

Want to Grow Colorado's Economy? Fix the Child Care Crisis

Workers and employers feel pain in pocketbooks and productivity due to lack of high-quality infant-toddler care



Acknowledgements

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\$2.2 billion Colorado's annual loss due to the infant-toddler child care crisis

Summary

For Colorado, inadequate infant-toddler child care imposes substantial and long-lasting consequences; its effects are felt by parents, businesses, and the state's taxpayers. Talk to most working parents of an infant or toddler, and you're likely to hear how difficult it is to find child care they trust that's accessible, affordable and truly beneficial to their child's development during one of the most crucial periods of life. Talk to their bosses, and you're likely to hear about a productivity and performance impact that will only worsen as gaps in Colorado's child care system persist.

The top-line findings of a new study examining the economic impacts of gaps in Colorado's child care system on working parents, employers, and taxpayers describe the consequences. The verdict: an annual economic cost of \$2.2 billion in lost earnings, productivity, and revenue.

We asked parents to report on how infant and toddler child care challenges impact: time and effort at work, productivity and work performance, and career pathways. Challenges affect both employers and employees:

- 79 percent of Colorado parents surveyed report at least one adverse impact on their efforts or time commitment at work due to child care problems. Impacts include being late for work, leaving work early, missing a day of work, being distracted at work.
- Almost half said their workplace productivity was impaired due to child care challenges.
- 69 percent report diminished career prospects in at least one dimension.

The predictable impact:

One quarter say they've been reprimanded and 16 percent have been fired. Meanwhile, productivity problems cause Colorado

“ The child care crisis poses significant challenges in Colorado, especially in our rural communities. The result is a major drain on our economy and we must put our heads together and address this problem.”

Cathy Shull
Executive Director, Pro 15

employers to lose \$680 million annually due to child care challenges faced by their workforce.

The stakes are enormously high for the vast majority of Colorado families, who depend on parents' employment. The stakes are high as well for infants and toddlers, who depend on nurturing, stimulating environments both at home and in care for healthy brain development during the first three years of life. Colorado employers also have a stake: Given a historically low unemployment rate (2.5 percent)¹, employers are struggling to retain and attract qualified workers. Action,

innovation, and investment in the supply of infant and toddler child care now will improve life outcomes for millions of children today and strengthen the Colorado workforce and economy both now and in the years to come.

The good news is that Colorado recently conducted a rigorous stakeholder engagement process to address the decline in licensed infant care and family child care homes and to identify the best steps toward increasing the supply of both. Now that we know the immediate and long term impacts identified in the Colorado Infant and Family Child Care Action Plan², steps can be taken to mitigate those challenges.

Most parents of infants and toddlers are in the workforce and need child care

The majority of parents with very young children are now in the workforce; this is true of both single and married parents.³ Across Colorado, there are more than 200,000 working parents with children under age three.

When parents work, children, including infants and toddlers, require consistent and responsive child care.⁴ Our study revealed that 24 percent of Colorado families with infants and toddlers rely on formal center-based care; 28 percent use family child care homes, have informal child care, or patch together multiple arrangements (relying on family members, informal care, and center-based care in combination) and nine percent have a nanny. About 39 percent of respondents do not rely on any child care, with only parents providing care. Most parents need child care so they can go to work, be productive, build successful careers, and support their families.

The current child care system does not meet the needs of Colorado families or employers

Several interrelated challenges render the child care system less than optimal for children, families, and businesses:

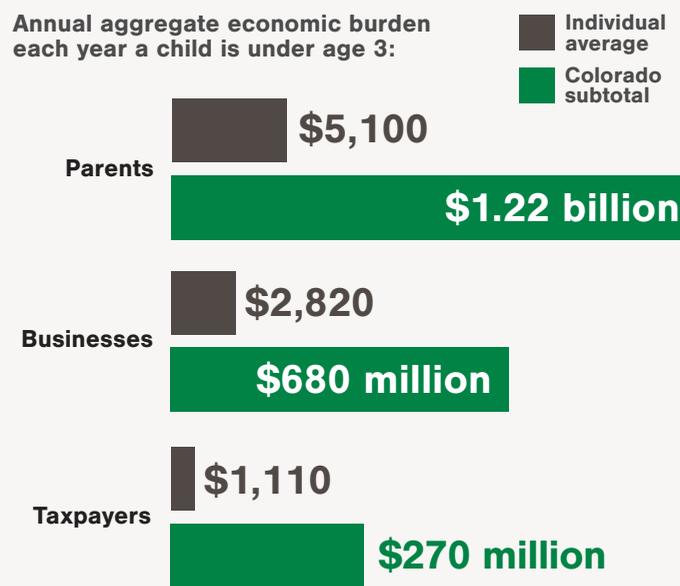
- 1. Access:** In Colorado, 51 percent of all residents live in a child care desert, defined as an area where there are more than three times as many children as licensed child care slots.⁵ Typically, availability is especially limited for families who have infants and toddlers, work evening and night shifts, or live in rural areas.⁶ For example, in rural areas, the percentage of residents who live in child care deserts is higher, at 53 percent. Between 2010 and 2018, the number of licensed child care slots in Colorado for infants fell by about 11 percent, while the population of infants did not change.⁷ This drop in capacity was due mainly to a decrease in family child care homes.
- 2. Affordability:** Child care is deemed affordable when the cost does not exceed seven percent of a family’s income.⁸ The average infant child care cost of \$15,600 per year represents 31 percent of the average income (\$50,960) reported by parents in our study. Infant care costs nearly \$4,500 more per year than public college tuition (\$11,140) in Colorado. The cost of infant care is out of reach for many families, especially those with low incomes.⁹
- 3. Quality:** When looking only at programs that serve infants and toddlers, about 24 percent are rated high-quality, slightly lower than the overall rate of 25 percent for all child care and preschool programs.¹⁰ Among the shortcomings in quality are high rates of provider turnover, resulting in a lack of stable, consistent caregiving for young children.

Insufficient child care negatively impacts Colorado parents, employers, and taxpayers

When families do not have the child care they need, parents’ work productivity falls, resulting in costs to parents, their employers, and ultimately, taxpayers. ReadyNation, working in partnership with the Infant Toddler Child Care Task Force under Raise Colorado, commissioned a survey of working parents of children under age three in Colorado. The survey yielded a representative sample of 451 parents of children under age three (the original target sample was 300; the excellent response rate yielded a higher number). The sample is primarily mothers

The economic impacts of insufficient child care on Colorado parents, employers, and taxpayers

Insufficient care for children under the age of 3 costs individuals, businesses, and our entire state billions of dollars each year



(72 percent). The survey provided evidence of the various ways in which parents' work commitments, performance, and opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modeled how the Colorado economy is affected by child care problems.¹¹

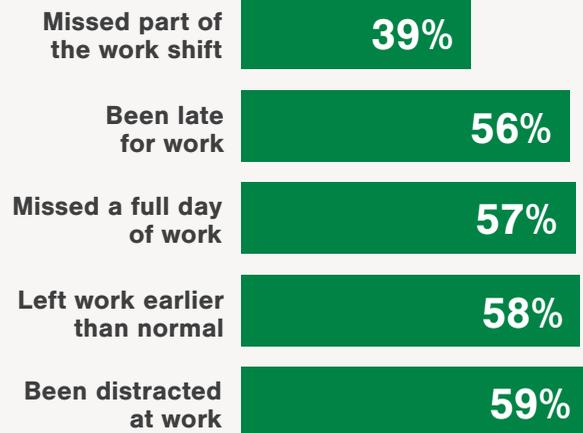
The impact of insufficient child care on parents in Colorado

The survey results provide a window on how the above economic impacts occur. Parents were asked how child care problems affected their work. They reported that these problems affected their time at work and their work productivity, as well as diminishing their career opportunities.

- Less time at work and being distracted:** Problems with child care significantly reduce how much time parents can spend at work. Parents lose an average of 2.5 hours per week of work time, with nearly 60 percent of parents reporting being distracted at work, leaving work early, missing days of work, and being late for work.
- Losing out on training and getting in trouble, even fired:** Child care problems decreased parents' productivity at work, undermining their job stability. Almost one-third of the parents reported problems participating in education and training that would improve their productivity. About one-quarter reported being reprimanded by their supervisor or having their pay reduced. Most seriously, 16 percent of parents reported being fired due to challenges with access to child care.
- Diminished career opportunities:** Problems with child care impacted parents' long-term career prospects. Around 40 percent had to turn down further education or training, reduce their work hours, or turn down a job. Almost

Time and effort at work

As a result of child care problems have you ever:



Productivity and performance at work

As a result of child care problems have you ever:



one-third went from full-time to part-time work. More than one-quarter reported rejecting a promotion or having to quit a job due to insufficient child care.

In sum, for parents, the primary short-term result of insufficient child care is reduced

income, due to less time at work. Workers with young children also have to look harder and more frequently for new job opportunities. These issues add up over time: with less training and less experience, these parents face narrower career prospects, reducing their future earning potential. And less parent income, along with parental stress, can have harmful short- and long-term impacts on children.

The impact of insufficient child care on Colorado employers

For employers, insufficient child care results in reductions in revenue and increased hiring costs. A workforce with lower productivity and shorter tenure has major economic consequences. If an employer’s workforce keeps changing, worker morale may fall, product quality may diminish, and clients may be lost. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience. Productivity problems cause Colorado employers to lose \$680 million annually due to child care challenges faced by their workforce.

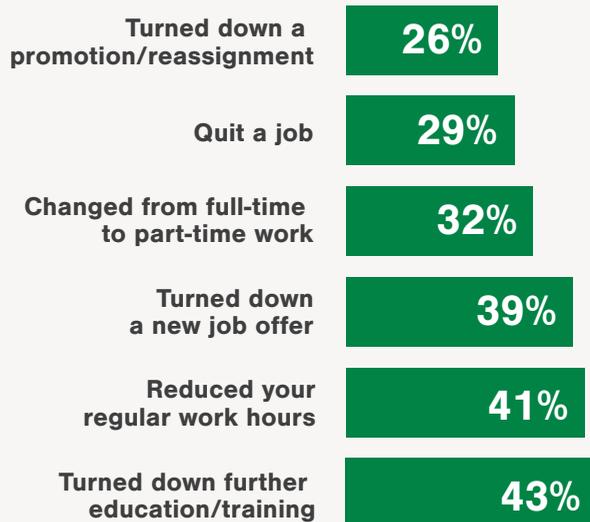
The impact of insufficient child care on Colorado taxpayers

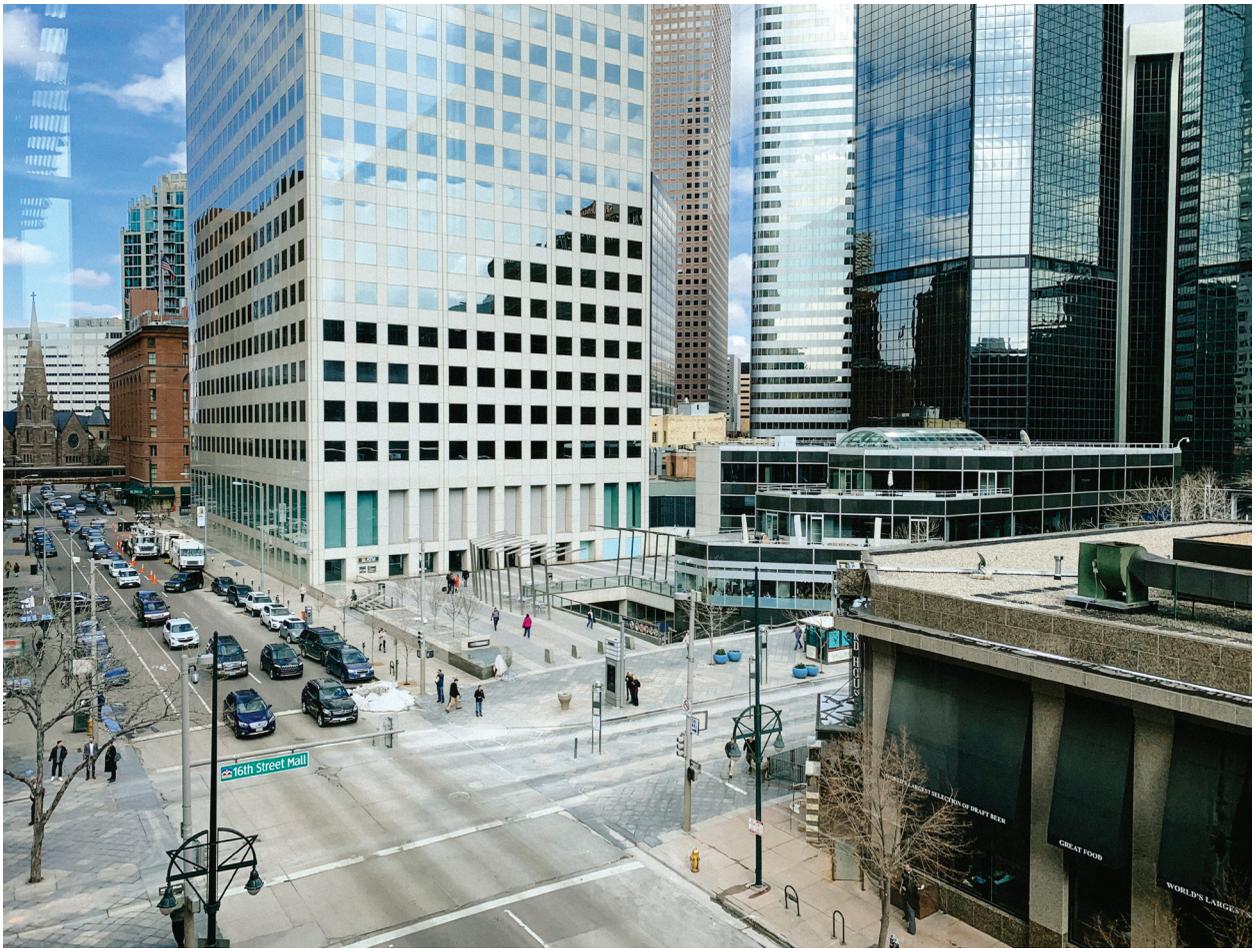
The economic impact of child care problems on parents and employers subsequently causes lower tax revenues. When parents earn less, they pay less in both state and federal income taxes. Further, with lower incomes parents purchase fewer goods, leading to reduced revenue in state consumption/ sales taxes. Of the \$1,110 lost per working parent in tax revenue due to child care challenges, \$420 (38 percent) is lost at the state level. These effects are also long-term, due to parents’ decreased earning potential.



Career pathways

As a result of child care problems have you ever:





How child care problems adversely affect Colorado's economy

Individual Parents	Businesses	Taxpayers
<p>Lost earnings now from lower productivity and less work experience</p> <p>Extra costs of job search for alternative work and child care arrangements</p> <p>Lost earnings in the future from lower productivity, less work experience, and lower skills upgrading</p>	<p>Lost revenues now from lower output</p> <p>Extra costs to rehire quits and cover absenteeism</p> <p>Extra costs to manage disrupted workers</p> <p>Lost revenues in the future from lower output</p>	<p>Lost tax revenue now from lower GDP</p> <p>Lost sales and consumption tax revenue</p> <p>Lost tax revenue in the future</p>

Child care is a significant “industry” in Colorado

Child care represents an impressive business sector in its own right—intertwined with and helping to support work in other industries throughout the state.



4,300+
licensed child care programs

(3,800 family child care homes and 500 centers)



22,500
people employed

(not including 10,000 additional jobs supported in other sectors)



\$640 million
in industry revenue

A boon to the greater economy

The state and local economies in Colorado realize \$2.25 in spending for every dollar invested in child care. Child care as an industry generates at least as much economic activity as investments in most other economic sectors, including manufacturing, construction, and transportation.

Source: Early Milestones Colorado
https://earlymilestones.org/wp-content/uploads/2017/08/full_report_bearing_the_cost_2017.pdf



“The shortage of affordable, high-quality child care in our state is creating major problems for families and businesses alike. If we want to strengthen and continue to grow our economy, we need solutions to fix our child care challenges of today.”

Kevin Hougen
President & CEO,
Aurora Chamber of Commerce

Conclusion

Colorado parents, particularly those with infants and toddlers, often have difficulty finding affordable, high-quality child care so they can build successful careers. The practical and economic consequences of insufficient infant-toddler care are enormous, impacting parents, employers, and taxpayers, to a total of \$2.17 billion in annual costs to our state.

The business leaders of ReadyNation and the Raise Colorado Coalition call on federal, state, and local policymakers to support families' access to affordable, high-quality infant and toddler care. The federal government supports families' need for child care through direct funding (i.e. the Child Care and Development Block Grant), as well as through the tax code. State and local governments can support child care access and quality through efforts such as removing regulatory inconsistencies in order to build supply. The recent (2019) Colorado Infant and Family Child Care Action Plan identified inconsistencies among state and local regulatory authorities as a barrier to the supply of family child care homes.¹² Policymakers can also help by investing in strategies to address the shortage of qualified educators in the child care workforce. Among the most fundamental aspects of high-quality child care are highly-qualified teachers: well-trained (both before and during their service) and well-compensated. Businesses play a role as well, through innovative measures like on-site child care, funding that empowers employees to access the child care of their choosing, funding or other operational supports for child care providers, and advocating for sound child care policies and professional development. Policymakers at every level of government can ensure that all early childhood policy reflects the true cost of quality child care, and intentionally considers infants and toddlers and their families and caregivers.

Effective, well-funded policy initiatives that consider infant, toddler, and family child care, as well as continuing innovations at the federal, state, and local levels, will yield a child care system that will support a more productive Colorado workforce and economy, both now and in the future.

Endnotes

- 1** Colorado Department of Labor and Employment (2020, January 24). Colorado employment situation-December 2019. <https://www.colorado.gov/pacific/cdle/news/colorado-employment-situation-december-2019>
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- 11** For information on the methodology of the survey and the economic model, please see the technical report: Belfield, C.R. (2020, January). The economic consequences of insufficient child care for working families in Colorado. strongnation.org/COchildcare
- 12** Colorado Senate Bill 19-063. Infant and family child care action plan. https://dcfs.my.salesforce.com/sfc/p/#410000012srR/a/4N000000A6WR/qNFIZPD3DWYN96e1SKtg0OEz8B1__CUvUu3euXaKaFE

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