READY NATION
COUNCIL FOR A STRONG AMERICA
CALIFORNIA

REPORT

The Growing, Annual Cost of the Infant-Toddler Child Care Crisis in California

Impact on families, businesses, and taxpayers could cost the state $17 billion each year



Acknowledgements

Council for a Strong America is a national, bipartisan nonprofit that unites membership organizations, including law enforcement leaders, retired admirals and generals, and business executives, that promote solutions ensuring that our next generation of Americans will be successful, productive members of society.

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$17 billion

California's estimated annual cost for the infant-toddler child care crisis

Summary

California'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 3 are experiencing one of the most crucial periods of brain development. California employers know the economic impact of these child care challenges, that will only worsen as the child care crisis continues.

ReadyNation's new national study found that America's infant-toddler child care crisis now costs the nation $122 billion in lost earnings, productivity, and revenue every year.[1] This staggering economic toll impacts working parents, their employers, and the nation's taxpayers. Our 2018 study found that the crisis was already severely damaging the pre-pandemic economy, exacting a cost of $57 billion annually. A combination of COVID-19 and insufficient policy action have now significantly worsened the crisis.

California's Gross Domestic Product (GDP) represents roughly 14 percent of the nation's GDP. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to an estimated $17 billion in annual costs for California.

Beyond its impact on the workforce and economy today, the infant-toddler child care crisis damages the future workforce by depriving children of nurturing, stimulating environments that support healthy brain development while their parents work.

As our data shows, a failure to strengthen the fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers. State and federal policymakers must support evidence-based policies and programs that enhance the availability, affordability, and quality of child care, particularly for infants and toddlers. This includes supporting the child care workforce and the families they serve. With wise investments, policymakers can improve life outcomes for thousands of California children today and strengthen the workforce and economy both now and in the years to come.



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. In California there are approximately 1.3 million children under age 3, and 57 percent of these young children have mothers who are in the workforce.[2]

Parents need child care so that they can work and build successful careers to 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 during a critical period of brain development.

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

Interrelated challenges combine to build a child care crisis for children, families, and businesses:

- **Access:** Even prior to the pandemic, more than half (60 percent) of Californians lived in a child care "desert," where there are more than three children under age 5 for each licensed child care slot.[3] Availability is especially limited for families who have infants and toddlers, have low incomes, work non-traditional hours, or live in rural areas.[4]
- **Affordability:** Infant care in a center in California averages more than $18,048 per year.[5] This cost represents 15

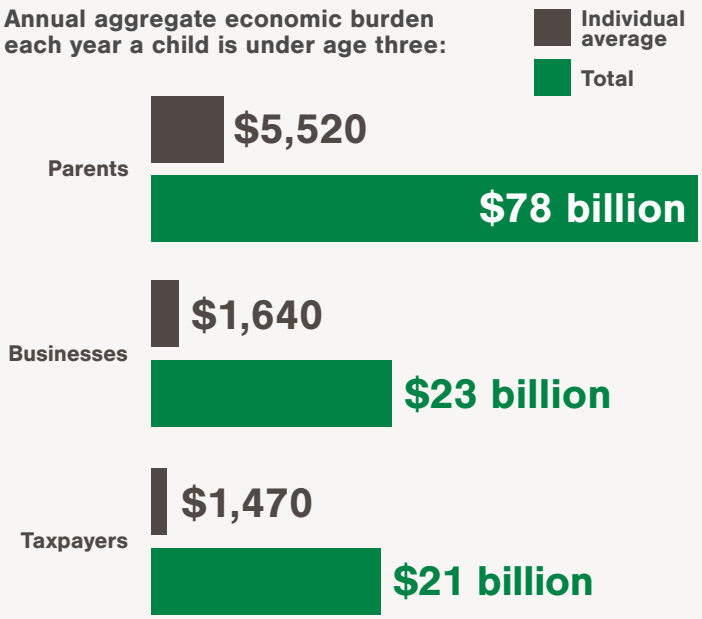
percent of the median annual income of a married-couple family in California, while seven percent is considered affordable. This high cost makes child care unaffordable for many families, particularly those with low incomes.

California has several programs to help make child care more affordable for parents with low incomes, including CalWORKS child care, California Alternative Payment Program (CAPP), and Title 5 subsidized child care.[6] However, the demand for child care exceeds the supply and many eligible children are not served. For example, in 2022, only 14 percent of infants and toddlers eligible for subsidized child care actually received services.[7]

- **Quality:** California has a voluntary quality rating and improvement system (QRIS), Quality Counts California (QCC), that helps providers improve the quality of child care.[8] In 2020-21, more than 8,500 sites participated in QCC.[9] However, with over 10,000 child care centers and over 25,000 child care homes,[10] the 8,500 participating sites represent only a small fraction. Thus, the quality of care many children receive is largely unknown.
- **Workforce:** Despite the high cost of care to families, child care educators are poorly compensated, with annual mean wages in California of $37,430, compared to $48,410 for preschool teachers, and $94,310 for kindergarten teachers.[11] Low wages contribute to teacher turnover and staffing shortages,[12] further reducing availability of care, creating instability for child care programs, parents, and children, and impacting the quality of care. The financial situation for California educators who accept child care subsidies can be particularly precarious because reimbursement is not given until after the care is provided, oftentimes up to a month later.

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

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



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. In December 2022, ReadyNation commissioned a national survey of working parents of children under age 3, repeating a survey previously conducted in 2018.[13] The 2022 survey yielded a nationally representative sample of 806 parents—both mothers (55 percent) and fathers (45 percent)—of children under age 3.



Almost three-quarters of working parents surveyed reported that access to child care is a challenge. And more than half said it is a significant challenge to find child care that is either affordable or high quality.

The survey provided evidence of the various ways in which parents' time and effort at work, productivity, and career opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modeled how child care problems affect the economy.[14]

Overall, the costs of insufficient child care are immense. Each year a child is under age 3 without sufficient child care:

- **Families lose an average of $5,520 per working parent** in lost earnings and in more time looking for work. Across the 14.1 million parents of children under age 3, this burden is **$78 billion** per year.
- **Businesses lose an average of $1,640 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on business is **$23 billion**.
- **Taxpayers lose an average of $1,470 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to **$21 billion** each year.

These losses experienced by families, businesses, and taxpayers nationwide sum to a total cost of $122 billion each year due to the infant-toddler child care crisis. California's Gross Domestic Product (GDP) represents roughly 14 percent of the nation's GDP. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to an estimated $17 billion in annual costs for California.

The impact of insufficient child care on families

The survey results provide a window on how the economic impacts occur. Parents were asked how child care problems affected their work. Child care problems decreased parents' effort and productivity at work, undermining their job stability. Parents reported spending less time at work, which can lead to reduced incomes. A significant number of parents reported employment disruptions, including one-quarter who reported quitting a job or having been fired or let go due to child care challenges. Further, problems with child care impacted parents' long-term career prospects: one-third or more reported having to turn down job offers or further education and training. 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.

Comparing our 2022 results to those obtained in our 2018 survey, percentages of parents reporting each negative impact of insufficient child care are higher in 2022, for virtually all impacts, with some substantially higher. For example, parents reported that the infant-toddler child care crisis had caused them to be fired/ let go or to have pay or hours reduced nearly three times more often in 2022 than in 2018. The crisis caused parents to be demoted or transferred to a less desirable job, or change from full-time to part-time work, more than twice as often. Rates of parents reporting quitting a job due to child care problems doubled. Overall, disruptions to parents' work lives due to child care challenges are much worse and more widespread now, compared with 2018. These findings suggest that a combination of COVID-19 and insufficient policy action have significantly worsened the infant-toddler child care crisis.

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 can fall, product quality can diminish, and clients can 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.

The impact of insufficient child care on taxpayers

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues, increasing pressure on all taxpayers. Lower parental earnings impact federal income tax revenues, while state and local tax revenues are impacted by lower parental earnings and families' decreased consumption of taxed goods. These effects are also long-term, due to parents' decreased earning potential.

California 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 infant-toddler child care are enormous, impacting parents, employers, and taxpayers. Losses total $122 billion every year, more than double the $57 billion found in 2018. As our data shows, a failure to strengthen the country's fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers.

The business leaders of ReadyNation California call on state policymakers to support evidence-based policies and programs that enhance the availability, affordability, and quality of child care, particularly for infants and toddlers. One example is reimbursing child care businesses based on a model that more accurately captures the true cost of care. With wise investments, policymakers can improve life outcomes for thousands of California children today and strengthen the workforce and economy both now and in the years to come.

Endnotes

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13 ReadyNation (2019). Want to grow the economy? Fix the child care crisis. https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis

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