



# Want to Grow the Economy? Fix the Child Care Crisis

Workers and employers feel pain in pocketbooks and productivity

## 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 citizen-ready.

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

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

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A photograph of a man in a dark suit and tie leaning over a baby in a car seat. The baby is wearing a pink shirt and has a pacifier. The man is looking at the baby with a gentle expression. The background is slightly blurred, showing the interior of a car.

# **\$57 billion** the annual cost of the US child care crisis

Talk to most working parents of an infant or toddler, and you're likely to hear how difficult it is to find child care 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 an economic impact that will only worsen as the nation's child care crisis continues.

**The top-line findings of a new study examining the economic impacts of the nation's child care crisis on working parents, employers, and taxpayers describe the consequences. The verdict: an annual economic cost of \$57 billion in lost earnings, productivity, and revenue.**

Productivity challenges affect both employer and employee. Almost two-thirds of parents facing child care struggles report leaving work early, and more than half report being distracted at or missing full

days of work. An overwhelming 86 percent of primary caregivers said problems with child care hurt their efforts or time commitment at work. The predictable impact: one-in-five say they've been reprimanded, eight percent have been fired, and just over one-in-ten have been demoted, transferred or fired. Meanwhile, productivity problems cause employers to lose \$12.7 billion annually due to child care challenges faced by their workforce.

Representing more than 2,000 of the nation's top business leaders, ReadyNation is 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 federal, state, and local level that address this problem for parents and employers.

The stakes are enormously high for the vast majority of 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 millions of children today and strengthen the 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; this is true of both single and married parents. Of the 14 million parents with children under the age of three, 11 million—78 percent—are working.<sup>1</sup>

As a result of the dramatic increase in maternal employment over the past several decades, many children are in child care.<sup>2</sup> Parents need child care so they can go to work, be productive, and build successful careers.

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

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

- 1. Access:** Nearly one-third of parents (32 percent) report having difficulty finding child care.<sup>3</sup> Availability is especially limited for families who have infants and toddlers, work evening and night shifts, or live in rural areas.<sup>4</sup>
- 2. Affordability:** The average annual cost of center-based child care for infants is more than the average cost of public college tuition and fees in 28 states.<sup>5</sup> This high cost makes child care unaffordable for many families, particularly those with low incomes.

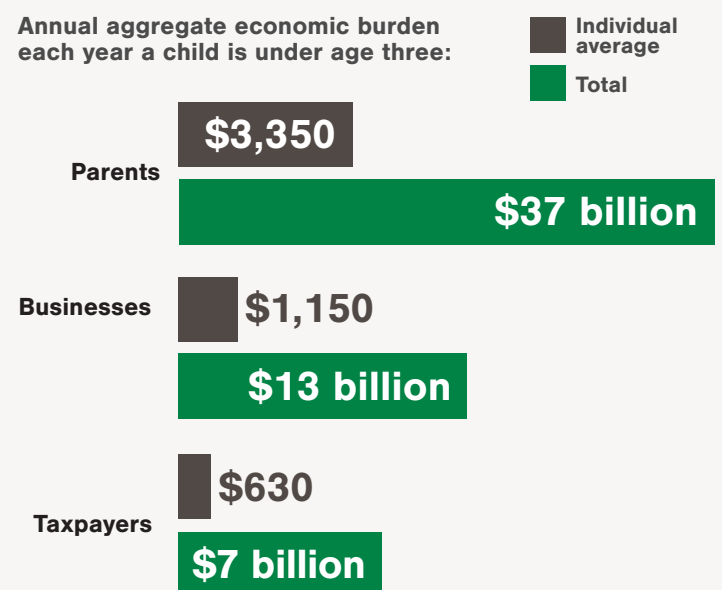
- 3. Quality:** Only 11 percent of child care nationwide is accredited.<sup>6</sup> Among the shortcomings in quality are high rates of provider turnover, resulting in a lack of stable, consistent caregiving for young children.

### Insufficient child care negatively impacts 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

## 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.





**“ 30 percent of respondents reported challenges in finding care that was affordable, high quality, convenient, had open slots, available on an emergency/sick child basis, or available outside Monday-Friday.”**

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>7</sup>

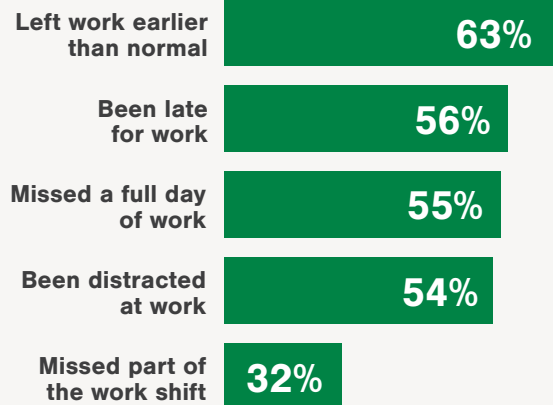
### **The impact of insufficient child care on parents**

The survey results provide a window on how the above economic impacts occur. At least 30 percent of respondents reported challenges in finding care that was affordable, high quality, convenient, had open slots, available on an emergency/sick child basis, or available outside Monday-Friday daytime hours. 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

## **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:



of two hours per week of work time, with almost two-thirds of parents reporting leaving work early, and half reporting being late for work, missing days of work, or being distracted at work.

- Losing out on training and getting in trouble, even fired:** Child care problems decreased parents’ productivity at work, undermining their job stability. One quarter of the parents reported problems participating in education and training that would improve their productivity. Twenty percent reported being reprimanded by their supervisor, and 13 percent had their pay or hours reduced. Most seriously, eight percent of parents reported being fired, and just over one-in-ten parents reported being demoted, transferred, or fired due to child care problems.
- Diminished career opportunities:** Problems with child care impacted parents’ long-term career prospects. One quarter reported having to reduce their work hours, or turn down job offers

or further education and training. 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.

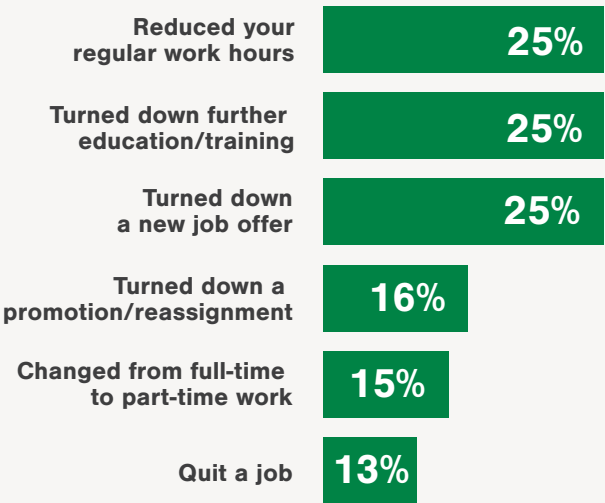
In sum, for parents, the primary short-term result of insufficient child care is reduced income, due to less time at work. Workers with young children also have to look harder and more frequently for new job opportunities. These issues add up over time: with less training and less experience, these parents 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 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

# Career pathways

As a result of child care problems have you ever:



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.

### 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. The business leaders of ReadyNation call on federal, state, and local policymakers to support families' access to affordable, high-quality

## How child care problems adversely affect the economy

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

child 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 support child care quality through efforts such as quality rating systems. Businesses play a role as well, through on-site child care, funding for employees or to child care providers, and advocating for sound child care policies. Effective, well-funded policy initiatives, as well as continuing innovations at the federal, state, and local levels will yield a child care system that will support a more productive workforce and economy, both now and in the future.

### Endnotes

- 1 U. S. Census Bureau (2018). Annual Social and Economic Supplement (ASEC) of the Current Population Survey.
- 2 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)
- 3 Child care and health in America (2016, October). NPR, Robert Wood Johnson Foundation and Harvard T.H. Chan School of Public Health. [http://www.rwjf.org/content/dam/farm/reports/surveys\\_and\\_polls/2016/rwjf432066](http://www.rwjf.org/content/dam/farm/reports/surveys_and_polls/2016/rwjf432066)
- 4 Howe, S. & Oncken, L. (n.d.) The third pillar of care: Availability. New America. <https://www.newamerica.org/in-depth/care-report/third-pillar-care-availability/>
- 5 Child Care Aware (2018). The US and the high cost of child care. <http://usa.childcareaware.org/wp-content/uploads/2018/10/Infographic-2018CostofCare.pdf>
- 6 Schulte, B., & Durana, A. (n.d.) The care report: Overview. <https://www.newamerica.org/in-depth/care-report/introduction/>
- 7 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-f20511cc9f0f.pdf?1542205790>

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