

# Transforming Child Care: Cross-Community Voices to Inform Change

**For Employers**





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It is near-unanimous among child care stakeholders that our child care system is broken. Parents are unable to locate or afford quality care; employers lose productivity every time an employee cannot secure reliable child care; providers and teachers are unable to support themselves or their businesses with meager reimbursement or compensation; and children who could flourish under the care and teaching of an early childhood educator are falling behind on the relationships and experiences critical to their growth and development. **But here is the surprise: we can fix child care so that it works better for everyone.** With collective investment and effort, we can build a child care system that helps parents find and keep employment, that helps children grow and learn, and that allows providers to make a sustainable living doing some of the most important work our future requires.

**Child care is a structural economic support.** A 2019 study by the Committee for Economic Development of the Conference Board<sup>1</sup> found that:

- In 2016, more than 675,000 market-based child care providers produced revenue totaling \$47.2 billion and employed 1.52 million wage, and salary and self-employed workers in the U.S.
- Service industries of comparable size include medical and diagnostic labs (\$47.2 billion), spectator sports (\$46 billion), pipeline transportation (\$44.5 billion), and water transportation (\$43.3 billion).
- The child care industry is estimated to support another \$52.1 billion in “spillover” (output) in other industries. Child care supports regional economic growth primarily through its support of labor force participation and education of parents in the workforce.
- The decision to work or seek additional education may depend on the availability of affordable child care, especially for low-wage workers with children.
- Subsidized child care can encourage low-skilled parents to maintain their connection to the labor force or to upgrade their skills through education, thereby contributing to economic growth and productivity over the longer term.

**Child care is a structural economic support.**



Unfortunately, even before the outbreak of COVID-19 and the associated impacts on and closures of child care programs, the supply of quality child care was decreasing. Results from Child Care Aware<sup>®</sup> of America’s (CCAoA) 2019 survey show that between 2018 and 2019, 53% of states reported a decline in the number of child care centers. More alarmingly, 79% of states reported a decline in the number of family child care (FCC) providers. However, the impacts

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<sup>1</sup> *Child Care in State Economies: 2019 Update*. Available at: <https://www.ced.org/childcareimpact>.

of the pandemic are not falling evenly on everyone. While women of color represent only 20% of the American population, they comprise 40% of the roughly 1.5 million child care workers in the United States.<sup>2</sup> According to research conducted by the National Women’s Law Center, women — more often than not women of color and immigrant women — make up 94 % of the child care workforce.<sup>3</sup> They are underpaid; the average wage in 2018 for those employed in child care centers was \$11.17 per hour, according to the Bureau of Labor Statistics, and nearly 15% of child care workers live below the artificially low “official” poverty line, more than double the rate of other industries.<sup>4</sup>

The coronavirus pandemic and its economic fallout, and the racial reckoning that our country is going through, again, have not spared the child care sector. New data, analysis from leading economists and anecdotes from providers and families all indicate the situation has worsened since the beginning of 2020. It will probably take a year or more to fully understand the impact of COVID-19 on our child care system, but some worrying trends are emerging. CCAoA’s recent report, *Picking Up the Pieces*, found that 35% of child care centers and 21% of family child care programs remain closed nationwide.<sup>5</sup> Many of these programs are small businesses, and many are owned by women of color, who have traditionally faced barriers to accessing business credit and other small business supports.<sup>6</sup> The pandemic has impacted these small businesses disproportionately, and Congressional relief policies like the Paycheck Protection Program (PPP) have tended to favor businesses affiliated with large financial institutions. Child care business owners who are underbanked or unbanked, or don’t have close relationships with financial institutions, may not be able to access Congressional aid to keep them from closing.<sup>7</sup>



There is a growing collection of evidence pointing to the positive impact of stable, enriched early childhood experiences on a host of outcomes, including child development, school readiness, mental health and economic stability in adulthood.<sup>8</sup> Conversely, adverse early childhood experiences negatively impact a young child’s development and those impacts persist into adulthood.<sup>9,10</sup> More leaders have come to understand over this year that quality child care stands at the nexus of our nation’s economic growth, the social-emotional health of children and the stability of communities.

2 CDC.gov, (2020), Table 1(pg1-5). Resident population, by age, sex, race, and Hispanic origin: United States, selected years 1950–2016, retrieved from <https://www.cdc.gov/nchs/data/hus/2017/001.pdf>.

3 *Undervalued: A Brief History of Women’s Care Work and Child Care Policy in the United States*, page 4. National Women’s Law Center, 2017.

4 <https://www.bls.gov/ooh/personal-care-and-service/childcare-workers.htm>.

5 <https://www.childcareaware.org/picking-up-the-pieces/>.

6 <https://www.aspeninstitute.org/publications/bridging-divide-business-ownership-can-help-close-racial-wealth-gap/>.

7 <https://www.brookings.edu/research/businesses-owned-by-women-and-minorities-have-grown-will-covid-19-undo-that/>.

8 Sandstrom, S and Huerta, H. (2013). The negative effects of instability on child development: A research synthesis. [Online] <https://www.urban.org/sites/default/files/publication/32706/412899-The-Negative-Effects-ofInstability-on-Child-Development-A-Research-Synthesis.PDF>.

9 Bethell, C., Jones, J., Gombojav, N., Linkenbach, J., & Sege, R. (2019). Positive childhood experiences and adult mental and relational health in a statewide sample: Associations across adverse childhood experiences levels. 173(11).

10 Campbell, F., Wasik, B., Pungello, E., Burchinal, M., Barbarin, O., Kainz, K., . . . Ramey, T. (2008). Young adult outcomes of the Abecedarian and CARE early childhood educational interventions. 23, 452-466.

**While the upheaval of 2020 has been devastating to providers, families and employers, it also presents an opportunity for our nation to build a better child care system.**

In order to pursue this opportunity, CCAoA began its **Together Towards Transformation** project. The central question of this project was, *If we were to build a better child care system, what would it look like and how would we do it?* It's a daunting question and CCAoA deliberately sought out input from multiple groups who have a stake in the system's success.

What we learned was that fixing child care, in this moment, is less about the granularity of our ideas, and more about making sure that policymakers hear the voices of every stakeholder group impacted by our ineffective child care system. The feedback we received during the [Roundtables](#) from parents, providers and employers indicated that **we have an opportunity in 2021 to marshal our forces and transform the child care system — but we cannot do it without the participation of employers of all sizes. In this paper, CCAoA lays out our recommendations for what a new child care system should include. We urge you to join us in our fight for a child care system that supports America's economic growth and that can help us meet the promise of our future.**



## Transformative Policy Recommendations

Over the years, a number of esteemed individuals and committees have researched the problems of child care<sup>11</sup> and their solutions. They have cataloged the problems: the under-compensation and undervaluing of providers, the inadequacy of funding to cover the true cost of care, the aid qualification guidelines that leave too many families left out or pushed out of the system. Researchers have also noted the fragmentation of the system, the uncoordinated funding mechanisms, the lack of understanding of the role that child care plays both in children's development and in adults' economic security. These problems are well known at this point, and advocates have developed several thoughtful, equitable solutions. The missing ingredient, for many years, has been a sufficiently strong political groundswell to lift these ideas into the policy realm.

COVID-19, and the attendant damage to the child care system, have gotten the attention of individuals who previously did not hold child care, or child care providers, in their field of view. This is a rich moment for child care advocates. We have not had the nation's attention in this way since World War II, when child care was made available to women needed in the workforce. Unlike the post-war period, however, today women are not viewed as simply a temporary part of the workforce. The economic reality of modern life requires two-earner households, often with more than one job for each earner. Although the contraction of child care has disproportionately affected women in the workforce,<sup>12</sup> society no longer assumes

<sup>11</sup> E.g., *Transforming the Financing Early Care and Education*, National Academies of Science, Engineering, and Math, 2018, and *Financing Universal Early Care and Education for America's Children Project*, Brandon, Kagan, and Joesch, 2000.

<sup>12</sup> In the United States, around one in five (19.6%) of working-age adults said the reason they were not working was because COVID-19 disrupted their



that the majority of women will choose to stop working. The urgent task before us now is to harness the political will to adopt on a wide scale the many great child care solutions identified by experts in the last three decades.

We believe that child care policy proposals, particularly at the federal level, should be ambitious, and that the accompanying advocacy to push for these proposals should be equally ambitious. In all of the Roundtable discussions, we heard from participants that they are frustrated and angry. The child care advocacy community has the opportunity in 2021 to harness this energy and push for policies that could lead to the significant changes the sector has long sought.

However, given that policymakers' immediate attention will rightly be given to helping our nation recover from the coronavirus pandemic, we have organized our policy recommendations in terms of priority. Some of these policy solutions can be included in ongoing pandemic and economic relief packages under discussion in Congress and states through 2021. Some will require a longer timeframe to lead to more seismic changes to the underlying structure of our child care system. The goal is to build the support for incremental change while simultaneously building the sustainable grassroots pressure needed to achieve the systemic changes the child care community has long identified as necessary.

We have also organized our recommendations into policies that can be pursued at the federal level, and policies that must be advanced through state legislation or regulation.



## Federal Policy Recommendations

### Highest Priorities

CCAOA recommends that our child care system move to a system of **federal mandatory funding** and relinquish the partially discretionary block grant system that has been in place for three decades. What we mean by “mandatory funding” is a child care system that resembles our Social Security and Medicare programs. The goal is to have a unitary federal funding mechanism for child care that allows for consistency in the delivery of quality care, workforce supports and regulatory standards, instead of the current patchwork approach to funding child care. This publicly-funded system should also have a built-in mechanism or formula to ensure that greater funds are made available to historically marginalized communities, including Black, Indigenous, and Hispanic communities in America, and it should support child care provided through various models, including family child care, center-based care and family, friend and neighbor care.

All families should have access to quality, affordable child care that meets their needs, including the parents' work schedule and location. The federal government should provide financial support to ensure **all families have access to child care, with family contributions**

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child care arrangements. Of those not working, women ages 25-44 are almost three times as likely as men to not be working due to child care demands. About one in three (32.1%) of these women are not working because of child care, compared to 12.1% of men in the same age group. Source: <https://www.census.gov/library/stories/2020/08/parents-juggle-work-and-child-care-during-pandemic.html> (August 2020).

**assessed on a progressive basis.** In order to build and sustain the political will for such a system, federal financial assistance should be provided on a scaled basis for higher-income families as well as the lower-income families currently eligible for Child Care and Development Fund-supported subsidies. This system should not be only for low-income families; it must be a system in which the majority of Americans have a personal stake, **similar to Social Security or Medicare.** It is also important to note that CCAoA is not suggesting that all child care look alike, or that the provision of a particular *type* of child care is mandatory – rather, we believe that families need the opportunity to select child care that meets their needs *and* that is affordable, accessible, and of high quality.

Although a few different ideas have been proposed, particularly in recent years, we are purposefully not choosing a specific legislative approach or funding mechanism at this time.<sup>13</sup> This moment is for assessing what child care is and why it should matter to more people, and then building grassroots support for a child care system that better serves all children. We are also aware that this is not a brand-new policy idea, per se; what is unique is that we now have the attention of perhaps more people than ever who recognize the importance of child care in making our national economy function.



In the meantime, however, Congress must make changes to the Child Care and Development Fund (CCDF) subsidies to **make child care more affordable for more families.** Not only are currently eligible families unable to find child care, but many families who do not qualify for assistance are still overburdened by the cost of child care. Federal policies should ensure that **no family under 150 percent of state median income pays more than 7 percent** of their income on child care. **Families under 75 percent of the state median income should not have to pay anything at all.**<sup>14</sup> Additionally, policymakers should **expand child care tax credits** for families.

Another high federal policy priority is an equitable child care system. The racial reckoning that the United States finds itself in the midst of, 50 years after the Civil Rights movement (and countless other racial justice movements), has spurred reflections on the way that racism has manifested in the child care system. CCAoA's summer [2020 webinar series, \*Racial Justice, Equity, and the Role of Child Care\*](#), began to explore how America's racist history of demanding that enslaved women care for the children of slave owners has resulted in a 21<sup>st</sup>-Century child care workforce that is 40 percent women of color<sup>15</sup>, most of whom are underpaid, and 85 percent of whom lack health care benefits<sup>16</sup>. This time, **child care advocates must bind improvements to the child care system to the movement for racial justice in America.** We must tie our cause to the greater cause of valuing all humans equally, both because it is the right thing to do and because the child care movement can no longer separate itself from other struggles that seek justice for our nation's most vulnerable.

13 No matter the funding mechanism, federal funding for child care must be tied to strong quality and safety regulations.

14 Policy Recommendations, *Picking Up the Pieces: Building a Better Child Care System Post COVID-19*. <https://www.childcareaware.org/picking-up-the-pieces/>

15 <https://cscce.berkeley.edu/racial-wage-gaps-in-early-education-employment/>

16 [https://www.realclearpolicy.com/articles/2020/05/12/the\\_forgotten\\_essential\\_workers\\_women\\_of\\_color\\_in\\_child\\_care\\_491313.html](https://www.realclearpolicy.com/articles/2020/05/12/the_forgotten_essential_workers_women_of_color_in_child_care_491313.html)

## Additional Priorities

It is important for the system to acknowledge that child care does not exist in a vacuum. We heard from the participants in our CCR&R Roundtables that it would be helpful to be able to connect some of the families they assist with **complementary services** like the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid, Children's Health Insurance Program (CHIP), Home Visiting (MIECHV), Head Start, Early Head Start, universal pre-K and more. As noted earlier, families need access to comprehensive paid family and medical leave and paid sick leave, in addition to quality child care. One of these policies cannot advance without the other if they are to actually work in practice and not just in concept.

The child care system must also receive substantial support from the health care system. In addition to the immediate public health needs in this country, COVID-19 has only increased the mental and emotional health care needs of children in child care. **Child health care consultants** (CCHCs) and early childhood mental health consultation (ECMHC)<sup>17</sup> play an important role in helping child care educators implement practices that promote healthy and safe environments for young children – whether in a pandemic or in calmer times, and whether the needs are physical or social-emotional. Policymakers must ensure that CCHCs and ECMHC are available to child care providers, with the funding and resources needed to serve all providers and children.



Finally, we urge the creation of a **National Child Care Data Task Force**, comprising economists, policymakers, advocates, employers and providers. Critical changes to the child care infrastructure will require real-time data to support decision-making. The Task Force should be charged with creating an integrated data structure that can help a publicly-funded child care system function more smoothly. The structure should harmonize all early childhood data into a single platform and allow the creation of new knowledge for planning, advocacy and research. This data structure can help states and local governments, as well as community-based organizations, administer a publicly-funded child care system that meets the needs of all families equitably and can help grow the supply of child care across the nation.

<sup>17</sup> See <https://www.ecmhc.org/>.



# State Policy Recommendations

## Highest Priorities

Transforming the child care system will also require state-level policy changes. The most significant of these necessary changes is better **collaboration between school systems and child care stakeholders**. As state and local governments have been determining whether to keep schools open or closed, how to manage in-person learning and how to keep teaching staff safe, they have not invited child care leaders to the decision-making tables. As a result, child care providers have been left wondering why they must stay open when schools are not, how they are to keep their educators safe and healthy and how they are to help school-age children manage virtual learning. To bolster high-quality programs during COVID-19, state policymakers must ensure that all appropriate state agencies continue to develop, update and disseminate collaborative **guidance for early childhood educators on safe practices**. We urge federal policymakers to incorporate this collaboration between the birth to school-age systems in federal legislation and regulation as well.



State policymakers should also take action to **increase wages for child care educators**. The average wage in 2018 for those employed in child care centers was \$11.17 per hour, according to the Bureau of Labor Statistics.<sup>18</sup> Nearly 15% of child care workers live below the artificially low “official” poverty line, more than double the rate of other industries, and 85 percent do not have health insurance.<sup>19</sup> Given that communities will be dealing with the fallout of the pandemic well into 2021, state policymakers should also reconsider expanding Medicaid and ensuring child care workers who qualify can enroll. These state-level solutions, while not easy lifts, can result in tangible benefits for child care providers and in turn increase the supply of accessible, affordable, quality child care as state governments and employers work to rebuild the economy post-pandemic.

State policymakers should also consider **additional emergency grants** to help cover necessary sanitation equipment and supplies, hazard pay for educators, utilities and rent and lost revenue to help providers cover bills, pay staff and resume operations. Child care lacks a predictable funding stream and as a result, leaves child care providers vulnerable to sudden decreases in attendance and financial instability. This has only been made worse during the pandemic. To keep child care programs open, **state policymakers need to rethink existing child care payment structures so that they are based on capacity, not attendance**. This can be achieved through basing subsidy reimbursements on enrollment or using a contract system to pay for slots.

<sup>18</sup> <https://www.bls.gov/ooh/personal-care-and-service/childcare-workers.htm>.

<sup>19</sup> “Child care workers aren’t paid enough to make ends meet.” Economic Policy Institute. Available at: <https://www.epi.org/publication/child-care-workers-arent-paid-enough-to-make-ends-meet/>.



## Additional Priorities

**State leaders should also consider implementing or extending policies put in place during COVID-19** around (but not limited to) child absences and eligibility redetermination periods, reducing or eliminating family copayments and increasing the income limit for initial eligibility for assistance. In addition to supporting pandemic-linked needs, state policymakers should **also invest in CCR&Rs** and their ongoing work to bolster high-quality child care.

States should continue to recognize quality child care programs through methods such as licensing and accreditation by early childhood organizations like the National Association for the Education of Young Children (NAEYC), and awarding ratings through a Quality Rating and Improvement System (QRIS). Simultaneously, states need to hold quality programs accountable for equitable policies. Even during a crisis, states can continue to incentivize and support programs in moving toward a higher quality threshold set by the state lead agency. Some states have done this by providing **increased stabilization fund amounts to those with higher ratings or by supporting providers to invest in quality improvement**. However, it is critical that states examine their quality ratings systems to ensure they do not perpetuate discriminatory treatment of child care programs and educators, particularly family child care (FCC) and family, friend and neighbor (FFN) care.

Finally, states should expand available comprehensive paid family and medical leave (PFML) benefits. PFML can be used to care for a child after birth or adoption, as well as to care for a sick family member or aging parent.<sup>20</sup> PFML can support families in bridging these needs while avoiding job disruption. But according to the Bureau of Labor Statistics, only 17 percent of civilian<sup>21</sup> workers have access to paid family and medical leave. This hurts U.S. businesses as well. The combination of a broken child care system and a lack of paid family and medical leave lead to high rates of turnover and lost productivity that costs employers \$36.9 billion each year.<sup>22</sup> Federal policymakers must also act on PFML to ensure that all Americans have access. But, until PFML is required by federal law, states have the opportunity to lead and advance these family-friendly policies on their own.

## Conclusion

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For too long, child care has been overlooked. It has been the silent support enabling company productivity, individual economic mobility, school readiness and children's social/emotional development. But in 2020, when life as we knew it was upended, child care finally had the nation's attention. It is incumbent upon us now to direct people's attention to changes that can rebuild the child care system so that it no longer perpetuates the gaps and inequities that keep children from developing to their potential, that keep parents mired in poverty and that keep providers operating on razor-thin margins.

At this moment, it is the responsibility of child care advocates to harness the widespread frustration with the child care system and alchemize that frustration into political action. As a community, we must unify ourselves around a few bold policy solutions for child care: mandatory federal funding, fair compensation for those who teach our youngest children and a network of complementary services and policies that lift up all families – not just the very rich or the very poor. **CCAOA is ready to meet this moment**. We are committed to using our research, data, advocacy and policy expertise, and the reach of our CCR&R partners, to demand the changes the system has long needed. A well-funded, equitable and sustainable child care system is within reach, and CCAOA is ready to lead the way.

<sup>20</sup> *An Unmet, Growing Need: The Case for Comprehensive Paid Family and Medical Leave in the United States*. Available at: <https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/an-unmet-growing-need-the-case-for-comprehensive-paid-leave-united-states.pdf>.

<sup>21</sup> <https://www.bls.gov/opub/ted/2019/access-to-paid-and-unpaid-family-leave-in-2018.htm>

<sup>22</sup> <https://www.bls.gov/opub/ted/2019/access-to-paid-and-unpaid-family-leave-in-2018.htm>



Child Care Aware® of America is our nation's leading voice for child care. Our vision is that every family in the United States has access to high-quality, affordable child care. We advance a child care system that effectively serves all children and supports children's growth, development and educational advancement and creates positive economic impact for families and communities.

To learn more about our mission,  
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