



The Mounting Costs of Child Care

Impacts of child care affordability and access to
Washington's employers and economy



Department of Commerce



U.S. CHAMBER OF COMMERCE FOUNDATION



CHILDREN'S ALLIANCE

A Voice for Washington's Children, Youth & Families



Economic & Workforce Solutions



OF WASHINGTON



Acknowledgements

This report and underlying analysis were developed through a collaboration of Washington State Child Care Collaborative Task Force partners to increase understanding of impacts of child care affordability and availability on Washington's employers, workforce, and economy. The Task Force will use this information to develop legislative policy recommendations and a strategy for achieving access to affordable, high-quality child care for all Washington families by 2025.

Elway Research Inc. conducted a survey of 400 Washington households with children under the age of six. Eastern Washington University Institute of Public Policy and Economic Analysis analyzed economic impacts based upon survey findings. Our team of researchers and partners drew from previous economic impact analyses in Louisiana, Georgia, and Maryland. We extend our gratitude to Hannah Goldberg, Ph.D., Georgia Early Education Alliance for Ready Students (GEEARS) for consultation and advice.

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Association of Washington Business

Child Care Aware of Washington
Children's Alliance

Introduction

To better understand the impact of child care issues for working parents and our economy, the Washington State Child Care Collaborative Task Force and partners commissioned a 2019 survey of Washington parents by Elway Research and an economic impact analysis by Eastern Washington University's Institute for Public Policy and Economic Analysis. This report summarizes the findings.

The Mounting Costs of Child Care provides a snapshot and economic impact analysis of how child care challenges affect Washington state's workforce participation and economy.

Washington's future depends on quality child care

Child care allows parents to work and prepares our future workforce for success. Quality care settings are critical for early childhood development. Research shows that the brain develops more from birth to five than during all the following years of school.¹

Access to affordable child care increases labor force participation and supports state and regional economic growth.

Studies have suggested that access to affordable child care also supports parents seeking additional education and training, which contributes to higher lifetime earnings and greater family success.²

Likewise, lack of available, affordable care limits family economic advancement and employers' ability to fill jobs.

Child care affects Washington employers

In 2018, the Association of Washington Business found that 67% of employers reported that child care challenges caused absenteeism among their employees.³

Workers with children under six years old represent 15% of Washington state's workforce. In 60% of Washington households with children under six, all available parents work.⁴ By this measure, over 300,000 children under six may need child care. In 2018, Washington's total capacity of licensed or exempt child care for children birth to age 12 was 178,702.⁵

Fewer child care slots, greater need

Washington state has 20% fewer family child care providers than it did five years ago. While the capacity of child care centers has increased slightly—by 3,000 slots, Washington's population of

KEY FINDINGS

49%

Of Washington parents found it difficult or very difficult to find, afford and keep child care

27%

Quit their job or left school or training due to child care issues

9%

Were fired or let go due to child care issues

27%

Went from full-to part-time work, school, or training

\$2.08B

Estimated direct costs of turnover and missed work due to child care issues

\$6.5B

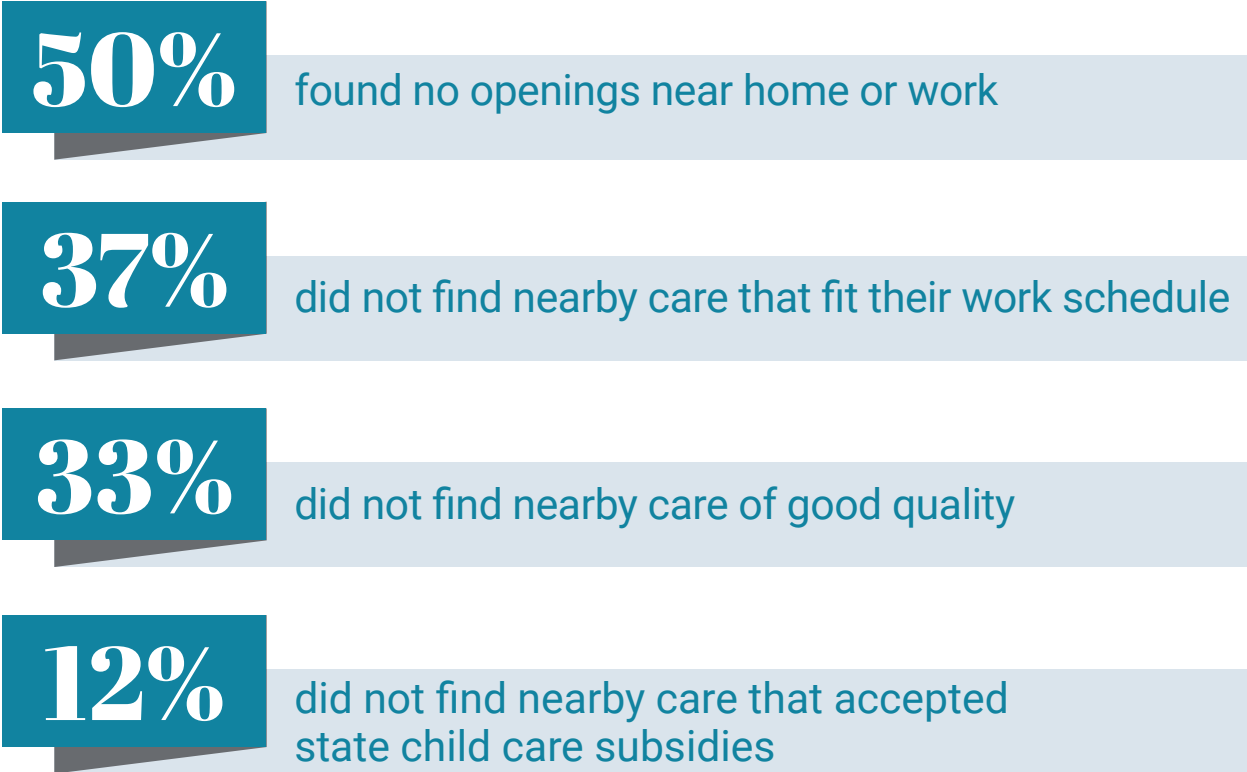
Total estimated direct and opportunity costs due to employee child care issues

Impacts to Washington Employees

Child Care Access and Affordability

Over 75% of Washington parents surveyed had sought or used child care.

Nearly half found it difficult or very difficult to access child care.



One in four respondents said that the cost of child care prevented them from even getting it.

According to Child Care Aware of Washington, families in Washington pay more on average for an infant (under one year) in a family child care program than all but two other states in the nation. At \$10,560 to \$16,200, the annual cost of full-time quality care for one infant in a licensed center can be more than the annual cost of tuition at Washington’s public universities. The annual cost for care for a four-year-old approaches or exceeds \$10,000 (15% of median income).⁷

A typical single parent in Washington would spend over half their income for infant care. While median household incomes have increased 5% since 2010, the median cost of child care has increased 13-20% for center-based care and 11-31% for family child care.⁸

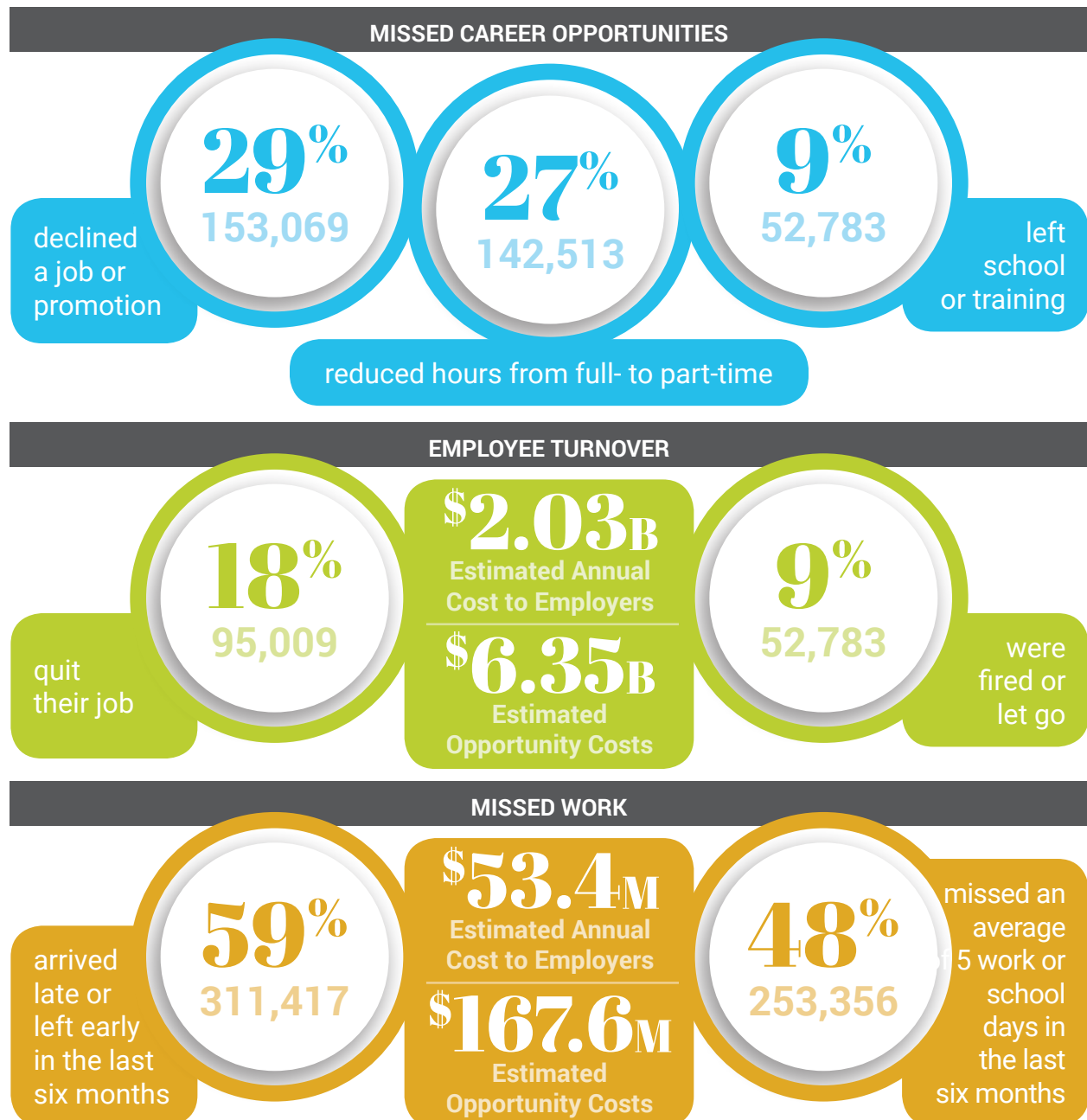
Despite these financial challenges, 81% of survey respondents reported receiving no financial assistance. Nine percent (9%) received government subsidy and 8% said that family or friends provided financial help.

Work Disruptions for Employers and their Employees

Child care issues affect parents' decisions about work, education, and job training. Those decisions in turn affect employer recruitment, retention, and productivity. As employers and anyone with kids knows, parents may also experience more short-term disruptions—such as missing days of work or school, arriving late, or departing early—as a result of child care challenges.

Across all categories, parents reported that child care issues caused them to miss days of work, school, and work training over the last six months.

Parents surveyed reported these disruptions due to child care issues. The graphic shows both the percentage of respondents and extrapolated number of Washington workers:



Impacts to Washington's Employers and Economy

The Eastern Washington University Institute for Public Policy and Economic Analysis found in 2019 Washington employers incurred costs of \$2.08 billion related to employee turnover or missed work due to child care issues. Considering opportunity costs to employers for lost productivity and opportunity to reinvest funds, the study estimated that child care access and affordability issues cost the state's gross domestic product (GDP) about \$6.5 billion in lost contributions.⁹

Many Washington parents have quit or lost their job due to child care issues. Employee turnover, or when an employee leaves and must be replaced, results in costs to backfill, recruit, hire, onboard, and train a new employee.

Direct Effects of Employee Turnover and Missed Work Due to Child Care Issues

Elway Research found in 2019 that 18% of workers with children under the age of six quit, and 9% reported being fired or let go from a job, due to child care issues. Applied to 2017 workforce data, this suggests an estimated 142,513 Washington state workers left the workforce, at least temporarily, due to child care issues: 95,009 quit, and 47,504 were terminated.

Across the state in 2017, employers paid out \$300 billion in employee compensation. This equated to an average annual wage of \$68,646, considering employee compensation includes both wages/salaries and benefits. Using the conventionally accepted turnover cost of 20.7% of the employee's annual salary, the total estimated direct cost to employers of employee turnover resulting

from child care issues is \$2.03 billion. This represents roughly 0.7% of all employee compensation paid by employers in the state.

Employers paid an estimated \$36.2 billion to workers with children under the age of six. Since 59% reported arriving late or leaving early, researchers estimated \$21.4 billion was paid in compensation to individuals who missed work. This number was reduced to reflect the share of hours missed, calculating the direct cost to businesses due to workers arriving late or leaving early as a result of child care issues. This results in an estimated \$53.4 million in total employee compensation associated with hours missed.

Cost of Opportunities Missed Due to Child Care Disruptions

In addition to assessing the direct effects of missed work and turnover due to child care issues, the study also analyzed the opportunity costs, or loss of potential gain resulting from the choice of one alternative over another. In this case, businesses are paying costs of rehiring employees and missed production due to lost hours, and the analysis asks the hypothetical question of what if that was diverted to production instead?

Researchers found that our state's economy suffered an estimated \$3.7 billion from opportunities missed due to child care disruptions.

Had those lost investments been converted into productive uses, the state would have made gains in total employment and increased value of the state gross domestic product (GDP).

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The following tables show what could have been the economic impact if the costs associated with Washington employers were avoided and put entirely to productive uses within their organizations. These tables show the effects of lost income and productivity due to child care issues: the direct effects to employers, the indirect effects representing businesses-to-business transactions, and the induced effects representing lost consumer spending. The total represents the upper bound of the overall cost of child care issues in the workforce.

The tables below show the multiplier effect calculation for value added if employers could have reinvested losses due to child care issues. Every \$1 of costs reinvested would result in a total economic impact of \$1.78.

1. Total Cost of Employee Turnover Due to Child Care Issues (millions)

Impact	Employee Compensation	Value Added
Direct Effect	\$2,025.1	\$3,612.2
Indirect Effect	\$836.7	\$1,374.9
Induced Effect	\$743.2	\$1,364.5
Total Effect	\$3,604.9	\$6,351.5

2. Total Cost of Missed Work Due to Child Care Issues (millions)

Impact	Employee Compensation	Value Added
Direct Effect	\$53.4	\$95.3
Indirect Effect	\$22.1	\$36.3
Induced Effect	\$19.6	\$36.0
Total Effect	\$95.1	\$167.6

The table below shows how the reinvestment of these lost funds could support an additional \$3.7 billion of compensation to Washington workers, contributing over \$6.5 billion to the state's GDP.

3. Total Cost of Workforce Disruptions Due to Child Care Issues (millions)

Impact	Employee Compensation	Value Added
Direct Effect	\$2,078.5	\$3,707.5
Indirect Effect	\$858.7	\$1,411.2
Induced Effect	\$762.8	\$1,400.5
Total Effect	\$3,700.1	\$6,519.1

Conclusion

“Ask any parent: It’s not working for them. It’s a stretch for all of them. Because we as a country haven’t yet come to grips with how important affordable, quality child care is to our economy.”

Helen Blank,
director of child care and early learning at the National Women’s Law Center

The child care industry is like a public utility – families, employers and our economy depend on it. However, the industry is largely comprised of myriad small businesses operating in a broken market – what economists describe as a market failure characterized by the inability to efficiently allocate resources. Child care and early learning have well-documented value to the present and future workforce and thus to our society. The challenge is that most parents (the customers) can’t afford to pay for the true value of quality child care and providers don’t get paid enough to supply the demand. High-quality child care provides a critical value that doesn’t show up in the price that child care providers are able to charge.

Without access to reliable, quality child care, both employees and employers suffer. Parents may have to miss work, turn down opportunities, or even leave a position in order to address child care challenges. Employee absences and turnover affect employers’ bottom lines, while reduced participation in higher education and work training programs stifles the development of the state’s workforce.

Washington faces a shortage of skilled workers. We are already experiencing the impact of parents leaving the workforce due to child care challenges – imagine if a greater percentage stopped working. The loss of talent, productivity and family income would be (and already is) massive. High-quality child care also benefits the next generation of workers, providing a strong foundation for thousands of children who spend millions of hours in care.

The U.S. Chamber of Commerce Foundation recently released a report that makes the business case for high-quality child care:¹⁰

- There’s a growing gap between the skills of our current workforce and available jobs.
- 60% of businesses have jobs they struggle to fill.
- Employees who are parents make career decisions based on available child care options.
- High-quality child care is early education. Early learning begins at birth.
- High-quality childcare builds our nation’s human capital two generations at a time.

This challenge has a role for everyone: Washington’s employers, governments, and especially parents and our communities at large. The Child Care Collaborative Task Force has been charged by the Washington State Legislature to research and make recommendations that culminate in a strategy, timeline, and implementation plan to reach the goal of affordable and accessible child care for all Washington families by 2025. Per the authorizing legislation, the Task Force will release reports in November 2019, July 2020, December 2020, and June 2021 to meet its mission.

“A child’s education begins well before they enter school, and high-quality childcare is an under-recognized part of the early education system. It has a role in laying the foundation for a child’s success in school, and ultimately, the workforce. As the business community considers a wealth of strategies in the ongoing conversation about strengthening our workforce, we should not underestimate high-quality childcare and the potential it holds to support the workforce of today and of tomorrow.”

Cheryl Oldham, senior vice president for the U.S. Chamber Foundation’s Center for Education and Workforce



“Affordable access to early childhood education is a barrier to enter, re-enter, or stay in the workforce for parents and caregivers, who are our workforce of today. We also want to ensure that our young children, who make up the workforce we will rely on tomorrow, have the skills and supports they need to succeed.”

U.S. Chamber of Commerce Foundation

End Notes

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6. Ibid.
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9. For a deeper dive into this analysis and the assumptions used to generate it, see the full EWU report in the Child Care Collaborative Task Force page on the Department of Commerce’s website.
10. Stevens, Katharine. “Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare.” U.S. Chamber of Commerce Foundation. June 21, 2017. https://www.uschamberfoundation.org/sites/default/files/Workforce%20of%20Today%2CWorkforce%20of%20Tomorrow%20Report_0.pdf



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