THIRD WAY

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Child Care in Crisis

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Child care in America was a massive problem before the pandemic—now it's a deep crisis. It's too expensive and hard to access for millions of families across the country. On top of that, child care workers face insufficient wages and work conditions. The result? Thirty-five states are seeing an increase in the share of parents dropping out of the work force for child care related reasons—a 36% increase since April on average to the tune of 1.2 million workers. Lack of child care is now the #3 most reported reason for not working, barely eclipsed by pandemic related layoffs and furloughs due to reduced business.

In this report, we examine the child care crisis gripping this country and imperiling our economic recovery. We unpack new data from the Census' Household Pulse Survey from late April through December 2020 to dig into the specific impact it's having on working families. And we showcase a promising solution making its way through Congress – the Child Care for Working Families Act championed by Congressman Bobby Scott and Senator Patty Murray.

The Problem

Child care in this country is staring down two existential problems that have profound implications for working parents, providers, and the broader economy.

First, child care is too expensive and hard to access.

Well before the onset of the Coronavirus pandemic, child care costs and access were insurmountable barriers for far too many families across the country. Per child spending on child care jumped precipitously from 1970 to the 2000s, increasing about 2,000% in that time frame. [1] At the same time, child care slots are insufficient at best, and rare for infants and children with disabilities. These constraints drove mass reliance on informal care networks: pre-crisis, 56% of parents said they relied on care by a grandparent, family member, or friend for affordability reasons. This number is higher for families making less than $50,000/year and those with three or more children at home. [2]

The pandemic made that even worse. COVID-19 upended both the formal child care industry and informal care networks, disrupting stable care and work conditions for entire families. Costs have skyrocketed an average of 47% for licensed child care centers and 70% for home-based care centers as a result of intensified health and safety measures. [3] It's more than likely these costs get passed onto families, making child care even more unaffordable than it was.

This is a major problem—inability to afford or access child care creates a negative ripple effect across the entire economy as parents are forced to stay home or leave the labor force, significantly inhibiting our nation's recovery. Almost 900,000 women left the labor force in September 2020 alone, four times the rate of men. [4] A McKinsey study found 25% of working women are considering downgrading their careers or leaving the labor force all together as a result of the pandemic. [5] This is an especially startling trend, given that just a few months before the pandemic hit, women had just outnumbered men in the workforce. [6] The pre-pandemic economy was extremely strong for working women, but the industry-specific impacts coupled with family care constraints deeply hurt progress made before COVID-19.

Beyond the impact on working parents, quality and affordable child care is essential to nurturing America's youth between ages zero to four before the traditional public education system kicks in. Quality child care ensures proper brain development, provides school and socialization skills, and helps close the opportunity gap between children from wealthy families and children from poor or working-class families. Children participating in high quality child care from age zero to four are more likely to develop proper vocabulary, communication skills, and social and emotional intelligence – all benefits preparing them for a lifetime of prosperity. [7]

Second, child care workers face insufficient wages and unstable work conditions.

Child care can be a major struggle for working parents, and it isn't much easier for industry providers and workers. Certain workers feel this impact far more than others, as child care workers are 92% women and 40% women of color. [8] Women of color are overrepresented in child care jobs—jobs that pay, on average, less than $24,000 annually, about $11.50 an hour. [9] As of July, child care industry employment was only 79% of its pre-pandemic size, meaning 1-in-5 jobs were gone, causing widespread economic pain. [10] Hispanic and Black women are more likely to be sole breadwinners and the main source of financial support in their families, meaning loss of income or job stability threatens entire families. [11]

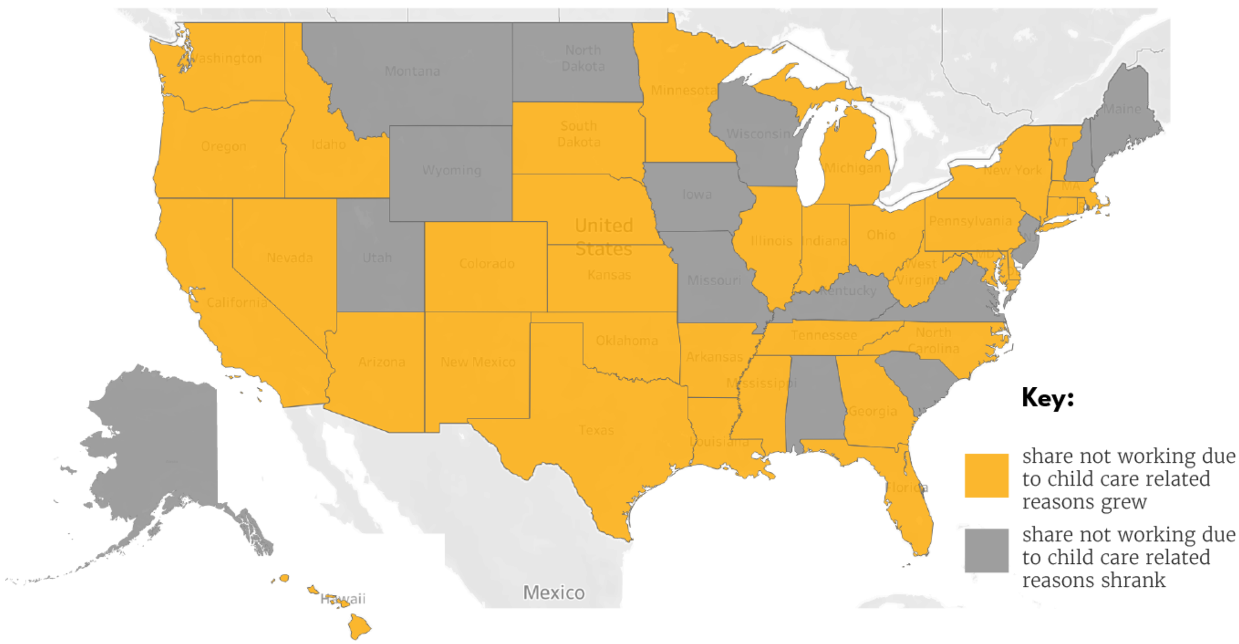
Child care business owners are struggling too: half of minority owned child care centers are certain they will have to close permanently without additional financial assistance. [12] According to a December survey, one-in-four child care centers and one-in-three child care homes will have to close permanently if enrollment remains at current levels. [13] Pandemic-related lock downs and prolonged work from home policies are causing loss of child care capacity: some estimates found that the Coronavirus pandemic could cut America's child care capacity in half permanently through widespread business closure. [14] As of December, 56% of child care centers reported losing money every day they remain open. [15] The loss of child care infrastructure portends widespread struggle in the industry for years to come. As child care centers close, vulnerable workers lose jobs, families lose access to an essential work support, and already sky-high prices rise again. The vicious cycle of economic pain continues to spiral.

The Result

Because of these problems, child care is now increasingly sidelining working parents in a majority of states. **Specifically, in 35 states, lack of child care has driven 1.2 million people from the workplace, a 36% increase on average from late April.** Lack of child care is now the #3 most reported reason for not working, after pandemic related layoffs and furloughs due to reduced business.

Thirty-Five States Experiencing Growing Share of Child Care Related Dropouts

These states added 1.2 million dropouts, a 36% average growth rate, between April and December 2020



Source: Third Way calculations based on Census Pulse Household survey data (Week 1 – Week 21).

The labor market and domestic economy currently exist at the mercy of the raging Coronavirus pandemic. As we near the year mark of the onset of the crisis, we're continuing to see prolonged labor market absences for many reasons: sickness, furlough, elder care, and increasingly, child care.

Not Working due to Child Care Steadily Rising as Pandemic Progresses

Rank	Week 1	Week 21
1	My employment closed temporaily due to the coronavirus pandemic	I was/am laid off due to coronavirus pandemic
2	My employer experienced a reduction in business (including furlough) due to coronavirus pandemic	My employer experienced a reduction in business (including furlough) due to coronavirus pandemic
3	I was/am laid off due to coronavirus pandemic	I did not work because I am/was caring for children not in school or daycare
4	I am/was sick (not coronavirus related) or disabled	I am/was sick (not coronavirus related) or disabled
5	I did not work because I am/was caring for children not in school or daycare	I was sick with coronavirus symptoms

Source: Third Way calculations based on Census Pulse Household survey data (Week 1 – Week 21)

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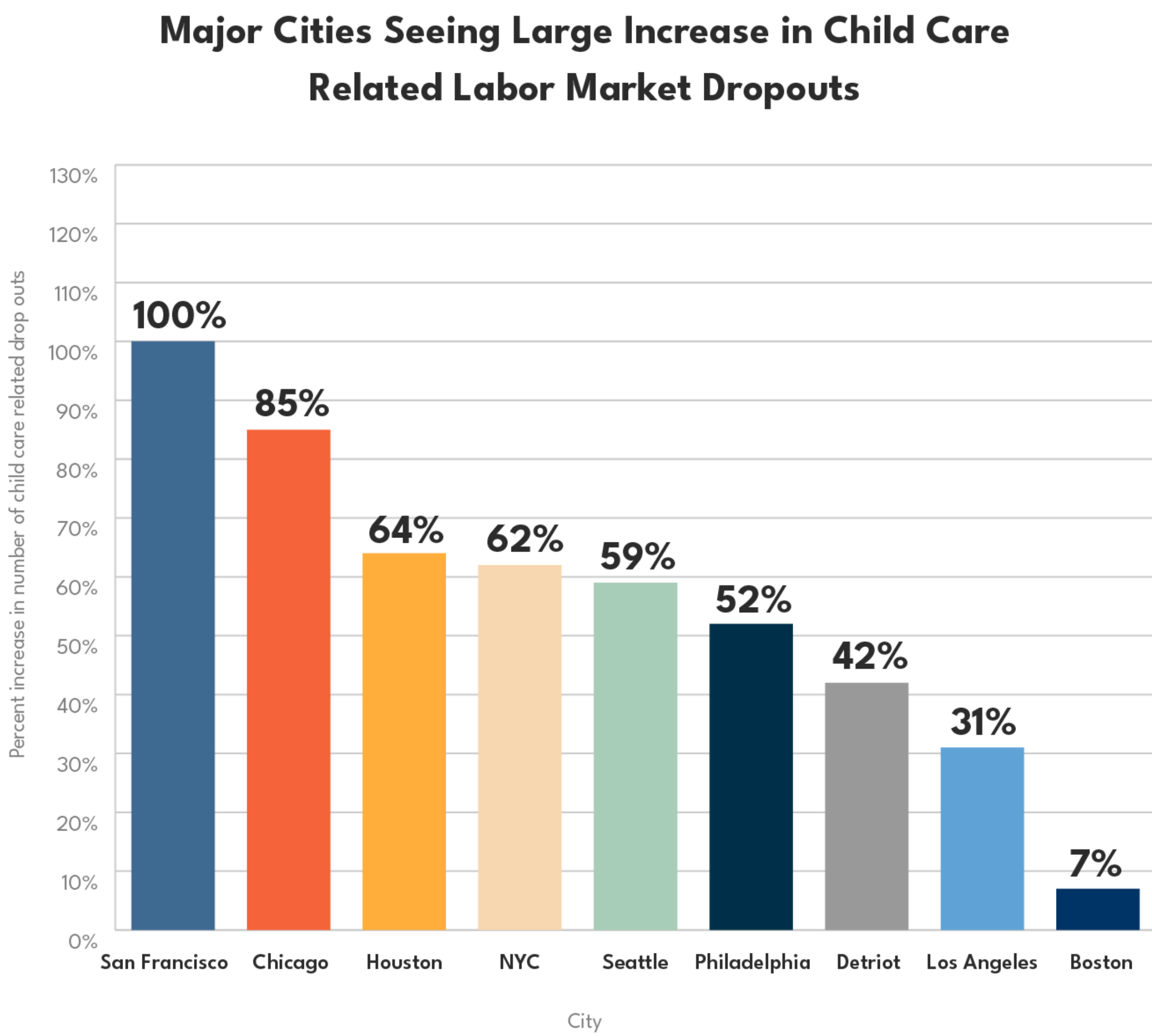
This reveals a startling truth: the crumbling child care industry is increasingly holding back economic recovery across the country. The Census Pulse Household data suggests that in late April, most labor market dropouts were a direct result of pandemic: pandemic related business closures, furloughs, and layoffs. By late December, not working to care for a child not in daycare or school rose to the #3 cause of labor market dropouts. This suggests the already fragile child care industry could pose a significant threat to labor market recovery, even as the pandemic abates later this year.

Unfortunately, this trend also appears to be holding across major American cities. Since late April, San Francisco saw almost 50,000 more workers drop out of the labor force to perform child care, a 100% increase in only seven months. New York City had almost 240,000 child care related dropouts, and Houston had almost 110,000.



Source: Third Way calculations based on Census Pulse Household survey data (Week 1 – Week 21).

To be sure, some of these challenges related to child care during this pandemic are a result of the widespread closures of in-person K-12 schools. It is difficult to disentangle the labor market impacts of K12 closures from the labor market impacts of child care closures. However, K12 benefits from public funding, meaning widespread closures don't threaten to permanently shutter entire schools. The same cannot be said of child care centers.

The Solution

We know the continued pandemic is hurting the economy and keeping families out of work. But it's also clear that our failure to support access to child care is uniquely hurting the labor force too. Congress can't pass a bill to end the pandemic, but it can shore up the child care industry and help workers reenter the work force.

The CARES Act in March and the December 2020 COVID-relief deal provided a band aid for child care. The $2.2 trillion CARES Act aided child care primarily in two ways: providing a $3.5 billion for the Child Care Development Block Grant (CCDBG) and through the Paycheck Protection Program (PPP). [16] Unfortunately, surveys found only half of child care centers applied for PPP loans, with only one quarter of the child care market actually receiving the loans. [17] The December 2020 COVID relief bill provided an additional $10 billion to the CCDBG to help shore up the industry. [18] The Biden Administration's $1.9 trillion stimulus plan includes $25 billion for an emergency stabilization fund, an additional $15 billion for the CCDBG, and an expansion of the child care tax credit. These measures could help the industry weather this current crisis, but to tackle our nation's shortfalls in child care, we will need additional, longer-term support.

Luckily, there is already a promising solution moving through Congress. The House-passed Child Care for Working Families Act, championed by Congressman Bobby Scott and Senator Patty Murray, is a great structure to invest and protect child care and would help the industry weather the current crisis and correct issues present long before the pandemic. The Scott/Murray bill addresses several of the more troubling aspects of the current child care crisis: out of pocket costs for working and middle class families, insufficient industry wages, availability in "child care deserts", and inequitable access.

First and foremost, the bill combats rampant unaffordability by capping costs for families who need it most. Low-income and working-class families, those making up to 150% of state median income, won't have to pay more than 7% of their income on child care. Families making 75% of state median income will pay nothing.

In areas where child care is especially scarce, most often in communities of color, the bill supports universal access to pre-school by creating a 90% federal match for state improved access in underserved areas. [19] Infant care, a particularly expensive and scarce child care service, will also receive an increased federal match rate. This will more than double the number of infants eligible for federal child care assistance.

On the industry side, the bill promises many benefits for underpaid workers and struggling small businesses. The bill prioritizes quality improvements by boosting child care worker wages and would provide an estimated $26,000-$33,000/year increase for full time childcare center workers. By focusing on boosting industry wages, the bill helps increase child care supply by creating 700,000 new child care jobs across the country. [20]

Since child care provides essential labor market supports, cutting costs and increasing supply through the Child Care for Working Families Act could create 2.3 million new jobs both by improving labor market conditions for employed parents and opening new positions in the childcare and early education sector. [21]

Congress would be wise to enact this legislation because investment in child care promises a huge bang for its buck. Research continually finds that spending on child care and early education packs an incredible return: for every $1 spent there is roughly $8.60 in realized benefits to society, mostly through improved lifetime earnings. [22]

Conclusion

The child care industry deserved special attention before the pandemic and certainly needs it now. Our research shows that loss of child care is a persistent problem in most states, weakening the recovery from the Coronavirus recession. Without additional federal focus on the child care sector, more families and child care centers are likely to struggle in 2021 and beyond. The Child Care for Working Families Act addresses the most pressing problems with child care in America and should be strongly considered to help right the ship in 2021.

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