Solutions to address looming child care crisis

The United States is creeping toward another child care crisis, which left untended, will carry major economic consequences. The American Rescue Plan Act (ARPA) stabilization dollars that saved the sector from collapse are expiring in fewer than 100 days with The Century Foundation projecting that 3.2 million children could lose their child care as a result.[1]

The effects of increased prices, fewer slots, and shortage of early educators that will result from the child care sector going over this fiscal "cliff" in September 2023 will likely feel less like a cliff and more analogous to the proverbial frog in boiling water. As the funding winds down, families, providers, children, employers, and the broader economy will feel increased heat. Child care programs will have to raise prices to retain staff, the quality of care for children will suffer as it becomes more difficult for programs to retain effective and experienced early educators, parents will pay more or remove their children from care, and the remaining child care programs will be even harder to get into and more expensive for families. These effects will unfurl on top of other pressures facing child care providers, including the recent expiration of additional bipartisan investments in the Child and Adult Care Food Program and rents rising faster than inflation, both of which hurt the bottom line for home-based child care providers. The crisis will gradually intensify and likely reach a boiling point in the fall of 2024, just as the sector approaches its second cliff, with the increased American Rescue Plan funding for the Child Care and Development Block Grant (CCDBG) set to expire in September 2024.

Lawmakers and constituents alike are already expressing worry. Polling from Morning Consult[2] shows that **2 in 3 Americans are concerned** about federal child care funds expiring this September. Ten governors recently came together in a joint[3] letter to urge action and additional funding to avert the coming child care cliff because "the American child care system is now strained to its breaking point."

What is needed:

We need an immediate investment of at least **$16 billion per year** to stave off shrinking child care spots, staffing shortages and rising prices that will disrupt both families and our economy writ large. This estimate is grounded in the availability of the child care relief investments over time from the CARES, CRRSAA, and ARPA funding streams, which have offered approximately $16 billion to states over each of the last of three years (2021, 2022, and 2023) when evenly distributed.[4] The influx of federal resources has allowed states to make long-deferred investments to make their child care systems work more effectively for families and early educators. Yet without additional federal investments, even those states that have been effective at tapping into additional revenue streams have been clear that they will not be able to sustain the progress they have made, and children and families in lower-resourced states will continue to fall even further behind.

Additional federal investment of at least $16 billion per year is necessary to ensure that children and families have the child care they need; employers can avoid child care-related disruptions; and states can sustain and build upon the improvements they've enacted over the past three years.

These inequities will disproportionately impact families in rural areas, families with low incomes, and women and families of color.

- Even before the pandemic, fifty-eight percent of rural census tracts qualified as child care deserts, with an undersupply of child care options, with lower-income urban areas also having disproportionately high rates of child care deserts.[5]
- A 2022 survey from Save the Children found 55% of rural voters reported that the availability of child care has gotten worse since the pandemic, with more than three-quarters of farm families with children under 18 reporting difficulties securing child care.[6]
- Virtually all child care workers (over 90%) are women, 40 percent of whom are people of color.[7]
- Black and Latina mothers are more likely to work in jobs that have low pay and few or no benefits, making care more difficult to afford, as well as to face greater barriers to accessing care , including high costs, lack of care options that match their work schedules, language barriers, and lack of culturally competent, trusted options, all leading to inequitable participation in licensed child care across racial groups.

The shrinking supply and rising costs that will result from congressional inaction will only exacerbate these inequities.

What is at stake:

The American Rescue Plan Act (ARPA), signed into law on March 11, 2021, provided the size and scale of relief needed to save the child care industry from collapse,[8] including $24 billion for child care stabilization grants and $15 billion in supplemental child care discretionary funds.

These resources were a lifeline. According to the Administration for Children and Families, over the course of the pandemic, the relief dollars reached 220,000 child care programs – serving up to 10 million children and their families.[9] Surveys from the National Association for the Education of Young Children show that ninety-two percent of surveyed child care programs that received stabilization grants said the grants helped keep their program open,[10] and one third said that without these relief dollars, their program would have closed permanently.[11]

States have been using these funds to shore up safe, nurturing options for families by keeping providers' doors open, raising compensation and benefits for early educators, lowering costs for families, and supporting the operating costs required to temporarily stabilize the supply of child care. The stabilization funds have specifically helped providers pay for rent and mortgage, utilities, and higher wages, and to invest in increased health and safety measures at the height of the pandemic.

Similarly, with the help of the $15 billion in supplemental Child Care and Development Block Grant (CCDBG) discretionary funding provided through ARPA, states have made significant improvements[12] to their child care assistance programs, making assistance more available and more generous for families and offering greater support to the child care early educators that serve families receiving assistance. Yet these improvements are in jeopardy as the supplemental funding expires. Additional child care funding would allow states to sustain the progress they have made.

Between February 2021–just prior to ARPA's passage–and February 2022:[13]

- Twenty-five states increased their income eligibility limits to qualify for child care assistance by an amount that exceeded an annual inflation adjustment.
- Eight states reduced the number of children and families on their waiting lists for child care assistance, or eliminated

their waiting lists by serving all eligible families that had been on those lists.

- Seventeen states reduced copayments, as a percentage of income, for child care assistance for families with incomes at 100 percent of poverty and/or families with incomes at 150 percent of poverty.
- Forty states increased at least some of their base and/or tiered payment rates for child care early educators.
- Twelve states increased the amount of time families receiving child care assistance could continue receiving it while a parent searched for a job, and/or began allowing families to qualify for child care assistance while a parent searched for a job.

Allowing the ARPA supplemental funding to expire without providing new child care funding would mean fewer families eligible for child care assistance, more eligible families on the waiting list for assistance, more burdensome copayments for families receiving assistance, and stagnant or reduced payments to child care programs—which will make it harder for them to offer adequate compensation to child care teachers or even keep their doors open.

Moving Beyond Relief: Funding is urgently needed to avoid another crisis

The pandemic laid bare and exacerbated a quiet child care crisis that was already unfolding in communities across the country, with families facing unaffordable prices, early educators making poverty wages, and over half of families living in a child care desert without sufficient supply. If the stabilization dollars expiring would return us to a pre-COVID status quo, that would be bad enough. But over the past three years, the economy—and specifically the low-wage labor market—has fundamentally changed in ways that **will leave the child care industry even worse off than its pre-pandemic precarity**. While other low-wage sectors have been able to raise wages and improve benefits on a permanent basis, the child care sector has only been able to do so temporarily.

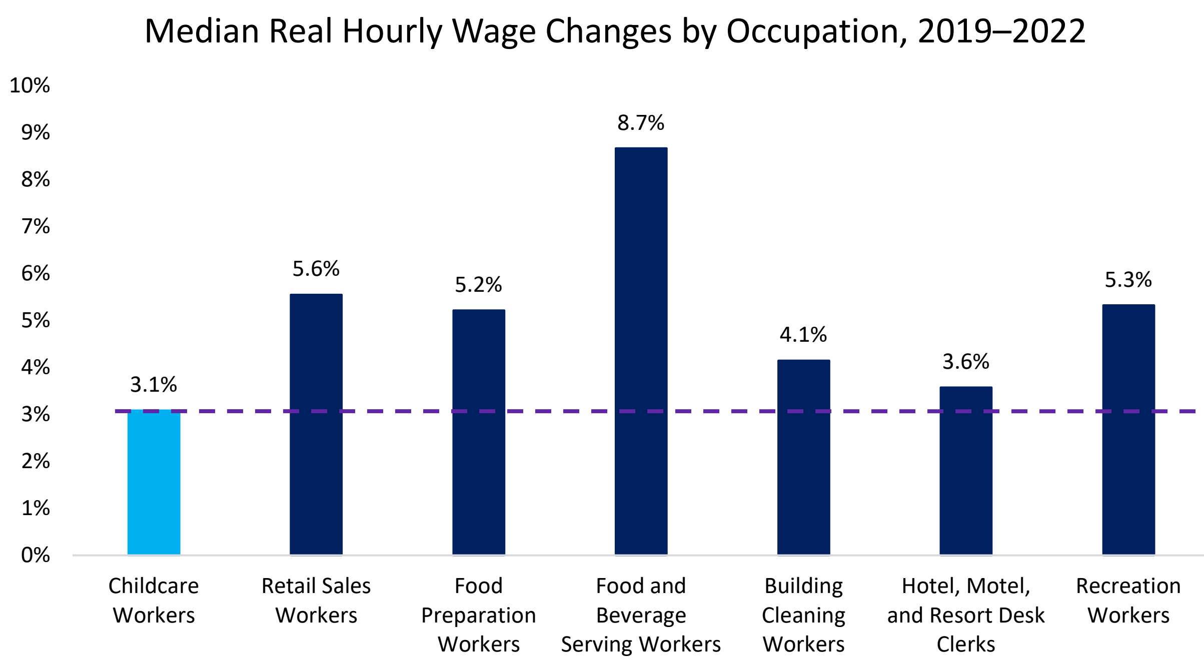
For example, between 2019 and 2022, (the most recent year for which OEWS data is available) **median real hourly wages for child care workers grew by only 3.1%—that's lower than the wage growth rate for food and beverage serving workers (8.7%), retail sales workers (5.6%), recreation workers (5.3%), and many other low-wage service occupations (see below)**. Employers in low-paying sectors have been able to raise wages to attract workers, whereas providers can't compete for workers without significantly raising costs for parents. As a result, according to the Bureau of Labor Statistics June Jobs report, **the child care sector is still facing a shortfall of 48,500 jobs compared to February 2020**, even as most other sectors have rebounded.[14]

> ***"With the help of ARPA funding and Child Care Counts [Wisconsin's child care stablization grant program]. I was seeing the light at the end of the tunnel and had the ability to finally pay a wage that was competivie to ther businesses in my area. If this funding is taken away,the center will not be in operation."***
>
> **-Renee Troester from Wisconsin**

That child care wages grew at all is largely due to the relief dollars that enabled states to take steps such as increase pay or benefits for early educators or provide bonuses. Once those relief dollars disappear, providers will have no choice but to either retrench those modest pay increases or charge higher fees to families who are already struggling to afford child care.

That Median Hourly Wage by Occupation, 2019-2022 (adjusted to 2022 dollars)

	MAY 2019	MAY 2020	MAY 2021	MAY 2022
CHILDCARE WORKERS	$13.30	$13.95	$14.35	$13.71
RETAIL SALES WORKERS	$13.51	$14.40	$14.97	$14.26
FOOD PREPARATION WORKERS	$13.61	$14.28	$15.03	$14.32
FOOD AND BEVERAGE SERVING WORKERS	$12.58	$13.19	$13.57	$13.67
BUILDING CLEANING WORKERS	$14.47	$15.44	$15.42	$15.07
HOTEL, MOTEL, AND RESORT DESK CLERKS	$13.42	$13.98	$14.66	$13.90
RECREATION WORKERS	$14.46	$15.58	$15.49	$15.23



Source: NWLC calculations based on U.S. Department of Labor, 2019-2022 May National Occupational Employment & Wage Statistics (OEWS) data series.

Notes: Hourly wages for each year have been adjusted to their 2022 equivalents using the CPI-U. Data for childcare workers are for SOC code 39-9011, Childcare Workers. This is defined as workers who "Attend to children at schools, businesses, private households, and childcare institutions. Perform a variety of tasks, such as dressing, feeding, bathing, and overseeing play." OEWS data exclude self-employed individuals and thus may leave out a significant number of home-based childcare providers who tend to report the lowest wages among the ECE workforce. Data for Retail Sales Workers are from SOC code 41-2000, including cashiers, retail salespersons, counter and rental clerks, and parts salespersons. Data for Food Preparation Workers are from SOC code 35-2020, who perform a variety of food preparation duties other than cooking.

Data for Food and Beverage Serving Workers are from SOC code 35-3000, including bartenders, fast food and counter workers, waiters and waitresses, and non-restaurant food servers. Data for Building Cleaning Workers are from SOC code 37-2010. Data for Hotel, Motel, and Resort Desk Clerks are from SOC code 43-4080. Data for Recreation Workers are from SOC code 39-9032.

Conclusion:

The pandemic relief dollars were a lifeline when the child care sector was on the brink of collapse. States took necessary steps to ensure children of frontline workers could be safely cared for, prevent an even bigger loss of child care supply, and reduce family co-payments. While the worst of the pandemic is over, yanking these dollars away now does not amount to returning to an already precarious pre-pandemic status quo. The economy has changed, and child care providers cannot compete with other low-wage sectors raising wages absent robust and sustained public dollars. Congress must provide at least $16 billion per year in emergency child care dollars to address the looming supply crisis, while laying the groundwork for the sustained and transformative funding needed to ensure high-quality, affordable child care is accessible for all families.

If we do not receive continual funding for child care, we will have to either close immediaely or raise our rates by 22 percent, which would not be affordable for a majority of families who will either leave the workforce to take care of their own children, or look for care elsewhere which is already extremely limited. Higher rates would limit who can afford our tuition, likely leading to a closure six months later."

-Brooke Skidmore from Wisconsin

Shineal Hunter from Pennsylanvia says that without the relief funds she received from the pandemi from legislation like the American Rescue Plan Act (ARPA), her child care center would have closed. With the impending expiration of these funds, Shineal is concerned abou the continued sustainability of her small business.

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Signatories: National Women's Law Center; Center for Law and Social Policy (CLASP); Women's Economic Justice Program at The Century Foundation; ZERO TO THREE; Care Can't Wait (CCW); Caring Across Generations; The Child Care for Every Family Network (CCFEFN); Community Change Action; Family Values @ Work; First Focus Campaign for Children; Oxfam America; National Association for the Education of Young Children (NAEYC); National Association for Family Child Care; Neighboor Villages; MomsRising; Service Employees International Union (SEIU)

1 Kashen, Julie and others, "Child Care Cliff: 3.2 Million Children Likely to Lose Spots with End of Federal Funds" The Century Foundation, 2023 https://tcf.org/content/report/child-care-cliff/.

2 The Century Foundation "American's Agree: Child Care Should be More Affordable and Available," June 2023, https://tcf.org/content/commentary/americans-agree-child-care-should-be-more-affordable-and-available/.

3 https://governor.nc.gov/governors-letter-child-care/open.

4 This analysis considers $3.5 billion in CARES investments, $10 billion in CRRSAA investments, $24 billion in ARPA stabilization investments, and $15 billion in ARPA supplemental resources. Resources were evenly distributed across the available months of spending for each of the different investments to determine average available funds per year 2020-2024. The available months of spending were calculated from the month the legislation passed through the end of the available spending period which varies for each pool of resources. Most resources were available in 2021-2023. This analysis averages the available funds in those three years to get to the figure of approximately $16 billion. The authors of this report acknowledge that the evenly distributed availability of funds does not match state spending of the resources.

5 Malik, Rasheed and Katie Hamm, "Mapping America's Child Care Deserts - Center for American Progress," Center for American Progress (2017), https://www.americanprogress.org/article/mapping-americas-child-care-deserts/.

6 Save the Children and Save the Children Action Network, "Rural Voters Support Investments to Address Hunger & Provide Quality, Affordable Child Care," (November 2022), https://savethechildrenactionnetwork.org/rural-voters-support-investments-child-care-hunger/.

7 The Education Trust and the U.S. Chamber of Commerce Foundation, "Equity in Child Care Is Everyone's Business," (February 2022), https://edtrust.org/wp-content/uploads/2014/09/Equity-in-Child-Care-is-Everyones-Business-February-2022.pdf; The Center for the Study of Child Care Employment (CSCCE), "Early Childhood Workforce Index 2018," https://cscce.berkeley.edu/projects/early-childhood-workforce-index-2018/.

8 In March 2020, Congress enacted $3.5 billion in child care relief through the CARES Act and in December 2020, passed another $10 billion as part of the Bipartisan, Bicameral Omnibus COVID relief deal. While these were important interim measures, it was the American Rescue Plan that provided the amount of relief necessary to stabilize the sector.

9 Office of Child Care, Administration for Children and Families, "COVID Investments in Child Care: Supporting Children, Families, and Providers," (May 2023), https://www.acf.hhs.gov/occ/infographic/covid-investments-child-care-supporting-children-families-and-providers.

10 National Association for the Education of Young Children, "Saved But Not Solved: America's Economy Needs to Fund Child Care," (February 2022), https://www.naeyc.org/sites/default/files/wysiwyg/user-98/naeyc_ece_field_survey_february2022.pdf.

11 National Association for the Education of Young Children, "Uncertainty Ahead Means Instability Now: Survey of Child Care Providers Shows Why Families, Children, Educators, Businesses, and States Need Congress to Fund Child Care," (November 2022), https://www.naeyc.org/sites/default/files/wysiwyg/user-73607/november_2022_naeyc_policy_fieldsurvey_final.pdf.

12 Karen Schulman, "Child Care Rescue: How States Are Using Their American Rescue Plan Act Child Care Funds," National Women's Law Center (October 2022), https://nwlc.org/resource/child-care-rescue-how-states-are-using-their-american-rescue-plan-act-child-care-funds/.

13 Schulman, Karen, "Precarious Progress: State Child Care Assistance Policies 2022" National Women's Law Center, 2023, https://nwlc.org/resource/precarious-progress-state-child-care-assistance-policies-2022/

14 NWLC calculations using Bureau of Labor Statistics, Table B-1 in June 2023 Employment Situation Summary. Figures are seasonally adjusted. Historical data for Table B-1 is available at https://www.bls.gov/webapps/legacy/cesbtab1.htm.