What's behind the US's worsening child care crisis? [1]

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Excerpts

Story at a glance

- From 2018 to 2022, the annual economic toll of child care in the U.S. rose from $57 billion to $122 billion.
- The totals reflect money lost in earnings, productivity and revenue.
- Although the industry did receive a funding boost from the American Rescue Plan, advocates say more government support is needed going forward.

The United States is facing a growing child care crisis.

Its economic impact has more than doubled since 2018, rising to a staggering $122 billion annually in lost earnings, productivity and revenue last year. Meanwhile, the crisis itself threatens the future of the U.S.'s youngest minds and is hindering employment and educational advancement of the American workforce.

That's according to a new report from the bipartisan Council for a Strong America. In comparison to the economic impact seen in 2022, in 2018 the toll was estimated at $57 billion per year. Both the pandemic and insufficient policy have exacerbated challenges, the report authors say.

The new report "is just one more finding that makes it clear that the status quo with child care is not working," said Anne Hedgepeth, chief of policy and advocacy at ChildCare Aware of America, which was not involved in the research.

"This is not just a problem for individual parents and families. It's a problem for all of us. It's impacting the economy, and it's impacting our communities," said Hedgepeth.

A variety of problems plague the child care industry. But according to advocates, federal and state investment can help address the challenges.

What's behind the crisis?

The crisis can be broken down into three key, interrelated challenges: affordability, accessibility and quality of care.

For infants, the average cost of center-based child care — or care provided in non-residential, commercial buildings — is more than in-state, public college tuition in 34 states and the District of Columbia, according to the report.

Data from ChildCare Aware show that in 2021, the average national price of child care was around $10,600 each year.

Meanwhile, those in need of child care services are often young couples who may not have that much disposable income to spend, said Jack McBride, CEO of Contec, Inc. and member of the ReadyNation CEO Task Force. ReadyNation is one of the three groups that make up the Council for a Strong America.

The steep price means lower income families, who are disproportionately families of color, often have limited access to services. Exacerbating the disparity, throughout the pandemic, more families of color faced child care closures than white families.

"For families that are headed by a divorced parent, or in households of color, that price of child care is more than a quarter of the family's income, up to as much as 60 percent of total household income. That's just not sustainable for families," said Hedgepeth.

"The increase in prices for child care have outpaced inflation for the past three years," she added.

Several factors contribute to the high prices.

As a whole, the industry is labor-intensive and requires a high level of staffing, raising the financial burden on centers and increasing the costs of care. In addition, thin margins in the business can preclude child care centers from paying employees competitive wages, resulting in high turnover or staffing shortages which stretch centers' financial resources. Regulations also mandate how many teachers need to be present per number of infants or toddlers.

Because taking care of children comes with a lot of liability, child care centers also bear insurance costs, boosting the price of care.

When the pandemic struck, parents kept their kids home out of fear of contracting COVID-19. This led to centers temporarily closing and workers leaving the sector for jobs that posed fewer health risks or were higher paying. And once workers leave the industry for such positions, they may not return.

The pandemic "eliminated basically 20 percent of the available child care centers," said McBride.

"Nationwide, the workforce is 7 1/2 percent smaller than it was before COVID. So that's a loss of about 80,000 providers," added Sandra Bishop, chief research officer at Council for a Strong America and lead author of the report.

Research from the liberal think tank Center for American Progress shows just over half of U.S. residents live in child care deserts, or areas where there are more than three children under the age of 5 for every licensed child care slot.

"There just is not availability, period, and then you add on the piece that a lot of families can't afford what the care costs, and then that just decreases the availability," said Bishop.

The long-term threats posed to families and children

Quality child care is essential to prepare young children for their education going forward. But high staffing turnover rates and limited access jeopardizes the level of care received.

Young children need a constant, steady stream of attachment to an adult, Bishop explained.

And for children aged zero to three, providing educational care — not just supervision — is crucial.

"If we're not stimulating those zero to three minds and growing the brain processing speed, then they arrive at 3k, 4k, and 5k, not ready to learn like their peers. They're behind and they will probably stay behind pretty much for their whole academic career," McBride explained.

The missed opportunities can also impact earnings down the line if children fall behind in their education, fail to graduate high school or obtain a skill certificate or college degree. Data show children who attend preschool are significantly more likely to go to college.

Regardless of demographics, research also shows cognitive, linguistic and social development of young children is positively linked with quality of care received.

Investment in child care can reduce long term investment from other social programs for that child and families in the future, said Hedgepeth.

Along with children, parents also feel the ramifications of the system's shortcomings. In the short term, the high cost and lack of access to quality child care impacts their ability to progress in their careers or advance their own education.

Whether it's being late to work, leaving work early, or being distracted at work, these hardships manifest in parents' professional lives. A number of women, in particular, are dropping out of the workforce entirely to take care of children, McBride notes, so a more robust child care system would help female professionals move up in their careers and get promotions.

According to the Council's report, American families lose $78 billion per year in foregone earnings and job search expenses as a result of the system's failures. Productivity challenges cost employers $23 billion annually. As a result, taxpayers lose $21 billion each year thanks to lower federal, state and local tax revenue.

"Child care is a game changer and when families are priced out, that will have a negative impact both on their immediate economic security, but also on their long term outcomes," said Hedgepeth.

How state, federal governments could help

Some businesses have taken it upon themselves to address child care affordability and accessibility gaps by securing slots in local centers for employees' children or investing in onsite child care.

One silver lining of the pandemic was that businesses became "way more aware of the importance of child care, and what high quality early childhood education looks like," said Dawn Underwood, founder and director of the nonprofit Early Learning Community in Indiana. The preschool serves children aged 3 to 5.

"People are listening to the conversations now more so than they ever have," said Underwood.

But because needs vary by family and some small businesses may not have the resources to provide these options, advocates say more support is needed from federal and state governments.

Enhancing support outside of business also ensures a continuation of care regardless of parents' job changes or barriers that keep them out of the workforce.

The American Rescue Plan allotted $39 billion to states to address the crisis. States used the money to waive or reduce parental co-pays. The money also helped expand eligibility to more middle-class families to qualify for assistance.

For Underwood, the funds helped Early Learning Community offer Zoom preschool when in-person learning was shut down. They also allowed the nonprofit to purchase cleaning supplies, masks and COVID-19 tests, pay its utilities and mortgage and offer benefit packages to employees and raise their wages.

“Without those funds, we wouldn’t have been able to stay open,” Underwood said. However, the investment wasn’t enough for Underwood to hire new teachers. “We are at a workforce shortage like everybody else, so we’re going to have to figure out how to pay our teachers more and offer them benefits to meet the needs of all these kids.”

The federal relief is set to expire in 2024, prompting fears of a second wave of closures in the child care business.

Some states have moved forward with policy advancements. Colorado recently began enrollment for universal preschool which is expected to serve around 30,000 four-year-olds in the state. Lawmakers in Vermont introduced a child care bill that boosts the number of hours toddlers are eligible for free, public prekindergarten education.

“We want to see more of that, more investment at the federal and the state level,” said Hedgepeth.

This could come in the form of tax breaks or subsidies, or even policies that improve compensation for workers, lower family co-pays and invest in organizations that help match families with available slots at child care centers.

“As a nonprofit, it’s always been a challenge between wanting to pay my teachers what I know they deserve as professionals, but also being able to offer scholarships to families who can’t afford preschool. So it’s been a balancing act for years,” said Underwood. She went on to stress the importance of continued state and federal funding to pay teachers higher wages and provide benefits going forward.

“Child care is really a market that doesn’t work. The service costs more to provide than the people who need the service can pay. That’s why we advocate for federal and state investments in child care to make up for this broken market,” said Bishop.

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