care. A review of these micro issues helps put the macro issue of day-care into perspective so that a framework for corporate decision-making becomes feasible. The issues uncovered have been organized into the following broad categories: demographic, economic, political, and psychological.

Demographic Issues

The demographic issues cited in this section underscore the importance of day-care issues to working families in America. While the total number of new entrants into the U.S. labor pool are decreasing, women with children are increasing proportionately. Thus, the shrinking pool of labor talent

will force Corporate America to compete for talented personnel; this leads to corporate sensitivity to issues of concern to women in the labor force. Demographics also show the impact of day-care issues on the profitability of U.S. business. Both the quantity and quality of time spent at work declines when day-care issues remain unresolved.

Women and mothers are entering the workforce in record numbers. Between now and the year 2000, 60% of the increase in the labor force will be female employees, making women workers one of the fastest-growing sectors of the economy (Rukeyser, 1988).

"In 1987, 65% of the mothers of children 18 and under were employed. This included 57% of the mothers of preschool children, up from 39% in 1975. The fastest growing segment of the labor force is mothers of children under three -- up to 53% in 1987 from 35% in 1976 (U.S. Department of Commerce, Bureau of the Census, 1987)" (Galinski 1988, p.1).

The proportion of women in the workforce will continue to grow. Women make up 44.3% of the labor force and that number is expected to increase to 47.3% by the start of the 21st century (Rukeyser, 1988). Also, William Johnston and Arnold Packer (1987) report in Workforce 2000 that women will comprise an estimated 64% of all new entrants into the labor force between 1985 and 2000.

Women in the workforce are potential child bearers. Seventy percent of women currently working are in the child bearing years, 80% of these employees are expected to bear children during their work life, and the majority will continue working (Galinski & Friedman 1986). Hofferth & Phillips (1987) project that by 1995 two-thirds of the mothers of preschool children and

three-fourths with school-age children will be working. Hofferth further projects that by 1995 there will be nearly 15 million preschool children with mothers in the labor force, as compared to 11.3 million in 1987.

Women carry the greater share of child care responsibilities. "In families where both spouses earned incomes, women still appeared to carry a disproportional share of the child care responsibilities" (Emlen & Koren, 1984, p.6).

Also worth noting is the fact that women experience more child care problems than men. Absenteeism is higher for mothers than fathers. Women leave work early and report to work late more often than men (Galinski, 1988).

Moreover, both single and married mothers report stress-related problems more often than married men (Fernandez, 1986). However, when men assume child care responsibilities, they suffer the same consequences as women. "Men who experience the same family responsibilities as women react in exactly the same way as women, that is, with increased job family role strain and depression" (Burden & Googins, 1986, p. 35).

The sex of the worker and the age of the youngest child interact. Women with younger children (under age 6) were absent more often than women with children over the age of six (Galinski, 1988). Women with younger children are also more likely to be tardy (Emlen & Koren, 1984). Women with younger children experience the most conflict (Galinski & Hughes, 1985). However,

when the child became older, the psychological concern of the father increased (Galinski & Hughes, 1985).

The number of children in a family can have an effect on the employee's performance. As the number of children increases, so does the likelihood of tardiness (Galinski, 1988). Also, increased number of children is a significant predictor of more unproductive time spent at work (Galinski, 1988).

Job position and income affect women workers. Women managers were more likely to report stress (Galinski & Hughes, 1985).

"Women with the lowest and highest incomes reported the most conflict. ... For men, the lower the income, the more likely they were to have conflict. ... In addition, the lower the income, the more likely workers, especially men, were to spend unproductive time at work..." (Galinski, 1988, p. 13).

Economic Issues

A review of the economic issues that relate to day-care must necessarily begin at the macro level. Therefore, this discussion looks at the market for day-care services and the debate in the literature concerning supply of and demand for these services in the overall economy.

The Institute for American Values (1989) reports that the market for child care is large and expanding. In 1989, the child care market was \$15 billion, and it is expected to reach \$48 billion by 1995.

But there is disagreement on whether the demand for day-care has outpaced the supply of services. Galinski (1988) asserts that the number of employed mothers has increased, as well as the number of children under six: from 19.6 million children in 1980 to 21.7 million children in 1986. In contrast, the number of potential care givers has decreased: in particular, 18 to 24 year olds have declined from 30.4 million in 1980 to a projected 25.8 million in 1990. Galinski contends these statistics support her view that there is a shortage of child care.

However, this view is disputed by the Urban Institute (1989) which claims that current supply is keeping up with demand. The Institute for American Values (1989) also disagrees with arguments alleging a shortage. The Institute argues that citing the number of children with employed mothers and contrasting that number with the number of licensed day-care slots doesn't signify a shortage because there are too many unlicensed and informal child care arrangements used to make this a cogent argument. "No study has found significant numbers of pre-school children left without care" the Institute states (p. 4).

The Institute (1989) argues that citing the length of waiting lists is not a good indicator of supply either. Parents put their names on more than one list, and children of those parents are generally receiving care somewhere. Names are often not removed from lists once day-care is found, and it is not unusual to have waiting lists for subsidized (cheaper) care.

Surveys that show that more mothers would join the ranks of the employed if child care were more affordable are not good indicators of supply either. According to the Institute (1989), this merely indicates the economic choices families must make, not the supply of available facilities.

According to the Institute, "shortages do exist in some communities especially, and more frequently, in infant and sick child care. But the overall trend is clear: from a purely economic perspective, the child care market is working quite well, especially for the middle class and higher" (Institute for American Values, 1989, p.6).

Several experts observe that low pay for child care workers has exacerbated any scarcity experienced in supply. "Because the women's movement has opened up other career possibilities with better pay and more upward mobility for the largely female workforce in child care, this field is experiencing severe shortages sooner than other occupations" (Galinski 1988, p.3). Forty-two percent of child care workers leave the field every year, with the turnover rate for in-home child care providers at 60% (U.S. Department of Commerce, Bureau of the Census, 1987). Child care experts in New England states have given informal estimates that the yearly turnover rate of regulated homes is between 33% and 50% (Corsini, Wisendale & Caruso, 1988).

Economic issues affect American businesses as well. Left unresolved, day-care and family issues can have a negative effect on productivity, increase absenteeism and tardiness, affect employee recruitment and retention, and consequently impact profitability. But providing day-care services are not

without costs to the firm either. Ultimately, the firm must balance the benefits and costs of the provision of day-care services.

Child care problems can affect productivity. Galinski (1988) contends that an organization doesn't receive optimal productivity from employees who can't concentrate on what they're doing. "Employees with child care that broke down more frequently were more likely to spend unproductive time at work" (Galinski & Hughes, 1987).

The type of child care chosen can affect absenteeism and tardiness. Galinski (1988) reports that parents who have children who care for themselves are absent or tardy more frequently. The average employee is absent between 7.2 and 9 days per year. With self-care, the average rises to 13 days for mothers and 13.4 days for fathers. Tardiness increases also. Women using out of home care were tardy an average of 15.8 days per year; for men, it was 6.9. With self-care, the figures rose to 18.5 for women and 8.3 for men.

Employee absenteeism is linked with illness in employees' children. 56% of the women who were absent 1 to 3 times in the previous year, 78% with 4 to 6 absences, and 82% with more than six days absent, gave as the reason: caring for a sick child. For men, the percentages were 33, 54 and 58 percent respectively (Fernandez, 1986).

Day-care and family issues can affect recruitment and retention of employees. "It makes it difficult to recruit when you have to tell people there is no day-care for young children in this community" (Galinski, 1988, p.1). Intermedics, Inc., a Texas medical technology firm that sponsors a day-care program for its employees, reported a 23% decrease in turnover and a decrease in absenteeism of 15,000 hours in the first year of the center's operation (LaFluer & Newsom 1988).

Marilyn Gardner of the Christian Science Monitor reports that J. Douglas Phillips, senior director of corporate planning at Merck and Company estimates that the cost of losing an employee is \$50,000. However, giving an employee 6 months of child care leave is estimated to cost \$38,000: a savings of \$12,000 is achieved (The Institute for American Values, 1989).

But, it should be noted that the cost of employer-sponsored child care is not inconsequential. Estimates of the cost of child care outside the home average about \$3,000 a year per child (Rukeyser, 1988). The corporate community's financial commitment to child care is significant--on the average, an organization's costs total \$100,000 per year (LaFluer & Newsom, 1988).

The evidence that employers believe in the benefits of providing child care for employees is weak, the findings inconclusive. Only two empirical studies, both methodologically suspect, examine the impact of employer-sponsored child care programs. According to LaFluer and Newsom (1988) the "best" evidence on the benefits of employer-sponsored day-care programs may be intuitive.

The individual employee is affected by economic issues as well. The literature presents a view of the economic difficulties facing the American worker on the question of day-care. Locating acceptable day-care, and its cost to families are some of the economic issues the individual family must solve.

As mentioned above, locating suitable day-care is a difficult proposition for the employee. Out of 6 million American employers, only an estimated 1,800 offer child care benefits, but that is three times higher than in 1982 (Rukeyser, 1988). In a poll conducted for Fortune Magazine, 20% of two-earner families with children under 12 responded that finding day-care was "difficult" or "very difficult". For parents of infants, the percentage rose to 33; and the percentage for parents of preschoolers was only somewhat better at 25% (Galinski & Hughes, 1987).

If child care is located, it may be unacceptable or unobtainable. The quality of care may be poor, or it may be too expensive, or the waiting list's length may prohibit placement of the child. Other factors may include incompatibility of day-care center schedules with parents work schedules, inconvenient location of the day-care center, or inaccessibility by public transportation (Galinski, 1988).

However, the Institute for American Values (1989) reports that satisfied parents are the rule, not the exception. A major study conducted by Mathematica Policy Research found that parents are generally satisfied with their child

care arrangements. Approximately 30% would prefer a change -- because they wish their children to be cared for in a center, or receive a better educational experience. Parents priorities in this study were quality, location, and cost (less than 5% wanted to change day-care arrangements due to cost).

The cost of child care to families is not inconsequential. Child care represents the fourth-largest expense for the working family, after housing, food and taxes (LaFluer & Newsom, 1988). The Urban Institute (1989) reports that Sandra Hofferth estimated that in 1986 average weekly spending on child care was between \$40 and \$45, or an average of 10% of family income. While that figure seems low, for poor families that figure can account for as much as 26% of income, and can rank as a major expenditure along with housing. Higher-income families spend less than 5% of income on child care. Hofferth asserts that families can spend 10% or less on child care without major difficulty.

The Mathematica Policy Research study cited by the Institute for Family Values (1989) reports a median of \$50 per week for the communities studied. Child care centers cost an average of \$35-40 per week, while family day-care is slightly higher with an average of \$56-76 per week. Proportionally, poor families who purchase child care, spend more than twice the national average of their income on this service.

Political Issues

Issues related to child care are very much a part of the political arena. According to Anne Stewart of the Congressional Research Service (1990), concerns at the Federal level are focusing on "the adequacy of the supply of child care for the increased number of working mothers, appropriate minimum child care standards, how the cost of care affects parents' choices, and whether Federal support should be limited to low-income families."

More than 100 bills have been introduced in the U.S. Congress which contain child care provisions. Such numbers reflect how diverse the perceptions are of the problems that exist and their solution. The debate has centered on two main bills: the Act for Better Child Care Service (ABC, S.5) and the Early Childhood Education and Development Act (H.R.3) (Stewart, 1990).

The Act for Better Child Care Services supports and expands the current child care delivery systems and ensures providers have predictable and basic health and safety standards. This bill's provisions include:

- o \$1.75 billion in Federal matching grants to States or localities for child care for children from low and moderate income families and improvements in the availability and quality of child care services.
- o An increase of \$47 million for the Head Start program.
- o \$100 million for State grants to help establish liability risk retention groups for sharing liability risks among licensed child care providers.
- o Changes to the Internal Revenue Code to expand the availability of child care assistance and other tax changes.

- o An additional \$10 million to the Higher Education Act for child care activities (Stephan, 1989).

This comprehensive child care legislation passed the U.S. Senate on June 27, 1989. However, final passage cannot occur until House-Senate conference action takes place on H.R.3 (Stewart, 1990).

The Early Childhood Education and Development Act (H.R.3) is the other major bill pending in Congress. It's major provisions include:

- o Expansion of the Head Start Program to include child care for its recipients and those with incomes above current Head Start eligibility criteria.
- o Provides grants to states and local education agencies for before and after school care for school age children or early childhood development programs for 3 or 4 year olds.
- o Provides grants to states for child care services for low and moderate income families.
- o Provides State grants for child care and early childhood development coordination activities, such as resource and referral and training.
- o Includes \$25 million per year for FYs 1990-93 for grants to businesses to provide child care for their employees and if possible, community members (Stephan, 1989).

This legislation was reported from the Education and Labor Committee on June 27, 1989 and was approved by the House of Representatives on March 30, 1990.

Maternity/parental leave and day-care are problems for the U.S. worker. According to a Columbia University study, every Western industrial nation

except the United States mandates maternity leave in some form (Friedman, 1986). Lubeck and Garrett report that every developed nation except the U.S. provides paid parental leave in some form.

"More than 100 countries provide job-protected maternity leave with some wage replacement. In France, the government provides universal day-care through an extension of the public school system. The Danish government provides day-care as well as programs for the elderly. In Germany and Italy, parents can leave young children in free public preschools. In Sweden, the government funds day nurseries in addition to before- and after-school recreation centers for older children. Other Scandinavian countries, Canada, Israel and Belgium subsidize child care. In the United States, only about 15% of the children are in licensed day-care centers; unlicensed in-home care provides the service for another 40 percent" (LaFluer & Newsom 1988, p.148).

There are government policies in place to assist employees with the cost of child care. The Dependent Care Assistance Plan (DCAP) allows employees to deduct child care costs as a business expense. This benefit becomes increasingly attractive to those employees in higher income brackets, while those employees whose incomes are too low to pay taxes cannot take advantage of the Plan. The Institute for American Values (1989) reports that nearly half of these tax credits are utilized by families with incomes above the median, and in 1985, less than 1% went to families with adjusted gross incomes of under \$10,000.

Whether the child care market works for poor families is a public policy consideration. The Institute for American Values (1989) points out that policy makers should consider whether the child care market works for this segment of the population for four reasons:

- o The Family Support Act of 1988 has a requirement that most welfare recipients should work, attend school, or receive training. It is estimated that this requirement alone may increase the demand for non-maternal child care by 10%.
- o Child care should be a part of any program aiding the poor to become employed because child care issues/problems can prevent full employment.
- o Early childhood programs like Head Start can assist poor children in their growth and development.
- o The 1980s is the first decade in which a majority of poor families are headed by females. Children represent 40% of all poor U.S. citizens.

A study conducted by Mathematica Policy Research found that, in the communities studied, 70% of the low-income females with pre-schoolers who headed households were not in the labor force. (On a national level, less than 5% of AFDC mothers with young children work full or part time.) They also found that 84% of the families at or near the poverty level don't use market child care. Instead, the mother cares for the children, or unpaid care by neighbors or relatives is used. These findings lead the study to conclude that "very few poor mothers purchase child care in order to work" (Institute for American Values, 1989, p.6).

However, current government policies encourage firms to help employees with their child care needs. The Economic Tax Recovery Act of 1981 (ERTA) allows firms to treat child care costs as business expenses when such expenditures are made to improve retention rates. For those employers who establish company child care centers, start-up and operating cost are deductible, and capital costs can be depreciated over 5 years. Also, if a child

is eligible for admission to the center, the center is exempt from Federal income tax (O'Brien, 1987, p. 10).

Government regulations provide standards for day-care. The regulations cover:

- o Providers - their age, health, training, and character (no criminal record or child abuse history).
- o Children - minimum age, group size, age composition of groups.
- o Physical environment - health and safety features like potable water, compliance with fire codes, and lead-free paint.
- o Expected care - appropriate toys, appropriate discipline.

According to the Institute for American Values (1989), a study conducted by Mathematica Policy Research found that in terms of quality, licensed market child care meets and exceeds state minimum standards. In centers, the average group size is 15 children; the average child-staff ratio is 6:1. In family day-care, average child-staff ratio is 3:1, and only 5% of providers care for more than 6 children (p. 5).

Standards are used with both licensing and registration. Registration is a less stringent form of regulating an occupation. In such cases, a provider submits documents attesting that the standards have been met, and is registered. Generally, no on-site prior inspection is required for registration, although random inspections may occur later.

With licensing, the idea is to deter new providers; thus, the standards for providers are usually much more stringent. On-site inspections and interviews with the prospective providers are usually part of the licensing process. The approval process generally takes longer with licensure, and licensing is more expensive for the regulating agency. The renewal process for licensing is different from that of registration.

Enforcement of regulations on licensing, certification, and registration of day-care may ensure quality of care. Corsini, Wisendale & Caruso (1988) observe that the majority of day-care providers fail to comply with regulations, although 44 states have license, certification, or registration requirements.

Michael Schwartz (Institute of American Values, 1989) avers that no evidence points toward inadequate state standards. He claims problems arise because the standards in place are ignored or the facilities used are unregulated. Therefore, tougher standards are not the answer and, he argues, will not only fail to reach the cases of non-compliance, but will increase their incidence. Tougher regulations mean increased cost for the provider, decreasing the number of available providers. The unregulated market will increase with the instances of non-compliance increasing as well. Schwartz states that a balance must be struck between strict standards which protect the consumer, but at the same time cost providers more to operate, thereby shrinking the number of day-care options available to parents.

Psychological Issues

A breakdown in child care arrangements increases employee absenteeism, tardiness, and stress. The Shinn (1987) study verified that employees are more likely to be absent if their child care arrangements break down.

Galinski (1988) also reports that breakdowns in child care arrangements are linked to parents leaving early or arriving late for work. Parents with no child care breakdowns reported stress "often" or "very often" 17% in the past 3 months. That percentage rose to 33% for those who had more frequent breakdowns. Child care breakdowns were also associated with stress-related health problems. The quality of care affects a parent's level of stress. "There's a whole dimension of pressure and fear that working parents carry around when our children are not well taken care of" (Galinski 1988).

A Portland State study of over 8,100 employees revealed that only 23% of those parents using out of home care (day care centers) were dissatisfied as compared to 57% of those parents with self-care or latchkey arrangements. When day-care were used, child care related stress was noted by 46% of the women and 36% of the men responding. These percentages rose to 50% and 30% when self-care or latchkey arrangements were utilized (Galinski, 1988).

The day-care problem does not end when children reach age 5. Galinski (1988) reports that it gets worse. Parents have to worry about what to do with kids during holiday times, when they're sick, after school, and when a snowstorm hits and school closes in the middle of the afternoon. These stresses

have an impact on the work place and affect all workers, whether they have children or not.

Coping with family responsibilities, in effect, adds a "second shift" when parents (usually mothers) arrive home from work (Hochschild, 1989). Housework, children and spouses are waiting to be attended to when the career day ends. Therefore, the home becomes less of a haven for working mothers hoping to escape the dual stress of work and family obligations.

Conclusion

Today the day-care issue is prominent on the agendas of parents, Corporate America, and elected officials. As more women enter the shrinking labor force the issue will receive even more scrutiny and attention. If enlightenment does not bring the affected parties to arrive at solutions, economic need certainly will. The trend is clear: women are working; women are having babies; and family responsibilities don't end when an employee arrives at work. Therefore, family issues spill over into the business arena and can have economic consequences. A firm must weigh the costs and benefits of providing various levels of day-care assistance to its employees.

CHAPTER II

LITERATURE REVIEW: CORPORATE OPTIONS

Introduction

Corporate America has many options available in assisting its employees with child care: they range from doing nothing to establishing a work-site center staffed by the firm's employees. Locating day-care often proves to be a problem for working families; paying for quality care is another; problems with scheduling are also knotty issues; finally, corporate attitude toward family responsibilities can make a difference as well. The problems mentioned are broad areas an organization may choose for involvement. This chapter details the options available to U.S. business.

Finding Child Care:

Finding adequate child care is often a problem for working parents. Employers have several options to choose from if they wish to help employees cope with this problem.

1. Resource and Referral (R&R's) programs increasingly help employees find child care, both on and off the work site. R&R programs give parents child care options to choose relative to their individual needs. R&R's maintain up-to-date lists of available care-givers, their geographic location, ages served and fees charged. Employers may opt to run the

service in-house or contract with an outside agency (Virginia Department for Children, 1989)

The R&R's also address the issue of supply of available child care through recruitment of more providers and by training day-care center operators. The R&R's also work with public schools to establish before and after school care (Galinski, 1988).

IBM relies upon a nationwide R&R network to assist its 230,000 employees. IBM spent \$1 million to establish the network, and maintaining the service costs \$2 million annually. The service has referred more than 16,000 children (LaFluer & Newsom, 1988).

There are several advantages to the R&R option. R&R's can be implemented for any size company and have relatively low start-up and maintenance costs. These programs are simple to administer and the potential for legal liability is lower than with some other options. Businesses can deduct expenses for R&R's making them more affordable for small companies. Finally, such programs work well for multi-site companies, as shown by the IBM example (Virginia Department for Children, 1989).

Disadvantages of R&R's include the following: there is no guarantee of high quality care, if the supply of providers is inadequate the parents problem is still unresolved; and parents are still subject to interruptions at work due to child care problems (Virginia Department for Children, 1989).

2. Company owned and operated child care is an option in which the center is a department of the firm. It may be operated as a non-profit entity or as a wholly-owned profit-making subsidiary of the company. Hoffmann-LaRoche is an example of a firm that chose this option in Nutley, New Jersey (Galinski, 1988; Virginia Department for Children, 1989).

This option can be used as a strong recruiting tool and employees concerned about child day-care will more likely remain with the company. Parents' logistical problems are greatly reduced and this alternative allows for parental visits during work hours. Worker stress is reduced and ability to concentrate at work is enhanced. Firms providing day-care are eligible for federal tax deductions for development and operating expenses (Virginia Department for Children, 1989).

However, owning and operating a child care center is not cheap and liability is an aspect warranting the firm's consideration. The firm also must comply with all applicable regulations. The firm may not be able to accommodate all of its employees children, and demand for services will fluctuate over time (Virginia Department for Children, 1989).

3. Contracting-out operation of the day-care program while the company retains ownership is another alternative. Daily management of the center is left to outside experts in this case. Campbell Soup utilizes this method in their Camden, New Jersey location and subsidizes 50% of the cost (Galinski, 1988).

The advantages and disadvantages of this option are much the same as in the previous alternative. In addition, the firm rids itself of the headaches inherent in running an additional department.

4. A Vendor system allows the employer to contract for day-care services and retain no ownership in the operation (Galinski, 1988). The firm can purchase a specific number of spaces in the center for the care of employees' children. Employers may subsidize the care on the basis of income and family size (Virginia Department for Children, 1989).

The advantages here include low start-up costs because no capital investment is required. Daily management and liability is the contractor's responsibility. An organization of any size may choose this option and the size of the program can be tailored according to demand.

Among the disadvantages of a vendor system are the loss of control over the quality of the service, and the narrow range of options available to employees under such a system. Several other options are available. Employee owned and operated programs are sometimes launched with a grant from the employer. Merck & Company used this approach in Rahway, New Jersey. A variation on this method is for the firm to contribute to an established program that is convenient to employees. Companies can also unite to form a consortium and create a child care center, particularly when firms are located in close proximity as in an industrial park. A company can assist employees by locating care for sick children.

These occasions present a particularly difficult problem for parents because generally the child cannot go to the usual care giver (Galinski, 1988).

Firms are also involved in the improvement of the quality of child care. R&R's make the assurance of quality day care an essential part of their mission. R&R's refer parents to programs that meet state licensing and regulatory standards. If programs have received numerous parental complaints, prospective clients are not referred to the programs again. R&R's also provide training of day-care workers to ensure quality care (Galinski, 1988).

Funding Child Care:

Assisting with child care expenses is another initiative being used by employers.

1. The flexible spending account is the most widely used method to assist employees with payment for child care arrangements. Under such arrangements, the employee reduces his/her salary, and is reimbursed for child care costs by the employer with pre-tax dollars. Disadvantages of such arrangements include a "use it or lose it" provision, which means if the money is not spent by year's end it is foregone. Also, higher paid employees with greater tax liabilities stand to gain more from such programs. Those employees are also least hurt by a reduction in salary, and don't mind waiting for reimbursement (Galinski, 1988).

2. Dependent care assistance is less frequently used as an option in flexible benefit programs. With this option, employees may choose to set aside a certain percentage of their pre-tax income to be used to pay for child care (Virginia Department for Children, 1989).

3. A voucher system is sometimes used, where the company pays a percentage of the child care cost based on the family income. Eligibility is usually restricted to employees of certain income levels whose children are of specific ages (Virginia Department for Children, 1989).

4. Discounts at specified child care programs are sometimes offered by employers, particularly when the employer contracts with a specific provider. (see Vendor system under Finding day-care above)

Time Flexibility:

Time flexibility is another option open to employers to assist employees in addressing child care/family issues.

1. Innovative scheduling is one option that can take several forms: flexitime, compressed work weeks, flexiyear contracts, permanent part-time work, and job sharing (Best, 1982).

- o With flexitime, employees can decide within a two-hour time span, AM and PM, when they will arrive and depart. Such arrangements help the employee balance job and family obligations.

- o With a compressed work week, employees can choose to work four 10-hour days or three and one half 11-12 hour days.
- o With a flexiyear contract, employees could work full-time during the academic year and part-time during their children's summer vacation.
- o Permanent part-time positions offer the advantage of working part-time while still receiving fringe benefits.
- o Job sharing or job splitting allows two or more employees to share one job.

2. Providing of personal days to care for sick children may also ease the burden of working parents trying to juggle family and work responsibilities.

3. Company-sanctioned time off to select child care is another means available to firms to show concern.

Changing Company Culture

Changing the company culture will help additionally in resolving the child care dilemma.

1. Training managers to become sensitive to child care issues would help reduce some of the problems associated with child care. Non-supportive supervisors add to employee stress and related health problems, and increase the conflict between work and family (Galinski, 1988).

2. Eliminating inconsistency in the application of policies that impact child care issues, a source of employee unhappiness, is another option. If one employee is granted flexibility in dealing with child care problem, and another is not, resentment and conflict will arise.

Conclusion

A plethora of alternatives to choose from in addressing the issues facing working parents are available to Corporate America. They range from changing company attitudes or culture to engaging in the business of providing day-care on site. The alternative chosen must make sense for the organization and must match the circumstances in which the business finds itself. Each organization is unique and no single option is a panacea for all firms. What characteristics should be considered in viewing the various options? The chapter that follows reviews the salient aspects of an organization that warrant examination.

CHAPTER III

LITERATURE REVIEW: MACRO ISSUES FACING THE CORPORATION

Considering the strategic decisions a corporation must make demands examination of the generic characteristics of a firm. This chapter reviews those generic organizational characteristics that require consideration in strategic decision-making. The following broad categories are highlighted: goals, environment, technology, and structure.

A. Organizational Goals

"Organizations have multiple goals, which are often in conflict with one another. Success in one goal may mean less success in the other; for example, increasing market share and maximizing profits are not compatible. In addition, departmental goals may be in conflict with overall organizational goals, and departmental goals may be in conflict with on another" (Daft, 1989).

To achieve organizational goals, which may be thought of as where a company would like to see itself at some point in the future, strategies are employed. Strategies are the means used to arrive at any given goal.

Three useful frameworks measure the performance of an organization: the goal approach, the system resource approach, and the internal process approach. Organizational effectiveness is dependent on resources, internal processes that utilize those resources, and services and products produced by the

combination of these resources and processes. Expressed as an equation:

$$\text{Resources} + \text{Processes} = \text{Products \& Services}$$

The frameworks discussed focus on different portions of the effectiveness equation.

The effectiveness of an organization may be judged by examining its goals and whether those goals have been realized (Etzioni, 1964). Efficiency, on the other hand, measures the amount of resources used to produce a unit of output (Sandefur, 1983). An organization can measure its efficiency by comparing its ratio of inputs to outputs with the ratio of other organizations. The lower the ratio, the more efficient an organization may deem itself. Efficiency and effectiveness may or may not be related. If a product is produced for which there is no demand, efficiency is immaterial. At the same time, an organization may achieve its market share goal but do so at such low margins due to an inefficient manufacturing process, that again, it becomes immaterial.

The system resource approach is predicated on the premise that an organization's effectiveness is dependent on its ability to obtain scarce and valuable resources. This approach is most concerned with inputs or resources (Yuchtman & Seashore, 1967). The resources may be people or materials.

The internal process approach is concerned with how resources are utilized within an organization. Effectiveness may be measured by how smooth the organization runs and how happy the members of the organization are. In a manufacturing operation, effectiveness may be judged by how much of a resource is used to produce a particular output (Argyris, 1964).

The goal approach measures effectiveness in terms of the outputs produced or the goals achieved. The goals might be easily quantifiable such as number of products produced, or tend to be more amorphous such as the degree to which customers are satisfied (Price, 1972).

In addition to the three approaches outlined above, two integrative approaches have been developed: the constituency approach and the competing values approach. The constituency approach focuses on groups that have a vested interest in the organization's performance. The organization's effectiveness will be viewed differently by each of these groups, and it will often be impossible to satisfy all constituencies. However, evaluating an organization using this approach offers an overall assessment of effectiveness (Connolly, Conlon, & Deutch, 1980). The competing values approach incorporates two dimensions: organizational focus and structure. The organization's focus may be external or internal; its structure may be flexible or controlled. The resulting four models use different combinations of focus and control to reflect differences in emphasis by an organization (Quinn & Rohrbaugh, 1983).

Since all goals and effectiveness criteria cannot be pursued with equal vigor, what factors affect their prioritization? Certainly, the leadership in any organization has substantial influence on its direction and will make choices that determine which goals will be pursued. Also, a goal's measurability influences its priority. Those goals that are measurable are more likely to be adopted. In addition, the organization's stage of development influences the goals and effectiveness criteria chosen. Finally, environmental conditions affect the prioritization of goals and efficiency criteria. These external factors help identify areas of importance for an organization (Daft, 1989).

B. The External Environment

"No man is an island" and, for that matter, neither is any organization. The external environment in which an organization exists affects the strategic decision-making of any firm, and merits careful consideration in addressing the issue of corporate sponsored day-care.

Daft (1989) identifies ten sectors of the environment: the industry, raw materials, human resources, financial resources, the market, technology, economic conditions, government, sociocultural, and international. Each sector enumerated influences the organization and to be successful organizations must gather information concerning any changes in these sectors to determine their affects. A change in the external environment causes uncertainty for a firm and makes the computing of costs and other decisions difficult (Koberg & Ungson, 1987).

Duncan's (1972) model summarizes the environmental characteristics that influence uncertainty. The model uses two dimensions: the complexity or simplicity of the external environment; and the stability or instability of events occurring in the environment.

To summarize thus far, organizations identify those external forces which influence their operations and the extent of that influence in the attainment of organizational goals. With this knowledge, a firm can address how it will adapt to the influences external to itself.

Organizations need to absorb changes in the environment which can be achieved, in part, through the use of employees or departments assigned to the various sectors enumerated previously (Daft, 1989). One role these employees or departments play is one of buffering (Thompson, 1967). Buffering implies protection, and what is being protected from the uncertainty in the external environment is the production activity of the organization so that it may continue. The other role performed by these departments and employees is one of boundary-spanning (Jemison, 1984). Boundary-spanning links the organization with its external environment in two ways: it provides the organization with information on changes in the environment, and it sends information to the environment about the organization so that the organization will be perceived favorably.

An additional means of responding to an uncertain environment is through the degree of differentiation and integration among departments. For example,

with a highly complex and constantly changing external environment a firm may respond by utilizing very specialized departments. However, with highly specialized departments coordination becomes more difficult. Therefore, more resources and time must be allocated to ensure coordination or integration between departments. The more complex an organization is and the more unstable its environment, the greater the amount of resources must be allocated to the integration function (Lorsch, 1970).

Finally, organizations may respond to environmental uncertainty by increasing planning and environmental forecasting. These activities reduce uncertainty by gathering information external to the organization, forecasting possible outcomes, and planning alternative responses (Tung, 1979).

To survive, an organization requires scarce and valuable resources from the environment. The resource dependence perspective observes that while organizations depend on the environment, they work to minimize their dependence by gaining control over resources (Ulrich & Barney, 1984). Formal relationships and links to other organizations can reduce vulnerability and uncertainty in a firm's quest to achieve goals and acquire scarce resources (Whetten & Lueng, 1979). Another means of obtaining scarce resources is by attempting to influence or change the environment (Kotter, 1979).

Lawrence and Dyer (1983) developed a model which uses two dimensions discussed in this paper: information complexity and resource scarcity. They propose that the ideal organizational environment is one with intermediate levels of each dimension. At this level there is enough complexity of

information to stimulate creative thinking, but not so much that the organization is overwhelmed. In terms of the availability of resources the authors contend that abundant resources reduce motivation in employees, while a dearth focuses all efforts on efficiency. Therefore, the intermediate levels of each are seen as ideal.

C. Organizational Technology

Technology is the means by which an organization transforms inputs to outputs. The seminal research on organizational technology is credited to Joan Woodward (1965, 1958). Woodward found that as technology increases, the ratio of management to total personnel increases. More indirect labor is required to support complex technology and the skill level of workers is high. Woodward also observed that when a firm's structure was complementary to its technology, the firm tended to be more commercially successful. The lesson here is that it is important for an organization to match its structure with its technology.

Since Woodward's research, technology has marched forward to include robots and other examples of increased computerization, which alter the patterns Woodward suggested. Computer integrated manufacturing is associated with a "greater emphasis on teamwork, decentralized decision making, a smaller span of control, highly skilled workers, and an overall organic structure" (Daft, 1989).

Service organizations employ unique technologies and can be characterized as having production and consumption of the output occurring simultaneously and an output that is intangible (Mills & Moberg, 1982). Some organizations both sell a product and provide a service. However, if the organization doesn't actually manufacture the product, it is generally thought of as a service firm.

Service organizations require employees who are close to the customer, and that feature has an impact on both the organization's structure and its control systems (Chase & Tansik, 1983). The customer contact of service employees implies dealing with a variety of customers at an increased level of unpredictability. Employees must therefore possess high quality interpersonal skills. In order to be closer to the customer, service organizations tend to be geographically dispersed, thereby decentralizing decision making and keeping the structure largely informal. Understanding the different nature of the service organization facilitates adopting a structure and control system that is appropriate.

Departmental technology is better understood using a framework developed by Charles Perrow (1967). The model is organized along two dimension: the amount of variety in the work, and the analyzability of the work process. Four major categories of technology were formed:

Routine technologies have little task variety and use procedures which are objective and computational. Examples include a bank teller department or an automobile assembly line.

Craft technologies have a fairly stable stream of activities, but the process is not easily analyzed because employees use their wisdom,

intuition and experience to accomplish their tasks. Examples include steel furnace engineers and gas and oil explorationists.

Engineering technologies have a great deal of variety but decisions are handled on the basis of established procedures and techniques. Examples include engineering and accounting.

Nonroutine technologies have a lot of variety and the process is not easily analyzable. Examples include basic research and strategic planning.

How much interdependence exists between departments affects organizational structure and the technology employed as well. James Thompson (1967) described three classifications of interdependence and their management implications. The first is pooled interdependence, where departments work independently and work does not flow between them. The second is sequential interdependence, where one department must perform its activity before another department can complete its work. The third is reciprocal interdependence, where outputs from departments flow between them and each department is dependent on the other. Reciprocally interdependent departments should receive priority in the organization, and should be grouped close together to facilitate coordination. Sequential should be given the next priority and pooled last. The organizational structure should facilitate coordination and prevent performance problems.

D. Organizational Structure

An organization's structure affects how it functions. The form structure takes is, in part, dependent on its size. The size of organizations was once limited to a sphere that could be controlled by one individual.

Eventually, however, organizations grew, and systems and structures were developed to facilitate control over the larger entities.

Large organizations differ from small organizations in several ways. First, to achieve a measure of control, large organizations are more formal (Walsh & Dewar, 1987). Second, studies on size of organizations show that larger organizations allow more decentralized decision-making (Hage & Aiken, 1967). Third, large organizations have a need to specialize and it requires a relatively small expense to acquire such specialization. As these new departments grow and become unwieldy, they subdivide. To retain control, the organization grows vertically as well. Therefore, large organizations are more complex than their smaller counterparts (Hsu, March & Mannari, 1983). Finally, personnel ratios differ between organizations according to size (Indik, 1964; Child, 1973).

How do such large organizations encourage employee commitment to the organization? One means is through an internal labor market, where organizations prepare employees to take on additional responsibilities and promote from within their own ranks to encourage long-term employment (Bills, 1987). Organizations may also try to manage demography, or those characteristics a group of employees have in common to encourage cohesion through these similarities (Pfeffer, 1985).

What causes an organization to grow? Managers often see growth as a worthy goal for the organization. An organization that is growing is often seen as a prerequisite to attracting and retaining the best managers. Growth

may also bring financial benefits like economies of scale, less resource dependence and increased revenues (Starbuck, 1965).

The growth organizations experience may be described in terms of a life cycle with four major stages (Kimberly, Miles et al, 1980; Churchill & Lewis, 1983). The first is the entrepreneurial stage, in which emphasis is on marketing, production, and technical aspects of the organization. The organization is informal and managerial control is exercised by the owners. With growth come an increased number of employees and thus, management issues which must be dealt with. As the organization develops goals and direction, departments are established, a hierarchy develops, and division of labor ensues. During this collectivity stage, employees work hard toward collective goals, rapid growth occurs, but the organization remains largely informal. The formalization stage brings with it the use of control and information systems. Top management works on strategy and leaves daily management to others. These changes allow the organization to grow even more and reach the elaboration stage in which the organization is mature. Employees work through the established bureaucracy and revitalization may be needed if the organization becomes stagnant.

But how does bureaucracy affect an organization's performance? The literature suggests that, overall, large organizations are more productive than small ones (Gooding & Wagner, 1985). Bureaucracy aids the large organization in achieving high productivity, and a lack of rules and procedures can doom a large organization to failure.

However, too much bureaucracy can hurt an organization as well. Small organizations can stay largely informal, and an imposition of excess rules would be an unnecessary burden. In addition, professional employees respond positively to environments with fewer rules to bind them. Organizations existing in an unstable environment or using nonroutine technologies need to be more organic and free-flowing as well (Daft, 1989).

The formal structure of an organization is depicted in an organization chart. The chart designates formal reporting relationships and departments, and is designed to enhance communication, coordination and integration of the organization's work (Child, 1977). To enhance communication vertically between the top and lower levels of the organization, several structural means may be used (Galbraith, 1973, 1977).

The chain of command can be used by employees unable to solve a problem, and solutions may be sought from a higher level in the organization. Rules and procedures can be established to handle problems that are repetitive. The rules and procedures communicate to lower level employees how upper levels wish an issue to be resolved. Plans, schedules and budgets are another means of communicating to the entire organization the goals of top management. If conflicts arise with the plan, resolution may be sought using the chain of command. Sometimes the solution to work overload and enhanced communication is the addition of positions to the hierarchy. Information systems may also be used to enhance organizational communication.

Horizontal communication in organizations is also important and can be improved using several methods (Galbraith, 1973). Exchange of memoranda and reports keeps other departments informed of activities. Direct contact with other managers provides a higher level of communication than exchange of paperwork. Liaison roles are sometimes created for the express purpose of communicating and coordinating, but the individual has other duties in addition to this role. Task forces are sometimes created to facilitate communication between several departments. A full-time integrator is hired for the sole purpose of coordination and communication and reports to a department other than those being coordinated. Teams are permanent task forces and provide the strongest horizontal communication.

Organizational structure is dictated by functional or product groupings (Duncan, 1979; Randolph & Dess, 1984). With a functional design, all common activities are grouped together and each department contributes its resources to the production process. This structural design is advisable if the organization stresses functional specialization, efficiency and quality, because the employee's loyalty is focused toward the function and not cooperation with other departments.

A product or divisional structure utilizes self-contained units responsible for their own outputs. This structure decentralizes decision-making, and coordination within the units is excellent. However, economies of scale are lost due to duplication of functions within each unit. Variations on the product structure include organization by strategic business units and organization by geographic areas.

Hybrid structure occurs when characteristics of both the product and functional structures are combined. The headquarters of the organization may be organized functionally, while a self-contained product structure is used for each product or market. For a particular organization, this alternative may give them the best of both worlds.

In a matrix structure functional and product structures exist simultaneously. Employees report to both functional and product managers in such an arrangement, and these managers have equal authority. This structure makes sense if the organization has the need to share resources, dual authority is needed to balance the pressure for two or more outputs, and the organization's environment is both complex and unstable (Davis & Lawrence, 1977).

Conclusion

The generic characteristics an organization possesses will influence its strategic decision-making. Organizations differ in terms of their goals, the external environment in which they operate, the technology employed to transform inputs to outputs, and the structure of the organization. Just as genetic makeup affects humans, these characteristics affect an organization. In the chapter that follows, attention is given to how these characteristics may affect corporate decisions regarding child care.

CHAPTER IV

MODEL AND HYPOTHESES

This chapter reviews those organizational characteristics that have a substantial affect on a firm's decision regarding its involvement in child care. The discussion is directed toward formulating some hypotheses which relate these characteristics with the type of child care involvement chosen by the firm. Delineating the major characteristics and how they affect the organization allows us to see that one child care option may make more sense for a particular firm than another.

Child care options require differing degrees of organizational commitment. Therefore, options may be viewed on a continuum--from a low degree to a high degree of commitment. On the low end of the commitment scale, a firm might choose to alter company culture. Offering time flexibility options will require a higher degree of commitment. Measures to assist with child care funding and finding child care are at the highest end of the commitment scale. Firms may move along this continuum as the organizational characteristics change, either reducing or increasing the organization's commitment.

The child care options discussed in Chapter II will be linked to the organizational characteristics outlined in Chapter III. This chapter will be organized similarly to Chapter III: along the characteristics of goals, environment, technology and structure.

Organizational Goals

An organization may have many goals or just a few. In achieving one goal, an organization may have to forego a measure of success in achieving another goal. An organization's effectiveness can be judged by assessing its success in meeting its goals; its efficiency relates to how much input is required to produce a particular output or product.

In reviewing an organization's goals, one obvious question to pose is: Is this organization meeting its goals efficiently? For example, an organization may be expending all of its energy in obtaining scarce resources. If the resource is a raw material, the firm may be consumed with obtaining it for its very survival. In such a case, providing child care services may be low on the firm's list of priorities. Therefore, an organization needs a minimal level of efficiency before it can consider providing day-care services. If profit margins are low and the struggle for survival is preeminent, it is unrealistic to expect consideration for such services, particularly at the high end of the commitment continuum. Think of it like food-- if you are struggling to obtain meat and potatoes, you certainly won't be worrying about what to have for dessert.

However, if the scarce resource happens to be people, assistance with child care could help a firm in beating out the competition for this resource. Assistance in this arena will foster employee loyalty, influencing employees to remain with a firm because of this added benefit. The particular option

chosen will depend on the firm's financial resources. On-site day-care is more expensive than resource and referral, for example.

Hypothesis 1: Providing child care services may be a means of achieving organizational goals.

Another way to assess an organization's effectiveness is to look at how smoothly the organization runs and the level of happiness or satisfaction of its employees. If an organization is repeatedly disrupted by family day-care issues, the cost of providing such a service may be more than balanced out by the benefit of reducing the disruptions. This may be particularly true in labor-intensive industries that provide a service. As the proportion of women in the work force increases, businesses will arrive at this conclusion out of need--not lofty principles. The Virginia Division of Children reported that Warner Dahlhouse of Dominion Resources readily admits that he provides such services because it affects his bottom line. The stresses of family issues on the American worker are well documented. Relief from those stresses aids workers in their job performance.

Hypothesis 2: For those businesses in which employee satisfaction is a major element in achieving organizational goals, assistance with employees' child care needs may be beneficial.

Organizations have more than one constituency which requires satisfying. The degree of an organization's effectiveness will be thought of differently by each constituent group. An organization will often work to satisfy those

groups which are most important to achieving its goals. For example, if a firm is engaged in the human service area, it will wish to satisfy the expectations of human service groups. In such a case, it may actually seem incongruous for a human service firm not to provide family day-care services. In effect, it would be hypocritical not to do so.

Another constituency group are an organization's creditors. If a firm is highly leveraged and is having trouble paying its bills, instituting a non-essential service such as day-care may receive a less than enthusiastic review from creditors. If creditors are an important constituency, the firm might be wise to delay implementing a costly child care program until its financial position is improved. However, if providing child care assists the firm in meeting organizational goals, even though money is a scarce resource, the firm may wish to pursue options on the low end of the commitment continuum.

The owners of a firm are a third constituency worthy of examination. If a firm is family-owned, with a strong desire to "take care of its employees", providing day-care benefits may rise on the list of firm priorities rather quickly. The culture of the firm almost dictates action in this arena for such an organization. The leadership in an organization can have a substantial affect in instituting programs geared toward meeting employee needs. The owner's degree of commitment and the funds available will be determining factors in the day-care option chosen.

Hypothesis 3: The relative importance of a constituency group to an organization and the view it has of providing day-care will affect the option chosen by a given organization.

The External Environment

The external environment in which an organization exists has a substantial affect on its strategic decision-making. The organization must understand the external factors which impact it, monitor changes occurring to minimize the uncertainty caused by these changes, and adapt. Employees or departments may be used to perform two vital functions related to environmental uncertainty: buffering and boundary spanning. The buffering function protects the production function of the organization from detrimental changes in the environment. The boundary spanning function links the organization with the external environment by providing information on changes occurring and, in turn, providing the environment information on the organization.

Employees performing these functions for firms operating in a highly unstable environment are very important to the firm's survival. Therefore, an organization will have every interest in keeping these employees satisfied. In contrast, employees may operate in a hostile environment in which loyalty to the firm becomes an important factor. An example is Philip Morris, whose employees must withstand substantial criticism for working in a firm which produces a product which potentially can kill users. A means of satisfying these employees may include offering day-care services. The second hypothesis put forth applies to these situations.

Stability of the environment and the level of commitment to child care may be linked. Firms operating in more stable environments are often more hierarchical with established rules and procedures. Dominion Resources is an example of a firm operating in a relatively stable environment with a hierarchical organization. Dominion Resources is also a firm committed to providing on-site day-care for its employees children.

In contrast, firms coping with an unstable external environment are often structurally looser. These organizations may cope with this uncertainty by forging links with other organizations. In forming such relationships, firms sacrifice some autonomy; however, this tradeoff may be worthwhile to reduce uncertainty. A child care option such organizations may wish to consider is forming consortia with other firms to meet this employee need.

Hypothesis 4: Firms operating in a stable environment with a hierarchical structure are more likely to choose child care options on the high end of the commitment continuum.

Hypothesis 5: Firms operating in an unstable environment with a looser organizational structure will more likely choose low commitment options for employee day-care.

Organizational Technology

Technology is used by organizations to transform inputs to outputs. The technology employed influences the organizational structure and thus, how it functions. Furthermore, the structure and the technology should match. For example, computer integrated manufacturing is associated with teamwork, decentralized decision-making, smaller span of control, highly skilled workers and a structure that is free-flowing with few formal procedures. If the structure were hierarchical instead, the organization might not be as successful.

The technology employed also offers insight into the child care options that should be considered. Recall that in Chapter III the discussion centered on the degree of variety and analyzability of the work. If the technology employed is routine with little task variety and the work is easily analyzed, the structure is likely to be mechanistic. Employees in such an organization may be highly replaceable and high turnover may be the norm. The firm may therefore have little incentive for retaining employees for long periods of time and may be reluctant to commit itself financially to providing child care options.

In contrast, employees engaged in research or strategic planning have jobs with a high degree of variety which are not easily analyzed. The organization is, in all probability, less formal. Employees are more difficult to replace and the firm will have more incentive to keep them happy. Therefore, it may be cost-effective for the firm to offer child care options here.

The option chosen will depend on the wealth of the firm and the relative importance of these workers.

Hypothesis 6: Firms with low-variety tasks that are easily analyzable are more likely to be less committed to offering employees day-care options.

Hypothesis 7: Firms with high-variety tasks that are less easily analyzed are more likely to choose day-care options on the high end of the commitment continuum.

The degree of interdependence between departments affects organizational structure and technology as well. With pooled interdependence, departments work independently and work does not flow between departments, requiring little daily coordination. The department needs mediating technology to link it to clients, not other departments. With sequential interdependence, one department must complete an activity before the next department can complete its work. Coordination, planning and scheduling are requirements for smooth operation here. With reciprocal interdependence, outputs from departments flow between them and each department is dependent on the other, necessitating intensive technologies.

To see how interdependence might affect the day-care decision, it is instructive to look at the two ends of the spectrum. Providing day-care options with pooled interdependence may not be as important as if the interdependence is reciprocal. With reciprocal, it may be far more important to the organization that the employee is available at the work site. An

employee's absence may seriously hamper smooth operation. The degree to which this is true, and the degree to which child care problems contribute to work disruption will determine the interest of the firm in alleviating this problem. As always, the amount of money the organization has to spend will determine the degree of involvement.

Hypothesis 8: Organizations with pooled interdependence will be less committed to providing day-care options.

Hypothesis 9: Organizations with reciprocal interdependence will be more committed to providing day-care options.

Organizational Structure

Organizational structure affects how an organization functions. The structural form will be partly dependent on the size of the organization. Large organizations are more formal, tend to have decentralized decision-making, are more specialized and complex. In smaller organizations, the opposite characteristics will be found.

Large organizations, which can be impersonal by virtue of their size, encourage employee commitment by various means. One way is internal training to encourage promotion from within. Another is by finding similar characteristics in employees and encouraging cohesion based on these similarities. Families with child care difficulties would appear to be a natural characteristic along which to encourage such alignment. Large

organizations in particular, may be better able to absorb related child care costs. The costs may in fact be smaller than the employee retention benefits. The first and second hypotheses apply to this situation.

In considering the size of an organization, it is instructive to look at its stage in the life cycle. In the entrepreneurial stage, the organization is relatively small and informal and the owners exert managerial control. At this stage of the life cycle, an organization may not wish to make a large investment in day-care support.

During the collectivity or second stage, the number of employees increases rapidly, a hierarchy develops, division of labor ensues, but the organization remains largely informal. The formalization or third stage brings with it the use of control and information systems. Top management is concerned with strategy and daily management is left to others. The final or elaboration stage shows an organization which is mature with an established bureaucracy. An organization that is more advanced in the life cycle may be more inclined to view day-care options as advantageous--advantageous in achieving organizational goals.

Hypothesis 10: Organizations in the first or second stage of the life cycle will display less commitment to providing day-care than organizations in the latter stages of the cycle.

Organizations use several avenues to enhance communication within the organization. The chain of command is used by employees to solve problems

by appealing to a higher level in the organization. One problem may be assistance with child care. If the chain of command is functioning as it should, and child care issues are hampering the optimal operation of the organization, then employees may use the chain of command in the organizational structure to address this problem. Horizontal communication is achieved through the exchange of memoranda and reports, face-to-face meetings, liaison roles, task forces, integrators and permanent teams. Again, the degree to which horizontal communication is functioning as it should, may signal how effectively day-care issues are handled.

Hypothesis 11: Organizations with communication that is two-way and open are more likely to pay attention to employee child care problems.

Hypothesis 12: Organizations with one-way or a lack of communication will find child care problems ignored.

CHAPTER V

CONCLUSION

This paper has scrutinized the child care issue. In Chapter I it examined day-care in terms of demographics, economics, politics and psychology. The elements of day-care are complex and diverse. Women in the child-bearing years are continuing to enter the work force in record numbers and their proportion will continue to grow. Employers will require female talent and the needs of this segment of the labor force cannot go unmet. Turnover, absenteeism and retraining represent substantial costs to Corporate America which can be reduced, in part, by offering workable day-care options to employed parents. Politicians realize the economic costs and have become involved in finding solutions. Finally, the psychological cost in ignoring this issue is apparent as well.

Chapter II outlined the options available for addressing this need. They are varied and differ by the extent of corporate involvement required and cost. No one option is perfect for all employees and employers. Organizations must become fully aware of the array of options and the advantages and disadvantages of each.

Chapter III showed that organizations differ from each other in many respects: in terms of their goals, the external environment, the technology employed, and structure. These characteristics affect the organization and the decisions it makes concerning its current operation and its future. As

the organization evolves, its characteristics will change. Just as it is true for individuals, an organization must "know itself".

As was demonstrated in Chapter IV, when the organizational characteristics are thought of in terms of the day-care options chosen, some patterns begin to emerge. From those patterns some hypotheses were formulated. Future study of the child care issue can include testing of the hypotheses formulated in this paper. Such study will ensure an enlightened approach by Corporate America toward choosing day-care options that make sense for a particular business. It will also offer insights to providers regarding their potential market. Politicians and other decision-makers can view the degree of commitment demonstrated by an organization as meshing or in conflict with its characteristics. Finally, employees may come to realize that their desired option may not make the best sense for the business in which they are employed.

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