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CHILD CARE & EARLY LEARNING

THE NEXT RECESSION IS COMING, AND CHILD CARE ASSISTANCE MUST BE PART OF THE SOLUTION.

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As of July 2019, the country will be in the longest economic expansion in U.S. history, and while no one can predict with certainty when the next downturn will hit, we know that expansions do not last forever.

In order to lessen the depth and length of the next recession, and the consequent pain it inflicts on families and our nation, policymakers should act now to strengthen the federal government's countercyclical tools. The most effective policies to counteract a downturn should meet three criteria:

1. Stabilize families, since prolonged job loss or economic insecurity can have long-lasting and negative impacts on adults and children;
2. Stabilize state governments, since they are required to balance their budgets and rapidly rising unemployment leads to both lower state revenues and an increased demand for state-administered services; and
3. Stabilize the economy, putting money in the hands of families who will spend it, raising overall demand in the economy, which in turn will stem job loss and shorten the duration of a downturn

Traditionally, programs that are designed to automatically expand when unemployment rises - such as unemployment insurance (UI) and the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps), and Medicaid - have been recognized as central to recession preparedness. While these programs automatically respond to an increase in unemployment, they have also been appropriately expanded in federal recovery packages to mitigate recessions and provide aid to state governments. **This brief argues that child care assistance should similarly be considered an essential anti-recessionary tool, meriting additional investment and automatic expansion when unemployment rises.**

The main Federal program that helps families find and afford high-quality child care is the Child Care and Development Block Grant (CCDBG). CCDBG includes policies and components that support families, states, and the economy in the event of an economic downturn. However, because CCDBG is woefully underfunded, with only about 1 in 6 children eligible under Federal rules receiving assistance, many families that need help do not receive it even in good economic times.[1] Policies to ensure access to high-quality, affordable child care should not be contingent on the economic cycle: children need stable and supportive early learning environments in expansions and recessions; parents need child care coverage to work and look for a job and retrain in the event of unemployment. Research spanning the entire economic cycle underscores that investing in child care grows the economy, improves job quality, and sets children up to succeed.[2]

Simply put, ensuring that all families can access affordable and high-quality child care regardless of where we are in the economic cycle is the best way to ensure child care is responsive to the next recession. Once in place, a program such as this could be made further responsive during an economic downturn through steps like lowering families' co-pays, increasing the federal share of investment, expanding how long families can receive child care while looking for a job, and expanding the circumstances under which parents qualify for assistance.

Even absent comprehensive federal legislation, expanding CCDBG during an economic downturn is good economic policy, which is why funding for the program was increased in the American Recovery and Reinvestment Act of 2009 in response to the Great Recession. A recession exacerbates the existing gaps in the system and makes the needs of children, families, and providers more acute. Expanding child care assistance meets all three criteria of an effective anti-recessionary tool by providing:

- *Children* with stable, high-quality learning experiences.
- *Parents* with the coverage they need to look for work, participate in a job training program to grow their skills, or seek additional education to prepare them for the new economy.
- *Families* with help affording one of their biggest household expenses, a need that is particularly acute as they see their income decrease, work hours involuntarily reduced, or lose a job. It would also free up other household income, spurring demand in a flagging economy.
- *States* with the support they need to continue investing in this crucial support even as revenues decline and the need for a range of services increases.
- *Providers* with help they need to stay in business and meet the needs of families as the economy improves.

Below we provide more details on the benefits of expanding child care as a countercyclical tool.

Child care assistance provides crucial support to families in uncertain times, by promoting stable, high-quality learning environments for children and offering parents the opportunity to search for jobs and grow their skills and education.

A recession amplifies the importance – and promise – of high-quality child care and early learning. We know that children need high-quality early learning experiences to start school ready to succeed, and research shows these investments pay off.[3] Stable, continuous care is essential for children's cognitive and socio-emotional development, particularly young children.[4] For example, research shows that children with fewer changes in child care arrangements are less likely to exhibit problematic behavior.[5]

The need for stable, high-quality child care and early learning becomes even more critical during a recession when parents may lose their jobs, see their pay or hours involuntarily reduced, or experience other challenges as their family's financial footing is disrupted. When Congress reauthorized CCDBG on a bipartisan basis in 2014, they made clear that they wanted to prioritize ensuring children have stable, high-quality child care, independent of temporary disruptions or changes in parents' work activities. The reauthorized CCDBG law included policies designed to ensure the stability of care, yet states need resources to fully achieve this goal, both now and in a future economic downturn.

Access to affordable, high-quality child care also allows parents to look for new jobs, go to school, or enroll in training programs. These activities are crucial in the current economy for both individual parents and the economy writ large, but even more so during a recession when parents lose a job and need to look for work, or pursue other activities – such as increasing their education or building their current skill set for a future job -- that prepare them for the new economy.

For example, under current federal law, families can qualify for CCDBG if they are working, in education, or in training. But in practice, due to limited funding, states limit access for parents pursuing the latter two activities. For example, while many states allow parents in school or training to qualify for assistance, what counts as an educational or training activity varies by state. In some states, students may be required to work a minimum number of hours in addition to their school activities to qualify. Data from HHS show that, of the 796,000 families that currently receive CCDBG assistance, only 6% qualify based only on training or education activities and 8% qualify based on a combination of education, training, and employment, while 76% qualify based solely on employment.[6] At all times, but especially during a recession, child care assistance policies must provide the flexibility that enables parents to pursue job search, education, and training activities families need to adapt to and prepare for the future, and an effective countercyclical policy would give states further funding and incentives to do so.

Parents also need child care to facilitate a successful job search. The 2014 CCDBG reauthorization added an important provision that provides families who already receive child care assistance a period of at least three months to look for a job while continuing to receive assistance. However, only 11 states allowed families not receiving child care assistance to qualify while a parent searched for a job in 2018,[7] and even for parents who already receive assistance, a job search often takes longer than 3 months during a recession. More importantly, even if state policies allow families to qualify based on these activities, insufficient funding for CCDBG means they may not be able to actually receive assistance. During a recession, it is especially important to provide states with funding and incentives to adopt policies that enable parents to continue receiving assistance even when they lose a job and do not get a new one quickly, or to extend the grace period longer than three months.

Building on the current structure of child care assistance can help stabilize state budgets during economic downturns.

Because states have to balance their budgets, even during recessions, state governments may cut their own child care funding during downturns as their revenues fall – meaning that child care programs could contract even as need can rise.

As noted above, the best solution is a comprehensive one that ensures that all parents have access to affordable, high-quality child care, regardless of the state of the economy. However, even under the current design of CCDBG, there are key structural components that could help stabilize state budgets during an economic downturn if federal investment in the program were expanded. More than 60% of the program's funding does not require a state match and therefore would not decrease or change as state budgets decline. The remainder of the program is designed as a federal-state partnership where state spending is required in order to receive the Federal funding. Increasing federal funding without requiring additional state funds to match achieves a key goal of countercyclical policy: to stabilize state governments and prevent cuts to key services.

Child care assistance strengthens the economy by supporting employment and stimulating additional spending.

Parents need help finding and affording high-quality child care so they can look for work or engage in the education and training they need to prepare for a new job. A wide array of research demonstrates that mothers are more likely to work when they have stable child care and help affording it.[8] A study by the U.S. Department of Health and Human Services (HHS) based on data from 2003 to 2012 (a period that included the previous recession) found that specifically increasing CCDBG expenditures would significantly increase the labor force participation and employment rates of low-income mothers.[9] Child care assistance ensures that parents can continue to work if their income drops during a recession, and that they are ready and able to return to work or work more hours as the economy improves.

Child care assistance also supports millions of child care jobs. Right now, there are more than 1.5 million workers employed in the child care industry, with total earnings and compensation of $24.1 billion.[10] These workers are primarily women, and disproportionately women of color and immigrant women.[11] Child care businesses are drivers of local economic growth, providing jobs for child care teachers and providers, and offering the care parents need to participate in the economy. Child care assistance helps providers stay in business, averts job loss in the child care industry, and maintains the supply of care needed as the economy rebounds and parents return to work.

In addition, child care assistance reduces the amount families spend on child care out of their own pocket, allowing them to spend these dollars elsewhere in the economy. Child care is one of families' biggest household expenses, and families need help affording child care now. Families across the U.S., particularly low-income families, spend a large portion of their income on child care, creating a serious financial strain. Among families that pay for child care, families with incomes below 100 percent of poverty spend 30.1 percent of their income on care and families with incomes from 100 to 200 percent of poverty spend 17.9 percent of their income on care, compared to 6.9 percent of income for families with incomes at or above 200 percent of poverty.[12] During an economic downturn when families incomes decrease, this financial strain becomes even more acute. Child care assistance that defrays some or all of these costs for low- and moderate-income families frees up families to spend their income on other goods and services, stimulating the economy.

Under CCDBG, states have flexibility to set and adjust copayments for families receiving child care assistance, but due to insufficient funding, copayments are high in many states, leaving families receiving assistance to still pay a significant out-of-pocket sum. CCDBG must be expanded to make child care more affordable for families in today's economy. During a recession, the amount families pay out of pocket should decrease further so families can continue to afford child care as their income drops and have more money available to spend in the economy.

Policy Recommendations:

There is growing recognition that about the importance of investing in child care, including proposed legislation that would build on CCDBG and guarantee affordable, high-quality child care for eligible families.[13] We must invest federal dollars to expand access to high-quality, affordable child care so that all families get the help they need, all children have an equal opportunity to succeed, and providers are paid what they deserve.

When a recession hits, Congress could take further action to build on the existing CCDBG program, but if these kinds of significant investments were already in place, child care funding would automatically reach any eligible working parent who was struggling with reduced income as well as parents seeking education and training to prepare for a new job or looking for work. Ensuring that all families can access affordable and high-quality child care regardless of where we are in the economic cycle is also the best way to ensure child care is responsive to the next recession.

Absent a comprehensive bill, there are steps Congress can take to make the existing and under-funded program more responsive to recessions, including policies that automatically:

- Dramatically increase child care spending without requiring a state match to help encourage states to take the money without sacrificing other priorities in an increasingly squeezed budget.
- Provide additional funds for states to waive copayments for more families during the economically unstable time and lower co-payments overall for families, so that parents who already benefit from child care assistance are not priced out as their incomes drop
- Provide additional funding for states to support parents who are searching for work, attending school, or enrolling in a job training program who have little chance of qualifying for assistance under existing prioritization, but who will need support to facilitate successful re-employment. This funding should also be used to provide additional flexibility for families already receiving assistance, such as by extending the existing three-month job search period.
- Provide additional funding to raise payment rates to providers that serve low-income families receiving child care assistance so they can remain in business.

Conclusion

Regardless of where we are in the economic cycle, ensuring all families can access affordable, high-quality child care will strengthen the economy. Even as we work toward this goal, it is important to recognize that child care assistance is an essential and underutilized anti-recessionary tool. As we prepare for the next recession, we should establish automatic mechanisms to increase child care assistance during downturns and ensure that any recovery package includes expanded child care funding. Doing so would give children the high-quality, stable care they need to succeed, support state budgets and child care businesses in uncertain times, set up parents for future success, and stabilize our economy.

1 Nina Chien, "Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2015," Department of Health and Human Services, Office of the Assistant Secretary for Planning, Research, and Evaluation, available at: https://aspe.hhs.gov/system/files/pdf/260361/CY2015ChildCare-SubsidyEligibility.pdf

2 See, for example: Taryn W. Morrissey, 2017. "Child care and parent labor force participation: a review of the research literature," Review of Economics of the Household, Springer, vol. 15(1), pp. 1-24; Chris Herbst, "Universal Child Care, Maternal Employment, and Children's Long-Run Outcomes: Evidence from the U.S. Lanham Act of 1940." IZA Discussion Paper No. 7846 (Revised November 2014); Eric Knudsen, James Heckman, Judy Cameron, and Jack Shonkoff, "Economic, Neurobiological, and Behavior Perspectives on Building America's Future Work-force." Proceedings of the National Academy of Science, 103(27): 10155-10162; Arthur Reynolds and Judy Temple, "Early Childhood Educa-tional Intervention and Long-term Developmental Outcomes—Reply." Journal of the American Medical Association, 286(15): 1835-1836; James Heckmann, Seong Hyeok Moon, Rodrigo Pinto, Peter Savelyev, and Adam Yavitz, "The Rate of Return to the High/Scope Perry Preschool Program." Journal of Public Economics, 94(1): 114-128 (2010); Janet Currie, "Early Childhood Education Programs." Journal of Economic Per-spectives, 15(2): 213-238 (2001); Council of Economic Advisers, "The Economics of Early Childhood Investments" (January 2015), available at: https://obamawhitehouse.archives.gov/sites/default/files/docs/early_childhood_report_update_final_non-embargo.pdf.

3 See, for example: Suzanne Helburn, Mary Culkin, Carollee Howes, Donna Bryant, Richard Clifford, Debby Cryer, Ellen Peisner-Feinberg, and Sharon Lynn Kagan, Cost, Quality, and Child Outcomes in Child Care Centers (Denver, CO: University of Colorado, 1995); Ellen S. Peisner-Feinberg, Richard M. Clifford, Mary Culkin, Carollee Howes, Sharon Lynn Kagan, et al., The Children of the Cost, Quality, and Outcomes Study Go to School (Chapel Hill, NC: University of North Carolina, Frank Porter Graham Child Development Center, 1999); Eric Dearing, Kathleen Mc-Cartney, and Beck A. Taylor, "Does Higher Quality Early Child Care Promote Low-Income Children's Math and Reading Achievement in Middle Childhood?", Child Development, 80 (5), 2009, 1329-1349; National Research Council and the Institute of Medicine, From Neurons to Neigh-borhoods: The Science of Early Childhood Development (Washington, DC: National Academy Press, 2000).

4 Raikes, H. "Secure Base for Babies: Applying Attachment Theory Concepts to the Infant Care Setting, Young Children," 51, no. 5, 1996; Schum-acher, R. and Hoffmann, E., Continuity of Care: Charting Progress for Babies in Child Care Research-Based Rationale, 2008

5 de Schipper, J.C., Van Ijzendoorn, M. & Tavecchio, L., Stability in Center Day Care: Relations with Children's Wellbeing and Problem Behavior in Day Care, Social Development, 2004; see also: Howes, C. & Hamilton, C.E., Children's Relationships with Caregivers: Mothers and Child Care Teachers, Child Development, 1992

6 HHS, Administration for Children and Families, Office of Child Care, Child Care and Development Fund Statistics FY 2017 Preliminary Data, Table 10 -- "Reasons for Receiving Care, Average Monthly Percentage of Families," available at: https://www.acf.hhs.gov/occ/resource/fy-2017-preliminary-data-table-10

7 Karen Schulman, Overdue for Investment: State Child Care Assistance Policies 2018 (Washington, DC: National Women's Law Center, 2018), 6, available at http://nwlc.org/resources/overdue-for-investment-state-child-care-assistance-policies-2018/.

8 Taryn W. Morrissey, 2017. "Child care and parent labor force participation: a review of the research literature," Review of Economics of the Household, Springer, vol. 15(1), pages 1-24; Kimberly Burgess, Nina Chien, Maria Enchautegui. "The Effects of Child Care Subsidies on Maternal Labor Force Participation," Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation (Decem-ber 2016), available at: https://aspe.hhs.gov/system/files/pdf/253961/EffectsCCSubsidiesMaternalLFPTechnical.pdf; Rasheed Malik, "The Ef-fects of Universal Preschool in Washington, D.C.: Children's Learning and Mothers' Earnings," Center for American Progress (September 2018), available at: https://www.americanprogress.org/issues/early-childhood/reports/2018/09/26/458208/effects-universal-preschool-washington-d-c/.

9 The study finds that a 10 percent increase in CCDBG expenditures predicts a 0.5 and 0.7 percent increase in employment among potentially eligible women with children ages 0 to 12 and ages 0 to 3, respectively.

10 "Child Care in State Economies – 2019 Update," Committee on Economic Development (January 2019), available at: https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf

11 Julie Vogtman, "Undervalued: A Brief History of Women's Care Work and Child Care Policy in the United States," National Women's Law Cen ter (December 2017), available at: https://nwlc.org/resources/undervalued-a-brief-history-of-womens-care-work-and-child-care-policy-in-the-united-states/

12 "Child Care is Fundamental to America's Children, Families, and Economy," National Women's Law Center (January 2019), available at: https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2019/01/Child-Care-Fundamental-1-2019.pdf

13 For example, the Child Care for Working Families Act would build on the existing CCDBG program to guarantee child care assistance to low- and moderate-income families, make child care affordable for these families, and raise the quality of care for children.