

# Want to Grow New York's Economy? Fix the Child Care Crisis

Impact of child care challenges felt by families, employers,  
and taxpayers



## Acknowledgements

**Council for a Strong America** is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be successful, productive members of society.

### **ReadyNation | Business. Kids. Workforce.**

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**59%**  
**of mothers of infants  
and toddlers in New  
York work outside  
the home.**

## Summary

New York's working parents know how difficult it is to find child care that's accessible, affordable, and high-quality. This problem is particularly acute for parents of very young children, as infant and toddler care is typically the least available and most expensive. Further, children under age three are experiencing one of the most crucial periods of brain development. New York employers know the economic impact of these child care challenges, that will only worsen as the child care crisis continues.

A new national study examining the economic impacts of the nation's infant-toddler child care crisis on working parents, employers, and taxpayers describes the consequences: **an annual cost of \$57 billion** in lost earnings, productivity, and revenue. An overwhelming 86 percent of primary caregivers of infants and toddlers said problems with child care hurt their

efforts or time commitment at work. Meanwhile, productivity problems cause employers to lose \$12.7 billion annually due to child care challenges faced by their workforce.

Nearly one-third of American parents report having difficulty finding affordable, quality child care. In New York, most centers and family child care homes are at capacity for infants and toddlers.

The business leaders of ReadyNation New York are calling on lawmakers to protect and expand programs that enhance the affordability and availability of quality child care—and to foster continuing innovations at the state and local level that address this problem for parents and employers. In particular, policy makers must expand access to high-quality, affordable child care for low-income families with infants and toddlers. Child care must be staffed by highly qualified and well-compensated early childhood educators.

The stakes are enormously high for the many New York families, who depend on parents' employment, as well as for children, who depend on nurturing, stimulating environments for healthy brain development during the first three years of life. Action and innovation now will improve life outcomes for New York children today and strengthen the New York workforce and economy both now and in the years to come.

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

The majority of American parents with very young children are now in the workforce. Of the 14 million American parents with children under the age of three, 11 million—78 percent—are working.<sup>1</sup> In New York there are approximately 703,000 children under age three and 59 percent of mothers of infants and toddlers work outside the home.<sup>2</sup>

With parents working, many children are in child care.<sup>3</sup> Parents need child care so they can go to work, build successful careers, and support their families. To be productive at work, they also need to know that their child care program provides a safe, nurturing environment that supports their child's development and early learning.

### **The current child care system does not meet the needs of New York families or employers**

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

- **Access:** In New York, 64 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.<sup>4</sup> Availability is especially limited for families who have infants and toddlers: A recent poll of New York child care providers found that 70 percent of centers and half of family child care homes are at capacity for infants and toddlers.<sup>5</sup> About 15,600 infants and toddlers are currently served in high-quality child care, in programs rated 3 stars or higher by QUALITYstarsNY.<sup>6</sup>

- **Affordability:** Infant care in a center in New York averages \$15,028 per year, substantially more than the \$8,190 cost for public college tuition.<sup>7</sup> This high cost makes child care unaffordable for many families, particularly those with low incomes.
- **Quality:** Only about five to six percent of child care programs, overall, participate in QUALITYstarsNY, the state's quality rating and improvement system (the number of centers participating is about 12 percent).<sup>8</sup> Thus the quality of infant /toddler care in New York is still largely unknown.

### **The economic impacts of insufficient child care on 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 commissioned a national survey of working parents of children under age three. This survey is one of very few national surveys covering this group. The survey yielded a nationally representative sample of 812 parents—both mothers and fathers—of children under age three. It 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 modelled how the economy is affected by child care problems.<sup>9</sup>

Overall, the costs of insufficient child care are immense. Each year a child is under age three without sufficient child care:

- **Families lose an average of \$3,350 per working parent**, in lost earnings and in more time looking for work. Across the 11 million parents of children under age three, this burden is **\$37 billion** per year.
- **Businesses lose an average of \$1,150 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on business is **\$13 billion**.
- **Taxpayers lose an average of \$630 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to **\$7 billion** each year.

These costs total to an annual cost of \$57 billion in lost earnings, productivity, and revenue nationwide. New York represents roughly eight percent of the nation's Gross Domestic Product and about six percent of the nation's total population. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to **\$4.56 billion in annual costs for New York**.

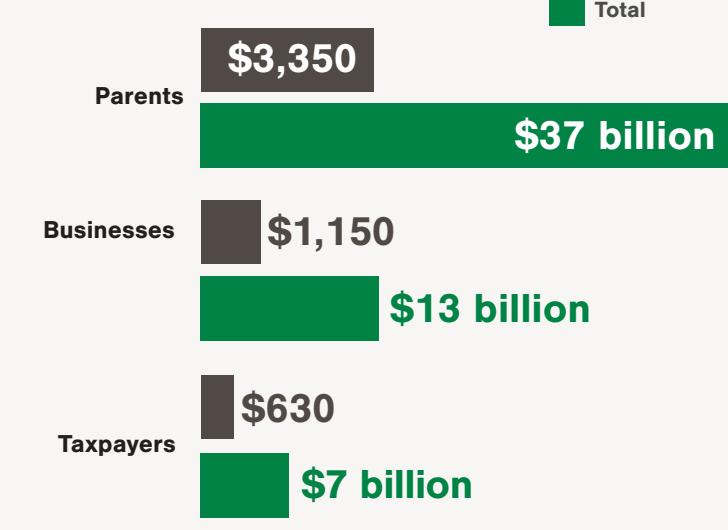
### The impact of insufficient child care on parents

The survey results provide a window on how the economic impacts occur. Parents were asked how child care problems affected their work. They reported spending less time at work--an average of two hours per week lost--by arriving late, leaving early, missing days, or being distracted. In turn, less time at work can lead to reduced income. Child care problems also decreased parents'

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

Insufficient care for children under the age of three costs individuals, businesses, and the country billions of dollars each year.

Annual aggregate economic burden each year a child is under age three:



productivity at work, undermining their job stability. One quarter of the parents reported problems participating in education and training that would improve their productivity. Most seriously, eight percent of parents reported being fired due to child care problems. Further, problems with child care impacted parents' long-term career prospects. Sixteen percent reported rejecting a promotion, while 15 percent went from full-time to part-time work. An additional 13 percent had quit a job due to insufficient child care. Narrower career prospects reduce parents' 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 taxpayers

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues. The main impact is on federal income tax revenues, although state income tax and sales tax revenues can also be affected. These effects are also long-term, due to parents' decreased earning potential.

## Policymakers should promote access to affordable, high-quality infant and toddler care

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 child care are enormous, impacting parents, employers, and taxpayers.

In 2019, as a result of increased Child Care and Development Block Grant (CCDBG) funding, New York more than doubled the number of Infant Toddler Specialists working to increase the quality of child care across the state. The business leaders of ReadyNation New York call on policymakers to make a new commitment to expanding access to high-quality, affordable child care for our state's infants and toddlers. We must support all center and family child care providers to keep their doors open, while recruiting and retaining a highly qualified and well-compensated workforce. Effective, well-funded policy initiatives, as well as continuing innovations at the state and local levels, will yield a child care system that will support a more productive workforce and economy for New York, both now and in the future.

## The impact of insufficient child care on 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.

## **Endnotes**

- 1** U. S. Census Bureau (2018). Annual Social and Economic Supplement (ASEC) of the Current Population Survey.
- 2** Zero to Three (2019). The state of New York's babies. [https://stateofbabies.org/data/#/New\\_York](https://stateofbabies.org/data/#/New_York)
- 3** Child Trends (2016, May). DataBank: Child care. [http://www.childtrends.org/wp-content/uploads/2016/05/21\\_Child\\_Care.pdf](http://www.childtrends.org/wp-content/uploads/2016/05/21_Child_Care.pdf)
- 4** Malik, R., Hamm, K., Schochet, L., et al. (2018, December 6). America's child care deserts in 2018. <https://www.americanprogress.org/issues/early-childhood/reports/2018/12/06/461643/americas-child-care-deserts-2018/>
- 5** Raising New York (2019, December). The capacity crisis. <https://raisingnewyork.org/the-capacity-crisis/>
- 6** Data as of April, 2019, provided by Ed Trust NY on January 16, 2020.
- 7** Child Care Aware (2019). The US and the high price of child care. <https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/>
- 8** Data provided by Sherry Cleary, Executive Director, New York City Early Childhood Professional Development Institute (2020, January 28).
- 9** For details on the survey and economic analyses, see the accompanying technical report at: <https://strongnation.s3.amazonaws.com/documents/522/3c5cdb46-eda2-4723-9e8e-f2051cc9f0f.pdf?1542205790>

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