Tackling Childcare

The Business Case for Employer-supported Childcare in Sri Lanka

Executive Summary
ABOUT THIS EXECUTIVE SUMMARY
This is the executive summary of the 2018 report developed as part of IFC’s Tackling Childcare initiative, led by IFC’s Gender Secretariat. The report, titled Tackling Childcare: The Business Case for Employer-supported Childcare in Sri Lanka, serves as a guide for companies and draws on 10 in-depth case studies of companies in Sri Lanka that offer various childcare options to their employees, highlighting how investments in childcare can strengthen the bottom line. It also discusses how companies can analyze their workforce to identify the type of childcare support they can offer to their employees—from on-site childcare to subsidies—that best suits their needs. Visit www.ifc.org/tacklingchildcare to download the full report.

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IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In fiscal year 2018, we delivered more than $23 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org.

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The IFC-led Women in Work (W2W) Program, a four-year program valued at US$11.5mn and funded by the Australian Government, launched in April 2017. It is IFC’s largest, standalone country-based gender program, working with private sector companies to close gender gaps while improving business performance. The program, which benefits from multisector program design and works closely with the World Bank on research, tackles women’s access to jobs and assets at the same time. It aims to increase women’s workforce participation in Sri Lanka’s private sector, create more and better jobs for women, and has the potential to increase company profits and drive overall economic growth. W2W also contributes to the vision of the Government of Sri Lanka where all citizens can achieve higher incomes and better standards of living by 2025.

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December 2018
IFC Foreword

No country, community, or economy can achieve its potential to meet the challenges of the 21st century without the full and equal participation of women. This is also true for Sri Lanka, which could raise its gross domestic product by as much as 20 percent in the long term by closing the gender gap in the workforce. For Sri Lanka’s economy to grow, it needs to maximize the potential of its workforce. Yet, women’s formal workforce participation at only 36 percent is low, compared with the labor force participation of men at 76 percent.

To encourage more parents (especially mothers) to join and remain in the labor force, reliable, affordable and good-quality childcare is essential. The lack to such care not only affects early childhood development, but also hurts businesses that depend on acquiring and retaining a skilled workforce. When companies support their employees with their childcare needs, they can hire and retain talent, which in turn boosts profits and productivity. In addition, children who have access to early childhood education are more likely to perform well in school, be healthier, and be more productive as adults.

This report Tackling Childcare: The Business Case for Employer-supported Childcare in Sri Lanka responds to IFC client and partner demand for country-specific business case evidence on childcare and practical guidance on putting ideas into practice. It features 10 case studies of companies across sectors—including in the country’s key industries such as apparel and information technology—to highlight why employers should consider supporting their employees’ childcare needs. The report shows that building an onsite crèche is not the only way forward, as there are many different models through which employers can support their employees. The models the companies choose depend on what they can offer while still gaining business benefits.

We hope this publication reaches hundreds of employers in the country, so they can learn from our partners’ experience and replicate what works. It is also a call to action, urging key stakeholders to invest in childcare solutions and support the infrastructure that allows childcare providers to grow at the scale that is needed to support the demand and generate sustained employment opportunities.

IFC’s commitment to advancing employer-supported childcare is anchored in a strong business case and in client demand for gender-smart solutions. In Sri Lanka, we partnered with the Australian Government to implement a four-year Women in Work program to increase women’s private sector workforce participation, and in turn, drive overall economic growth.

On behalf of IFC, I would like to thank the 10 companies that shared their experiences and their data for this publication. As part of the World Bank Group, our focus is on fostering shared prosperity and eradicating extreme poverty. Without the inclusion of some of our most vulnerable populations, we will not be able to achieve this. The various organizations of the World Bank Group therefore work together to influence and shape policy initiatives and programs with the public sector, while at the same time operationalizing our shared knowledge through private sector partners. We look forward to creating markets with support from our partnership with UNICEF, as well as with public and private sector partners. Success will score a triple win for all—employees and their children, employers, and communities.

Amena Arif
IFC Country Manager
for Sri Lanka and the Maldives
UNICEF Foreword

Work and family. For the vast majority of people, these two concepts are inextricably entwined, and central to their lives. Work, in the form of employment often provides the means to earn and support family, as well as personal and professional meaning. But for many, work and family can be two conflicting priorities – difficult to balance, with a negative impact on each.

We know that many women are forced to make the choice between having a successful, fulfilling career and their role as a mother and caregiver to children. For many men, work limits their time with their children during the critical early years. For employers, especially those with limited flexibility to accommodate family needs, many lose out on the recruitment or retaining of talent and suffer reduced productivity from employees challenged to balance the needs of family life and work. Yet, it is children who often suffer the most profound consequences.

Powerful scientific evidence now shows just how critical a child’s first 5 years, and especially their first 1,000 days, are to their ability to succeed in life. In this period, a child’s brain grows at an astounding rate, determining how they think, learn and behave. We know that good nutrition including breastfeeding, early stimulation, love and protection, are all critical in enabling a child’s brain to develop fully during this period, but of equal importance are positive and meaningful interaction between children and their parents from the very beginning of life. These interactions help to shape a child’s brain growth and development, making them healthier and happier, and increasing their ability to learn, with long term implications for a child’s community and country. Ensuring that employees have access to services that help to give parents the time, resources and information they need to care for their children is therefore vital.

Increasingly the private sector, the main employer in Sri Lanka, is recognizing the role it must play in adopting family-friendly policies that support early childhood development. These policies include providing paid parental leave for both mothers and fathers, paid breastfeeding breaks for mothers, quality early learning opportunities such as pre-schools for children under the age of 5, and employer-supported childcare.

The 10 companies included in Tackling Childcare, The Business Case for Employer-supported Childcare in Sri Lanka offer a powerful example to the wider private sector. By providing critical, family-friendly services they are investing in their staff now, reaping business benefits in terms of motivation, productivity and staff retention, as well as making a key strategic investment in the next generation, who will provide future employees and customers, as well as driving Sri Lanka’s economic development and stability. The actions of these companies do not just constitute the ‘right’ action to take, they are the ‘smart’ actions that are needed.

I urge the wider private sector in Sri Lanka to read this report and learn from these forward-thinking companies. By taking action to ensure that employees have the ability to balance both work and family life, business can harness real benefits today, and contribute to building of a generation ready to seize the opportunities of the future, and respond to potential challenges, for the benefit of business, and Sri Lanka as a whole.

Tim Sutton
Representative
UNICEF Sri Lanka
## Policy Overview

### Sri Lanka

#### Leave policies

<table>
<thead>
<tr>
<th>Policy</th>
<th>Available</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid maternity leave</td>
<td>Yes</td>
<td>84</td>
</tr>
<tr>
<td>Paid paternity leave</td>
<td>No</td>
<td>0</td>
</tr>
<tr>
<td>Paid parental leave</td>
<td>No</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Legal obligation for employers to support childcare

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligation for employers to support childcare?</td>
<td>Yes**</td>
</tr>
<tr>
<td>Based on the number of female employees?</td>
<td>No</td>
</tr>
<tr>
<td>Based on the number of employees regardless of gender?</td>
<td>No</td>
</tr>
<tr>
<td>Special legislation on employer-provided childcare?</td>
<td>No</td>
</tr>
</tbody>
</table>

#### Government incentives to employers to support childcare

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax benefits to employers to support childcare?</td>
<td>No</td>
</tr>
<tr>
<td>Non-tax benefits to employers to support childcare? (monetary and/or nonmonetary benefits)</td>
<td>No</td>
</tr>
</tbody>
</table>

#### Quality of private childcare services

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>License or registration required?</td>
<td>Yes</td>
</tr>
<tr>
<td>Zoning requirements?</td>
<td>Yes</td>
</tr>
<tr>
<td>Pupil-teacher ratio required?</td>
<td>Yes</td>
</tr>
<tr>
<td>Penalties for non-compliance with laws?</td>
<td>No</td>
</tr>
</tbody>
</table>

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*The Women, Business and the Law data are based on domestic laws and regulations that apply to the main business city of the economy. For more information on the methodology including the maternity/paternity/parental leave calculation methodology, visit [wblworldbank.org](http://wblworldbank.org)

**While the 1939 Maternity Benefits Ordinance No. 32 of Sec. 12A(1) states a requirement for employers of more than a prescribed number to support childcare, the law does not specify such number de facto translating to no legal obligation for employers.

For additional information on Sri Lanka’s relevant policies please refer to the full report of “Tackling Childcare: The Business Case for Employer-supported Childcare in Sri Lanka.”
Executive Summary

This report looks at how employers in Sri Lanka can support their employees’ childcare needs, and the business benefits such support may bring. It examines the range of business drivers that may motivate companies to explore childcare options, from human resource management to building corporate reputation. While the need for public childcare investments has been discussed in the country, less is published that explains what employers can do and what they have already learned in providing childcare support. This report addresses this gap by drawing on examples across a spectrum of sectors.

In South Asia, fewer than 1 in 4 children under 5 years of age benefit from a preschool provision and in Sri Lanka, an estimated 50 percent of three- to five-year-old children are enrolled in a pre-school. This shortfall constrains early childhood development, school readiness and sustainable social and economic development. Unavailability of affordable and quality childcare bars many parents from entering, continuing or returning to paid work. Despite improved educational and health outcomes, only 36 percent of Sri Lankan women participate in paid work. A recent World Bank Report indicates that having a child under age five at home reduces Sri Lankan women’s labor force participation compared with women without young children by 7.4 percent, and this percentage has increased over the years.

In the absence of accessible childcare for employees, Sri Lankan employers face difficulties in recruiting and retaining skilled workers, along with high absenteeism, low maternity return rates and inadequate leadership diversity. Firms consequently confront productivity and competitiveness shortfalls due to workforce gender gaps, resulting in reduced profitability and slower growth. Global research (including IFC’s 2017 Tackling Childcare report) highlights that firms investing in childcare initiatives can reap multiple benefits.

This report suggests that employer-supported childcare can boost labor force quality and diversity while also improving recruitment and retention over employee lifecycles.

The 10 ‘Tackling Childcare in Sri Lanka’ Company Case Studies

This report shows that employer-supported childcare can yield substantial benefits for Sri Lankan employers. It draws on case studies of 10 employers who provide childcare benefits in various ways. The firms represent diverse Sri Lankan locations – seven in Colombo, three elsewhere, thereby ensuring both urban and rural coverage – and diverse sectors, some with female-majority and others with female-minority workforces. The companies are:

- **Brandix Lanka – Holding Company (Brandix)**, garments and apparel
- **Fairway Holdings (Pvt) Limited (Fairway)**, diversified business, offering lifestyle enhancing products and services
- **F. J. & C. de Saram (De Saram)**, legal services
- **Hemas Holdings PLC (Hemas)**, diversified business, including wellness, leisure and mobility services
- **LSEG Technology (LSEG)**, (formerly MillenniumIT (Pvt) Ltd), financial technology
- **MAS Holdings (MAS)**, garment and apparel
- **Selyn**, handloom weaving, home products, toys and fabrics
- **Standard Chartered PLC (Standard Chartered)**, banking and financial services
- **Unilever Sri Lanka Ltd. (Unilever)**, fast moving consumer goods
- **WSO2**, information technology

Besides diversity in profile, the sample reflects IFC’s network and employer availability within the project’s timeframe.

The 10 companies featured in the report:
‘How’ and ‘Why’ Employers Support Childcare in Sri Lanka

The table below sets out childcare support offered by each firm, indicating a range of experiences and approaches to employer-supported childcare.

Overview of Types of Childcare Solutions Provided by Case Study Companies

On-site:
- Brandix
- Fairway
- LSEG
- MAS Holdings – MAS Kreeda, Vaanavil
- MAS Active Trading (Pvt) Ltd, Colombo
- Unilever
- WSO2

Off-site:
- Brandix Essentials Ltd
- Fairway Holdings (Pvt) Limited
- F. J. & G. de Saram

Tie-Up:
- WSO2 (after 2-years of age)

Back-up care:
- Hemas

Workplace Consortium:
- MAS Active Trading (Pvt) Ltd, Katunayake BOI Zone

Firms offer childcare for various proffered reasons. De Saram, Sri Lanka’s oldest law firm, provides childcare within its recruitment and retention strategy. Selyn, a handloom company utilizing women weavers, needs to provide childcare to operate at all, especially where for cultural reasons mothers seldom work away from home.

In IT, with its 24/7 operations and lack of diversity across the organizational structure, LSEG and WSO2, both leading IT companies in Sri Lanka, articulate as their corporate values comprehensive attention to the needs of parents and children so as to improve recruitment and retention in the sector. A worldwide study estimates that closing IT female leadership gaps would add between USD430 and USD530 billion in global output.²

A major component in the overall economy, apparel export is Sri Lanka’s leading foreign exchange earner, representing more than 40 percent of total exports and 52 percent of industrial exports.⁴ In 2017, Sri Lanka’s garment exports exceeded USD 5 billion.⁴ It is estimated that more than 70 percent of Sri Lanka’s garment workers are women.¹⁸ Childcare initiatives help Brandix Essentials and MAS fortify relationships with high-value, international buyers, augmenting market access and growth. Their award-winning women-empowering stances position them as employers of choice.

Fairway and Hemas diversified businesses with multiple verticals, provide childcare in order to improve employee work-life balance and to foster productivity through increased gender diversity.

Multinationals Standard Chartered (financial services) and Unilever Sri Lanka Ltd (fast-moving-consumer-goods) offer childcare as fundamental components of gender inclusion strategies, focused especially on women in leadership.
Poor access to quality childcare poses a key constraint on labor force participation among Sri Lankan women. Many employable women either fail to enter the workforce or else exit prematurely and fail to return. Difficulties multiply by virtue of the fact that 23 percent of Sri Lankan households are female-headed. High widowhood levels stem from the long 1983-2009 civil conflict. Some 1.1 million female-headed households in post-conflict areas face high unemployment and other barriers to formal-sector work.

The International Monetary Fund (IMF) concludes that Sri Lanka could raise its long-term gross domestic product (GDP) by up to 20 percent by closing the workforce gender gap. Childcare and early childhood programs are critical to economic development going forward. At only 0.0001 percent of GDP, Sri Lanka lodges one of the world’s lowest rates of public spending on early childhood development. Return on early childhood programs can be as high as 13.7 percent. Such programs can raise individual adult incomes up to 25 percent.

Tackling childcare earns childhood development priority in the Sri Lankan Government’s Vision 2025 and 2019 Budget. With an eye toward ongoing governmental efforts to ensure quality childcare availability, this report highlights early childhood education initiatives, including a new National Child Day Care Center Policy.

IFC’s program of fostering employer-supported childcare in Sri Lanka promotes development through private sector collaboration under the DFAT-funded Women in Work Program. To that end, this report includes resources for parents, employers, and childcare providers. By improving private sector working conditions, IFC can support a skilled workforce, drive gender diversity and spur business growth.
Key Recommendations

Providing employer-supported childcare can be a win-win-win solution for employees, companies, and communities. The report’s core recommendations for key stakeholders are discussed below:

- **For Parents**
  Because parents factor crucially in giving children good life starts, it is important for parents and employers to coordinate closely in devising employer-provided childcare. Sri Lankan parents often prefer home childcare over outside providers. Yet studies show that children from six months to four years of age can benefit from daycare, especially from quality instruction, structure, and social lessons. Employers profiled here benefit from active parental involvement in designing and implementing childcare solutions. Parents drive the demand for quality childcare and parental committees contribute greatly in planning and execution.

- **For Employers**
  There is no ‘one-size-fits-all’ approach to employer-provided childcare. Firms profiled here illustrate that the business case for employer-supported childcare can vary by sector and location, and that support can be delivered in various ways, from emergency back-up care to high-quality on-site programs. So leading companies provide more than one type of support, especially when they have offices in multiple locales. An employee childcare demand survey (refer to annexure in the full report) can guide employers in choosing among support options.

Supporting both mothers’ and fathers’ childcare needs is critical. Supporting mothers’ childcare needs can crucially facilitate workforce participation, especially by forestalling drop-out after maternity leave. At the same time, encouraging fathers to engage with childcare support can foster family flexibility in childcare responsibility while also augmenting employer gender-diversity benefits. Alternative work arrangements such as part-time or flexible working hours, career by choice, and career breaks may further reinforce benefits derived from employer-provided childcare.
For Policy Makers
The regulatory environment matters. Sri Lanka neither mandates nor subsidizes employer-provided childcare. Global evidence suggests that spending on early education and childcare raises women’s work force participation and reduces gender gaps. To these ends, tax credits and other financial support for parents and employers can be useful. Governmental tools supporting employer-provided childcare include capacity building, implementation advice and employer-government collaboration in expanding coverage.

Free pre-primary education can foster early cognitive development and help working parents generate increased incomes. Policies to complement childcare include paid parental leave, pre-maternity and post-maternity return to work benefits, breastfeeding/lactation facilities, and paid breastfeeding breaks. Since governments may benefit from mandating workplace practices that make employing women more costly than employing men, they should consider establishing funding mechanisms for employer assistance.

Policy makers can also help ensure quality control. Vocational training and skills development agencies can devise and enforce standards and regulations and also help establish quality caregiver training and certification on child management, nutrition and health. Governments can also establish technical assistance funding for small and medium enterprises on crèche planning and operations.

For Childcare Providers
Quality of caregivers, along with their working conditions and benefits, are key. Increased demand for childcare can generate significant job opportunities, while boosting labor force integration for established or informal caregivers. With limited availability and growing demand for childcare, there is a need to ensure that quality is not compromised. Care providers – in partnership with the government – play a key role in promoting high-skilled and fairly compensated care jobs. Both private and public sectors will need more providers offering high-standard courses on care giver training and trainer training.

For Investors
There is an opportunity to invest in the supply side of the market. Some Sri Lankan employers keen to offer childcare hold back due to a dearth of quality providers. Investors may therefore find opportunities on the supply side, furnishing capital for providers and entrepreneurs. Investments could support market entry, infrastructure expansion and site rollouts for domestic providers. Reputable international providers might also want to explore Sri Lanka’s market.

The report proceeds in two main sections:

1) The “Why” – highlighting the business and development case for employer-supported childcare in Sri Lanka; and,
2) The “How” – featuring the various ways how employers in Sri Lanka go about supporting childcare.

The report proper closes with 10 detailed company case studies conducted for this report. The Annexure contains resources for parents seeking an overview of childcare providers; for employers seeking grasp of regulatory contexts; and for providers and care givers seeking degrees and certifications toward formal operation and employment.
Endnotes

3 2018 International Monetary Fund (IMF) study
12 UNICEF. Published in The Lancet – ECD series. Also, on https://www.unicef.org/earlychildhood/index_69851.html
14 Over two-thirds of the economies covered by the World Bank Group’s 2018 Women, Business and the Law research directly provide childcare services or subsidize private childcare services. In 33 of the economies covered, childcare payments are tax deductible. All the economies that provide for tax deductible childcare payments are upper-middle and high-income, except Bhutan and El Salvador. Bhutan is also the only economy in South Asia to provide this incentive

Acknowledgements

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This initiative was led by Carmen Niethammer (WII Program Manager) and Aarthi Arunasalam (WII Employment Lead).

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The DFAT-IFC Women in Work program Sri Lanka, in partnership with leading private sector companies, aims to demonstrate that corporate performance can improve from closing gaps between women and men in the private sector.