

Want to Strengthen Texas' 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.

ReadyNation | Business. Kids. Workforce.

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

Supported by tax-deductible contributions from foundations, individuals, and corporations

Major Funder: The Pritzker Children's Initiative

The views expressed here do not necessarily reflect the views of our funders.

Authors:

Sandra Bishop, Ph.D., Chief Research Officer
Kolby Monnig, Texas State Director

Contributors:

Tom Garrett, Communications Director
Mariana Galloway, Art Director
Kaeleigh Hernandez, Children at Risk

August 2021

©2021 Council For A Strong America. All Rights Reserved.

A young child with dark hair, wearing a blue and grey long-sleeved shirt, is sitting at a wooden table and playing with colorful toys. The toys include a wooden abacus with yellow and green blocks, and a colorful spiral toy with green, pink, and black rings. The child is smiling and looking at the toys. The background is a bright, out-of-focus indoor space with large windows.

\$10,300+
**Annual cost of infant
care in a center in
Texas**

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

Our 2019 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.

The business leaders of ReadyNation in Texas are urging lawmakers to continue to invest in child care with a focus on quality, accountability, and defined outcomes. In particular, we must increase the quality of early education by ensuring that all providers are in the Texas Rising Star system, ensure accountability for how state dollars are spent on child care, and provide support to enhance our child care workforce. COVID 19 has shone a light on an already struggling industry. Now is the time to ensure that our childcare system works for Texas families. The stakes are enormously high for the many Texas families, who depend on parents' employment, as well as for children, who depend on nurturing, stimulating

“ECE and high-quality child care help everyone in society, from kids to their families to employers who rely on skilled and motivated associates. Employees are more highly motivated when they know that their children are getting the best care possible.”



Sandy Dochen

Former Manager of Corporate Social Responsibility, IBM

environments for healthy brain development during the first three years of life. Action and innovation now will improve outcomes for Texas children today and strengthen the Texas 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 Texas there are approximately

1.16 million children under age three and 56 percent of the mothers of these infants and toddlers work outside the home.²

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

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

- **Access:** Nearly half (48 percent) of Texans live in a child care “desert” where there are more than three children under age five for each licensed child care slot.⁴ However, the lack of subsidized child care is even more acute: 68 percent of Texas children in families with low incomes live in areas without sufficient supply of subsidized care.⁵
- **Affordability:** Infant care in a center in Texas averages \$10,300 per year, about the same price as public college tuition.⁶ This high cost makes child care unaffordable for many families, particularly those with low incomes.
- **Quality:** Access to child care does not equate to access to quality child care. Texas Rising Star (TRS) is the state's only quality rating and improvement system for any ECE program, and it is only open to child care providers who accept families receiving child care subsidy assistance. Participation is voluntary and

TRS only reaches a fraction of low-income children and the child care providers who serve them. In 2020, 27 percent of providers in the Texas Statewide System participated in TRS.⁷ The lack of participation of subsidy providers in TRS severely limits availability: 94 percent of children from families with low incomes live in areas where the supply of TRS-certified providers meets less than one-third of the demand.⁸

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.⁹

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.¹⁰ Texas' Gross Domestic Product and population represent roughly nine 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 **\$4.9 billion in annual costs for Texas**.

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.

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.

Increasing access to subsidized child care is one of the many pathways Texas is utilizing to provide affordable early educational support for children from families with low incomes. Our state legislature must continue to support the child care system now. If our young children cannot access quality child care, much of our Texas workforce cannot return to work. Funds for quality child care and early learning should be spent with accountability and defined outcomes. If taxpayers are going to pay for early learning and child care, it should be of quality. Investing federal dollars to expand access to quality, affordable child care will positively impact our workforce, businesses, and Texas families for generations. Innovations, like a pilot project to expand the capacity of high-quality infant-toddler child care in high need areas, are also essential. Effective, well-funded policy initiatives, as well as continuing innovations at the state and local levels, will protect our child care providers, increase access to quality child care and early learning for young children in Texas, and put our workforce back on the job.

Providers are the foundation of high-quality child care

Research indicates that a well-qualified workforce is an essential, fundamental component of high-quality child care. Qualified providers engage in warm, nurturing interactions with the children, to support their development in all areas, including social-emotional. To offer this high-quality experience, providers must be well-trained, both before they start caring for children and once they are on the job through ongoing professional development. Adequate compensation is also key to attract and retain top talent. Low compensation contributes to high rates of provider turnover, which, in turn, negatively affects the quality and continuity of care needed by young children, particularly infants and toddlers.

Source: <https://cscce.berkeley.edu/workforce-index-2020/>

Endnotes

- 1** U. S. Census Bureau (2018). Annual Social and Economic Supplement (ASEC) of the Current Population Survey.
- 2** Zero to Three (2021). State of babies yearbook 2021.
<https://stateofbabies.org/state/texas/>
- 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 (2019). Early learning in the United States:2019.
<https://www.americanprogress.org/issues/early-childhood/reports/2019/09/16/474487/early-learning-united-states-2019/>
- 5** Children at Risk. (2020, June 1). Access to affordable high-quality child care is scarce.
<https://catriskprod.wpengine.com/child-care-desert-analysis/>
- 6** Child Care Aware (2019). The US and the high price of child care (and 2020 data.)
<https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/>
<https://www.childcareaware.org/ccdc/state/tx/>
- 7** Texas Workforce Commission (2020). Texas Statewide System - Annual Child care by the numbers.
https://www.twc.texas.gov/childcarenumbers/Texas_Statewide_System_annual.html
- 8** Children at Risk. (2020, June 1). Access to affordable high-quality child care is scarce.
<https://catriskprod.wpengine.com/child-care-desert-analysis/>
- 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-f20511cc9f0f.pdf?1542205790>
- 10** Bishop, S., Beakey, C., Watson, S., Garrett, T., & Belfield, C. (2019, January). Want to Grow the Economy? Fix the Child Care Crisis. ReadyNation. <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis>
- 11** Child Trends (2018, April). High-quality preschool can support healthy development and learning.
https://www.childtrends.org/wp-content/uploads/2018/05/PreschoolFadeOutFactSheet_ChildTrends_April2018.pdf

ReadyNation | Business. Kids. Workforce.

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

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.

1108 Lavaca Street / Suite 110 1A-139 / Austin, TX 78701 / 512.691.5064

