CHILD CARE
A REPORT FROM MAIN STREET
The lack of a good, affordable child care system is crushing families, workers and small businesses. Child care is fundamental to the economic security of working families—but it is out of reach for far too many. Finding stable, affordable, high-quality child care is becoming nearly impossible for many parents. With the average costs of child care exceeding the costs of in-state public college tuition in many states1 and a child care shortage in many areas, working parents are often unable to find the child care they need in order to work.2

We can’t have thriving local economies without child care infrastructure. When employees have access to high-quality, stable, affordable child care, businesses succeed. Adequate child care for families reduces absenteeism and productivity losses, and increases employee retention. Local economies benefit when parents can participate fully in the labor force. Many small business owners themselves grapple with the same child care challenges as other working families.

Additionally, many early childhood programs are themselves small, independent businesses. They operate on tight budgets and are often left to rely on philanthropic contributions to stay afloat.

High-quality child care can help prepare children for success in school and beyond—creating the next generation of small business owners and employees to the benefit of the broader economy.

To solve the child care crisis, it is critical to increase public investments in our child care system. Increasing public investments in child care would greatly benefit small businesses.

I was a registered nurse for more than 23 years. I never thought I’d end up running an early childhood education center. But after searching for high-quality, affordable child care for my own kids and not finding anything suitable, I decided to start my own. Since opening as a home center in 2002, Bright Start Early Care & Preschool has flourished into an inclusive, and diverse bilingual early care and learning center with over 20 employees.

Marcia St. Hilaire-Finn, Managing Owner and Director
Bright Start Early Care and Preschool, Washington, D.C.
CHILD CARE: A REPORT FROM MAIN STREET

In this report we hear from small business owners about the challenges they and their employees face accessing affordable child care, what this crisis means for the Main Street economy and why we need elected officials to increase public investments to make quality child care affordable for all.

THE NEED FOR AFFORDABLE, QUALITY CHILD CARE

More than 12 million children across the country under age 5 attend child care each week and 65 percent of young children have all available parents in the workforce.

Nearly 2 million parents of children aged 5 and younger have had to quit, decline or change jobs because of problems with child care. The exorbitant cost of child care can compromise the financial security of families who rely on child care to work.

Research shows that the first five years of a child’s life are critical to their ability to learn social and emotional skills, as well as for setting them up to be good students and civic stewards later in life.

More than half of families in America live in child care deserts, areas where licensed child care is scarce and does not meet the needs for the number of children in the area. Rural and low-income urban communities are hit the hardest by this lack of child care infrastructure.

THE RISING COST OF CHILD CARE

Child care is one of the biggest expenses facing families across the country today, and, in many states, exceeds the costs of housing or college tuition. The average annual cost of full time care for one child in the U.S. is $10,000, but averages across states range from $3,000

For me personally, child care needs have pretty much ruled my life since giving birth. As a small biz owner, I have had to make many schedule accommodations to revolve around my kiddos’ care needs. I am lucky that I have family close by willing to help, but even with that, and my spouse, we still need outside caregiving for our little boy. When we first began researching child care options we were shocked - like that’s 30 percent of our income for half-day care shocked!

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to over $17,000, depending on the age of the child, the type of care and where the family lives. Nearly one in three families (32 percent) report spending 20 percent or more of their annual household income on child care, and the average cost of child care exceeds the cost of in-state public college tuition in many states.

The federal child care subsidy program reaches just one-in-six eligible families. Women and parents of color in particular are forced to make difficult choices when it comes to balancing work and caregiving. For example, the average annual cost to send a preschooler and an infant to a child care center amounts to 42 percent of the median income for Black families.

Parents who cannot afford child care are unable to fully participate in the workforce, resulting in unemployment and underemployment that can compromise a family's economic well-being.

A 2016 poll found that, nearly one-third of parents who paid for child care said that child care expenses have caused a financial problem for their household—and of those, more than 70 percent said it was a serious problem. Child care expenses represent a substantially larger share of income for low- and moderate-income families than higher-income families.

A recent report by the Center for American Progress estimated that over half of Americans in the 22 states that were studied live in areas with little or no access to high-quality child care. Rural areas and low-income urban areas are disproportionately likely to be “child care deserts,” and Hispanic/Latino populations are overrepresented in underserved areas.

THE PLIGHT OF CHILD CARE CENTERS & TEACHERS

Early childhood teachers are some of the lowest-paid professionals. The 2 million—mostly female—early childhood educators in the U.S. are critically underpaid, earning, on average, $10 per hour. Nearly 40 percent of child care teachers rely on public assistance, such as Medicaid or food assistance, at some point in their careers. Forty-four percent of Black single mothers and 54 percent of Latina single mothers who work in child care also find themselves living in poverty.

Low pay contributes to higher turnover rates, which can threaten quality in early childhood programs during a child’s critical developmental period.

Early childhood programs themselves also operate on tight budgets. Most are small, independent businesses that are left to rely on charitable donations to keep their doors open.

Nearly 1/3 of parents with child care needs said that it has caused a financial problem for their household. Of those, more than 70% said it was a serious problem.
Access to stable, affordable, quality child care improves employee morale and loyalty, reduces absenteeism, and increases business productivity.

Small businesses benefit when employees can report to work and focus on their jobs with the peace of mind that their children are cared for. Employers and employees alike report that access to child care benefits decreases employee absences. Workers with children may have to miss work if they lack access to child care. Over a six-month period, 45 percent of parents were absent from work at least once, missing an average of 4.3 days, due to child care breakdowns. Sixty-five percent of parents’ work schedules are affected by child care challenges an average of 7.5 times over a six-month period. Workers who lacked dependent care supports (including child care) reported lower productivity due to stress, while workers with such supports reported higher productivity. U.S. businesses lose approximately $4.4 billion annually due to employee absenteeism resulting from child care breakdowns.

When we started I was in my early 30s, and most of my employees were in their early 20s—back then I only had one employee with a child. Now, I’m 47 and have twin 5-year-old boys and a wonderful 8-year-old daughter. My 25 employees have kids, too—a total of 18 kids among all of us. It’s been amazing to see our families grow with the business and gratifying that so many have chosen to stay with Field. With those life changes, so much has needed to change with our business as well. In landscaping, it’s really hard to find employees, mostly because here in Minnesota it’s typically seasonal work. So, in order for our business to be successful and retain talented staff, we’ve had to take child care challenges into account. After all, employee success is determined by things outside the workplace just as much as what happens on the job. By providing ways for our team to find a balance in their lives, we’ve been able to keep our employees happy and productive—all things that are critical to the success of my business.
Access to child care increases workforce stability, reducing costly recruiting, training and turnover expenses.

Employees sometimes have to reduce their hours, change jobs or drop out of the workforce altogether because of child care challenges. More than half (51 percent) of parents with children under age 18 reported that they had stopped working or changed to a less challenging job for caregiving reasons. One-in-six parents surveyed quit a job for child care-related reasons, and one-in-13 was fired for recurring child care issues. Replacing employees is expensive: research indicates that it costs employers a minimum of 20 percent of annual compensation to replace a lost employee.

Expanding access to affordable, quality child care fosters entrepreneurial growth.

Small business owners are entrepreneurs, but they need a foundation of social stability to succeed, and the lack of child care can be a barrier to starting or expanding a business. Every tear in the social safety net prevents people from pursuing their dream of small business ownership, stifling innovation. Thirty-six percent of small business owners say the lack of access to affordable, high-quality child care was a barrier to starting their business. Conversely, 29 percent stated that lack of access to child care was a major reason for starting their own business due to the need for increased flexibility in their work schedules. Thirty-four percent of women entrepreneurs cited child care issues as a reason for starting their business, compared to 24 percent of their male counterparts.

Access to affordable, quality child care is crucial for parents, children and businesses alike. This issue is personally important to me, but the need for investment in child care infrastructure is impossible to ignore. As the owner of a small business, with around 45 employees, I’ve prioritized flexible scheduling in an effort to address some of the need, but more needs to be done. Employees who have access to quality child care miss less work days, are happier and more focused.
Increased public investment in child care helps level the playing field for small businesses so they can compete with large corporations and attract talent.

Public investment in child care helps level the playing field between small businesses and large corporations. Small businesses are operating on thin margins and often have trouble matching the more generous child care benefits offered by larger employers – resulting in a hiring disadvantage. In this current labor market, that means losing potential employees to large corporations that have the market power to provide child care benefits. When all employers abide by the same rules, and can offer the same benefits, we can encourage competition based on service and quality. As unemployment falls and the labor market tightens, it’s critical that small businesses have the tools to recruit and retain talented and dedicated employees. If job seekers continue to leave the labor market due to lack of access to child care, there will be more vacancies than job seekers. Small businesses will be the first to feel this impact as larger companies have more resources to offer child care related benefits to attract and keep employees.

A robust child care infrastructure creates vibrant local economies conducive to small business success.

New parents and young families are likely to move to areas where the child care infrastructure is strong, creating vibrant local economies, which both grows the customer base and the talent pool for small businesses.

Increasing public investment in child care supports small businesses in rural and low-income urban areas, where there is little child care infrastructure.

Over half of Americans (51 percent) live in child care deserts, areas with little or no access to high-quality child care. The problem is particularly pronounced in rural and low-income urban areas and Hispanic/Latino and Indigenous populations are overrepresented in underserved areas.

Parents who cannot afford child care are unable to fully participate in the workforce, resulting in unemployment and underemployment that can compromise a family’s economic well-being. Small businesses located in child care deserts face an additional barrier to attracting and retaining talent.

Our public policies should be set up so everyone can be prosperous. Public investment in child care would help small businesses like mine to compete for same dedicated employees as large corporations. Some large corporations can afford on site child care, but the costs would be way too much for a small business like mine to provide on our own.

— Eric Sorkin, Owner, Runamok Maple, Fairfax, Vermont

— Todd Mikkelsen, Owner, Sprayrack, Spring Park, Minnesota
care deserts may be unable to fill vacancies resulting in business productivity losses. Creating child care infrastructure in these communities would increase labor force participation among parents, driving local economic growth.

Many early childhood programs are small, independent businesses. To help small business child care providers develop and expand, and to bolster licensed care in underserved communities we need to:

- increase the supply of licensed child care by providing resources to states, tribes and local communities to renovate and construct child care programs;
- invest in existing providers to help them improve quality and meet licensing requirements; and
- fund state and community efforts to license family child care homes.

Families of color are disproportionately impacted by high child care costs. Expanding public investment in child care creates greater gender and racial equity.

Black and Hispanic parents have faced persistent discrimination in hiring and pay and overrepresentation in minimum- and low-wage work, and they are disproportionately affected by the high cost of care. The average annual cost to send a preschooler and an infant to a child care center amounts to 42 percent of the median income for African American families.

Businesses benefit when they can retain their female employees, and the economy grows when women stay in the labor force.

My customers are overwhelmingly families with children. We serve wealthy families, middle-class families, and families struggling with the effects of poverty. I know from their stories that their economic health is intimately tied to the cost of child care, and that the health of my business is directly impacted by those child care costs. If a family is paying so much of their income on child care that they can’t take advantage of programs like mine, my business loses customers.
Despite being primary and co-breadwinners in most families, women still disproportionately bear the responsibility of care resulting in reduced labor force participation, lower lifetime earnings, and increased economic insecurity. Women are more likely than men to leave a job or take a significant amount of time off work to care for a child or other family member. Seventy-four percent of women who drop out of the workforce say the lack of decent child care is the primary reason why.

More than a third of working mothers did not return to work within the first year after a child’s birth, and another 20 percent of women quit their jobs around the birth of a child. When mothers receive help with the cost of child care, they are more likely to get and keep a job. Single mothers of young children who received help paying for child care were 40 percent more likely to still be employed after two years than single mothers of young children who did not receive any help paying for child care. With consistent and sustained employment, working parents are better able to support their families, and contribute to the economy.

Expanding public investment in child care will help extend child care to non-traditional hours and provide the flexibility to accommodate small business owners and working parents’ complex work schedules.

A national survey of child care providers found that just 8 percent of child care centers and 34 percent of family child care homes are open in the evenings or on weekends. At the same time, parents increasingly face unpredictable schedules. Low-income workers, who are more likely to work unpredictable hours or on evenings and weekends, have had even more difficulty finding high quality child care and early education programs that fit their hours of work. This can be addressed by public grants to small business child care providers to expand care to non-traditional hours, helping grow their businesses.

A week after I gave birth to my first child, I had to go back to work. I had not been in business long and had no money saved. Luckily, my mom was able to come and be at my office to help care for my child while I was with patients. I had to nurse in between appointments, which was really stressful. Small businesses need support to be able to deal with these challenges, for ourselves and our employees. Public investment in child care promotes a stronger economy, healthier families and helps small businesses like mine thrive.

DR. THUY TRAN, OWNER, ROSE CITY VISION CARE, PORTLAND, OREGON
Investing in higher compensation and paid training opportunities for currently underpaid teachers and caregivers helps attract and retain a talented, dedicated and well-trained workforce, leading to higher-quality child care.

The average pay for child care teachers is $10 per hour, lower than for most other jobs. These low wages contribute to economic insecurity among the women dominated workforce, with one-in-seven early childhood educators living in families with incomes below the federal poverty level. Nearly 40 percent of child care teachers rely on public assistance such as Medicaid or food assistance at some point in their careers.

Forty-four percent of Black single mothers and 54 percent of Latina single mothers who work in child care find themselves living in poverty. Parents are already stretched when it comes to paying for child care, but what parents can afford to pay is often not enough to support high-quality child care. Child care is labor intensive and requires skilled individuals to provide responsive care and an enriching early learning environment. The costs of labor, rent and utilities, insurance, materials and equipment, and curriculum add up quickly.

When child care payments are too low, they diminish quality and perpetuate low wages for providers. Well-compensated providers are intrinsically related to program quality.

As a former administrator of early childhood mental health programs, I have had firsthand experiences with how expensive it is to run a quality child care program that meets the needs of the children and families it serves. I supervised over 45 employees serving 100+ children and families at risk. I have never known any parents, regardless of income, education or employment, who have not struggled to find openings at the best child care they could afford. Now running a cafe, I run into these same challenges for my family and my employees.
Robust public investments in child care would increase the supply of licensed child care and create more family sustaining jobs in the child care industry, fostering the growth and expansion of small business child care providers.

Federal funding will spur demand for child care providers, creating more business and employment opportunities. Investment in care jobs, including early childhood and home health care, can generate twice as many jobs per dollar as infrastructure construction. In order to create enough supply to meet demand, millions of new quality caregiving jobs must be created.

**Investments in early childhood education help prepare children in our communities for success in school and beyond—creating the next generation of small business owners and employees—to the benefit of the broader economy.**

Our communities and local economies thrive when families have access to and assistance paying for high quality, stable, affordable child care.

High-quality child care gives children the opportunity to learn and develop skills they need to succeed in school and in life. Studies demonstrate that high-quality child care has positive impacts on children’s cognitive and social development, and the earlier the investments in human capital are made, the greater the returns. A study by Nobel Prize winning economist James Heck found that there is a 13 percent return on investment (ROI) for comprehensive, high-quality, birth-to-five early education. The research analyzes a wide variety of outcomes, such as health, income, and education.

**Investments in child care go right back into the local economy, boosting consumer demand at small businesses.**

Investments in child care increase earnings for child care providers and their employees, and increase disposable income for parents. As working families see more dollars in their pocket, and increase spending to cover the basics, consumer demand at small businesses increases.

Business owners cite weak sales as the biggest problem for their business and the economy. The majority of small businesses cite “more customers” as the main thing that will help them create more jobs and grow their business. Small businesses can’t solve the child care crisis alone. While many small business owners sympathize with our employees’ struggles to find and afford reliable, high-quality child care, most are unable to offer assistance. Small business bottom lines are often already stretched thin, and there isn’t much wiggle room. We need increased public investment to provide child care assistance to all families who need it.
The country’s local, independent small business owners want to do right by their employees and the public health of their communities. Good public policy can help them accomplish this goal. Establishing robust investment in child care programs is not just good policy for working families and families. It makes good business sense, too.

As elected officials debate how best to create policies that work for small businesses and the communities they serve, Main Street Alliance small business owners recommend that public investments in child care must hit the following benchmarks:

1. Lower child care costs for working families so that no family pays more than 7 percent of their income, which is the U.S. Department of Health and Human Services’ affordability benchmark.

2. Provide flexibility to accommodate the complex work schedules faced by small business owners and their employees by increasing the availability of care for non-traditional hours and allowing parents to choose the care of their choice in a child care center or home-based provider.

3. Strengthen high-quality child care programs for infant to school age children, and for children with disabilities, by promoting quality standards and fair compensation and giving child care providers the resources and supports to improve.

4. Create well-paying care jobs in the child care industry by increasing compensation for child care providers, setting a wage floor, and creating wage parity between child care educators and k-12 teachers who have similar levels of education, experience and competency.

5. Support small business child care providers in starting and growing their businesses, particularly in child care deserts—areas with a severe undersupply of licensed child care—bolstering licensed care in underserved communities.

6. Ensure that small businesses can also benefit from tax incentives for employer provided child care, through tax credits and subsidies that support small business child care cooperatives, and small business pooling, in which small businesses can collaborate with other area small businesses to provide on or near-site child care, and share the cost.

7. Generate a sustainable public revenue stream for child care investment by closing corporate tax loopholes, and creating a more a progressive income tax structure.

I have a two and a four year old. I used to be able to bring the infant to work with me, but now that they are older it is impossible. We like our daycare. The kids are learning important things like social skills, including standing in line and taking turns, and their developmental progress is also being checked. Child care is more than just a babysitter, it sets our kids up for a better future. The cost is hard to swallow though—it feels like we’re splurging on a luxury item week after week. It shouldn’t be so hard for families to afford this critical early education for our kids.

Hunt Latham, Owner Sail Loft, Dartmouth, MA
ENDNOTES
