



Bipartisan Policy Center

**The Montana Financial Modernization
and Risk Analysis Committee (MARA)**

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**“How Work and Child Care
are Changing”**

Linda K. Smith



Background & Acknowledgements



Overview

- 1 Examine our shared understanding of the early years, the importance of child care, and the challenges facing parents, employers, and communities.
- 2 Explore the supply and demand side of the child care market, and why the business model is failing.
- 3 Summarize lessons from COVID-19 and how can we move from knowledge to action.
- 4 Examine the “public good” of child care and its’ impact on economic development, business, schools, communities, and the future workforce.
- 5 A shared responsibility – are we asking the right questions and do we have the right people at the table?



A Foundation to Build on - The Early Years

Importance of the Early Years

- ✓ The neuroscience and the importance of the B-5 years.
- ✓ Data and research is available.
- ✓ Care and learning are inseparable.
- ✓ Adult/child interactions (workforce) are the key to quality.
- ✓ Child care workforce is undervalued and underpaid.
- ✓ Child care is essential for most families.
- ✓ High quality child care costs more than many families can afford.
- ✓ Public acceptance that there is a shortage of child care
- ✓ Parent choice is a fundamental early childhood value.



Question:

Do agree/disagree with these statements?

If you disagree, why? If you agree, it's time for action.



Overview of Child Care



Child Care Basics

The National Child Care Landscape

- **675,000 businesses in 2016**
 - **75,300 centers**
 - **599,018 Family Child Care Homes**
 - **Mostly women-owned, small businesses**
- **Average size of centers varies widely**
 - **50% serve fewer than 50 children**
 - **18% serve between 50-75 children**
- **Annual Revenue of \$47.2B**



Child Care Basics

- Child care employs two million workers
 - Split evenly between centers & family child care homes
 - Workforce is aging - 26%/38% respectively - over age 50
 - 52% have AA degree or higher
 - 95.6% female
 - Median years experience: 10 yrs. for center teacher/13.7 for FCC
- Average wage is low - \$11.65 hour/\$24,230 annually
 - Federal poverty for a family of three is \$21,720
 - Nearly half child care workers are in a public assistance program
 - Most lack benefits including health insurance
 - *Still, considered essential workers during COVID-19*



Child Care Basics

The Need for Care:

- 66% of children under age 6 have all available parents in the workforce.
- Only 32% of parents actually pay for care.
- Ave. cost of care varies widely depending on age of child, setting and location.
 - Care for an infant ranges from \$5,800 (MS) to \$24,000 (Wash. DC.).
 - 4 yr. old ranges from \$4,500 (AR)– \$19,000 (Wash. DC)
- Proportion of family income spent on care in 2012 was 20%

Nearly one-third of children under six, whose parents are working, need some regular form of care but are outside the formal system.



Question:

In Montana, what is the biggest challenge: lack of care, cost, quality, operating hours or something else?



The Business of Child Care



Market-based System of Care

The Market Includes:

- Diverse set of child care arrangements.
- Both for profit and non-profit.
- Diverse sources of funding both public and private.
- Labor intensive.

With any business there is a supply AND demand side of the equation.

Also, as with any business, when the cost to produce a product is more than the customer can afford, the business will fail. The child care business model is broken ... and failing our communities.



A Failing Business Model – The Demand Side

- Past public attention has been focused almost entirely on the parents or demand side of the business model.
 - The high cost of care
 - Parents' ability to pay
 - Lack of care – primarily infant
- Until COVID-19, little attention on the programs and why
- Two major sources of revenue:
 - Public Vouchers – funded primarily w/CCDBG & TANF
 - Private pay from parent fees
- Federal/State governments are the biggest single purchaser of care



A Failing Business Model – The Demand Side

- **Public Policy (federal and state) Matters**
 - **Federal focus on preserving parent choice.**
 - **Federal policy requires states use market rate surveys to set the value of subsidies (certificates).**
 - **Allows use of a cost of care model.**

Government policies have enormous influence on the market – government is the biggest single purchaser of care.



A Failing Business Model – The Demand Side

Instability of the demand and unreliable income, create challenges for child care programs.

In child care, any decrease in demand/enrollment, no matter how small, can have drastic and sudden impact

- **Parent's needs change (work hours)**
- **Parent preferences change**
- **Parents ability to pay changes (cliff effect is real)**

As a result, child care directors are reluctant to raise teacher pay for fear they won't have the revenue to cover it.



Question:

What do you think is the biggest factor influencing parent choice : cost, location, availability, trust, other?



A Failing Business Model – The Supply

- **Understanding the supply side – or operating costs**

Labor costs 75%

Fixed costs 25%

- **Labor costs are the biggest single expense:**

- **Adult – child ratios**
- **Ages of children served**
- **Enrollment**
- **Wages paid**

Why does it cost so much if teachers are so poorly paid?
Here's an example of why:

- ❖ Adult ratios for Infant - 1:4
- ❖ Hours of operation – 12 per day
- ❖ Teacher wages alone cost - \$180
- ❖ Montana Infant Rate = \$40/day
- ❖ Income Assuming full enrollment = \$160
- ❖ LOSS OF \$8 BEFORE FIXED COSTS, SUPPLIES
- ❖ If one child leaves, the loss is over \$50/day



A Failing Business Model – The Supply

Balancing income vs. expenses in child care is a constant challenge:

- Most programs don't operate at 100% occupancy.
- Parents resist paying when their children aren't present.
- Income from 3 and 4-year-olds offset cost of younger children.
 - Public Pre-K has disrupted cost model.

Balancing is like squeezing a balloon - if fees were based on the actual cost of quality, more low income working families will be priced out of the market.



What COVID-19 Has Exposed



Impact of COVID-19

What we have learned:

- A pure “market” approach doesn’t work for child care.
- Profit margins are too thin to allow normal business reserves.
 - Child care businesses can’t survive lengthy closure
 - Lack income to cover even fixed costs
 - Lose trained and experienced staff
- The use of grants and/or contracts with child care programs can stabilize the supply short term.
- Need a longer term, balanced financing strategy that addresses supply-side issues and fixed costs.



The Impact of COVID-19

Covid-19 has impacted both the supply AND demand for child care

- The supply decreased dramatically:
 - Many programs closed or operated with limited hours or spaces
- The demand for care dropped and child care has still not recovered
 - School schedules
 - Vaccine availability
 - Teacher availability



The Impact of COVID-19

Still, parents need child care to work . . .

- 44% of parents report they cannot work in some fashion without child care.
- A third of parents have sought child care and over half found it difficult to find within their budget.
- Three-fourths of parents with an income under \$50K say it was difficult to find care within their budget.
- Additionally 35% of parent's with school-aged children will look for child care if their school is not open.



The Impact of COVID-19

And ... work itself is changing

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The Impact of COVID-19

But, the child care business model is NOT changing – and here's the problem:

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- **A third of parents have sought child care and over half found it difficult to find within their budget.**
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- **Additionally 35% of parent's with school-aged children will look for child care if their school is not open.**





Question: *So what's the plan to meet the future needs of Montana families and businesses?*

Moving Forward



Moving Forward –

- **Nationally & in Montana there is a lack of child care:**
 - Problem can't be solved without addressing the business model and the “GAP” between the cost to provide care and the ability of parents to pay for it.
 - Solutions lie at both the community level with support from state and federal policy-makers.
 - Leadership is needed to move from knowledge to solutions.
 - Everyone who benefits from high quality child care should be a part of the solution.



Moving forward -

- **Who is missing from the conversation in your community? . . . government, economic development agencies, education, businesses, parents, education, faith community, philanthropy, others?**
- **Funding child care should be a shared financial responsibility, but planning and development is a community responsibility.**



Moving Forward -

What we have to build on:

- a shared value – our children,
- solid science, research and data,
- successful models:
 - ✓ Military
 - ✓ EHS/CC Partnerships
- the national spotlight, and
- we have broad bi-partisan support at all levels.

What we need an actionable plan and sufficient, sustainable funding to ensure all families have access to the quality of care they need.



The Gap:

If we truly want quality, affordable and reliable care for children and families, we must address the gap between what it costs to produce care & what parents can afford.

Summary

We have the data, research and science we need to move forward.

- **There is a new recognition of the importance of child care to our nation's children, families and businesses - now and in the future.**

The child care business model is failing.

- **Parents can't afford the quality of care their children need.**
- **Child care workers earn poverty level wages.**
- **Businesses can't recruit the employees they need.**

Businesses and the economic recovery require a stable child care market.

- **To prevent catastrophic loss of child care infrastructure, financial support needs to be predictable and sustainable.**

Financing is key to making the child care system work for all.

- **Business, education, faith leaders , parents, community and state policymakers must come to the table with the early childhood community to develop recommendations for the future.**





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Thank You!

lsmith@bipartisanpolicy.org



More Information

Child Care Gap

- Montana [webpage](#)
- Montana [data sheet](#)

State Governance

- 2018 state governance [report](#)
- Montana state governance [data sheet](#)



More Information

BPC and Morning Consult Parent Surveys

- August 2021 | Child Care in Rural America – What Have We Learned?
[Child Care in Rural America – What Have We Learned? | Bipartisan Policy Center](#)
- April 2020 | Child Care in the Time of Coronavirus
<https://bipartisanpolicy.org/blog/nationwide-survey-child-care-in-the-time-of-coronavirus/>
- October 2019 | The Impact of Child Care Costs on Parents
<https://bipartisanpolicy.org/blog/child-care-poll/>

