

Want to Strengthen Ohio's Economy? Fix the Child Care Crisis

Impact of infant-toddler 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.

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\$10,000+
**Annual cost of
infant care in a
center in Ohio**

Summary

Ohio'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. Ohio employers know the economic impact of these child care challenges, that will only worsen as the child care crisis continues.

A 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—and about two-thirds of Ohio parents surveyed—report having difficulty finding affordable, quality child care.

The business leaders of ReadyNation Ohio 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, given the COVID-19 crisis, our state legislature needs to support the child care system now, so when Ohioans go back to work, child care is available, accessible, and high quality.

The stakes are enormously high for the many Ohio 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 Ohio children today and strengthen the Ohio 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.¹ In Ohio there are approximately 416,000 children under age three and two-thirds of the mothers of these infants and toddlers work outside the home.²

With parents working, many children are in child care.³ 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 Ohio families or employers

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

- **Access:** About two-thirds of Ohio parents surveyed reported that finding affordable, quality child care is a problem in their area.⁴ Ohio has a particularly serious problem with infant-toddler child care “deserts,” with more than four children under age three for each licensed child care slot.⁵
- **Affordability:** Infant care in a center in Ohio averages \$10,009 per year, about the same as public college tuition (\$10,790).⁶ This high cost makes child care unaffordable for many families, particularly those with low incomes. Ohio is one of the most difficult states in the nation to qualify for child care assistance, requiring that parents earn less than 130 percent of the federal poverty level (FPL).⁷ Other states allow families to earn up to 200 or even over 300 percent of the FPL and still qualify for assistance.
- **Quality:** Efforts are underway to improve the quality of child care in Ohio, recognizing that, while health and safety are foundational, early childhood development and brain science instruct us to also invest in high-quality educators, lower teacher to child ratios, parent engagement, and quality curriculum and assessment. Governor DeWine and his administration have built upon the work of a strong network of early childhood stakeholders across the state to deliver on the promise of quality for all children. Step Up to Quality (SUTQ), Ohio's quality rating and improvement system, benchmarks this promise via two statutory requirements.⁸

First, all publicly funded child care programs must participate and be rated in the five-star rating system by July 2020. Secondly, the programs must achieve a rating of three stars or higher by July of 2025. Programs that do not meet these quality benchmarks by those respective dates will not receive public dollars thereafter. As of December of 2019, 86 percent of all programs receiving public funds were participating in SUTQ, demonstrating confidence that the state is on track to meet the July

2020 goal.⁹ Upon reaching this goal, maintaining capacity and working towards the July 2025 high-quality goal will be paramount.

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

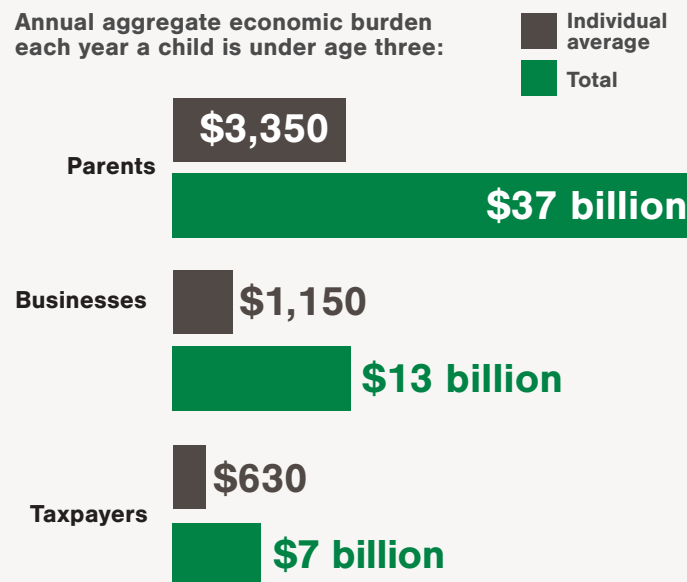
When families do not have the child care they need, parents' work productivity falls, resulting in costs to parents, their employers, and, ultimately, taxpayers. ReadyNation commissioned a national survey of working parents of children under age three. The survey yielded a nationally representative sample 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.¹⁰

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.

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.



These costs total to an annual cost of \$57 billion in lost earnings, productivity, and revenue nationwide. Ohio's Gross Domestic Product and population represent roughly 3 percent of the nation's Gross Domestic Product and total population. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to \$1.7 billion in annual costs for Ohio.

The impact of insufficient child care on parents

The survey results provide a window on how the economic impacts occur. Parents 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' productivity at work, undermining their job stability. 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. 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.

A less extensive survey in Ohio provided similar results, with 61 percent of parents of children under age 18 reporting that they or a member of their immediate family had their career negatively impacted by child care concerns (e.g., working fewer hours, passing up a job or promotion, not pursuing training).¹¹

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.

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.

Ohio has made progress in recent years by instituting a tiered quality rating and improvement system, Step Up to Quality, to strengthen the quality of care. We must continue this progress. The business leaders of ReadyNation Ohio call on policymakers to increase access from 130 percent to 200 percent of the Federal Poverty Level, to serve more families who lack affordable child care. In addition, given the COVID-19 crisis, our state legislature needs to support the child care system now, so when Ohioans go back to work, child care is available, accessible, and high quality. 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 Ohio.

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 Ohio's babies. <https://stateofbabies.org/data/#/Ohio>
- 3** Child Trends (2016, May). DataBank: Child care. http://www.childtrends.org/wp-content/uploads/2016/05/21_Child_Care.pdf
- 4** Center for American Progress (2018, July). Child care research in Ohio. <https://cdn.americanprogress.org/content/uploads/2018/09/13114358/CAP-Child-Care-OH.pdf>
- 5** Jessen-Howard, S., Malik, R., Workman, S., & Hamm, K. (2018, October 31). Understanding infant and toddler child care deserts. <https://www.americanprogress.org/issues/early-childhood/reports/2018/10/31/460128/understanding-infant-toddler-child-care-deserts/>
- 6** Child Care Aware (2019). The US and the high price of child care. https://info.childcareaware.org/hubfs/2019%20Price%20of%20Care%20State%20Sheets/Ohio.pdf?utm_campaign=2019%20Cost%20of%20Care&utm_source=2019%20COC%20-%20OH
- 7** Policy Matters Ohio (2018, July). Assessing Ohio's child care system. <https://www.policymattersohio.org/files/research/childcarerptfix.pdf>
- 8** Policy Matters Ohio (2018, July). Assessing Ohio's child care system. <https://www.policymattersohio.org/files/research/childcarerptfix.pdf>
- 9** Data provided by Groundwork Ohio.
- 10** 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>
- 11** Center for American Progress (2018, July). Child care research in Ohio. <https://cdn.americanprogress.org/content/uploads/2018/09/13114358/CAP-Child-Care-OH.pdf>

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