## CHILDCARE

Addressing the need for affordable, high-quality early childhood care and education for all in the United States

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### Overview

In 2017–2018, most children in the United States under 6 years of age—68 percent of those in single-mother households and 57 percent in married-couple households—lived in homes in which all parents were employed.<sup>1</sup> Most of these families require nonparental early care and education, such as childcare centers, preschools, family childcare homes, or informal arrangements with relatives or neighbors, to care for their children while at work. In a typical week in 2011, the most recent year for which complete data are available from the U.S. Census Bureau, 12.5 million of the 20.4 million children under the age of 5 living in the United States (61 percent) attended some type of regular childcare arrangement.<sup>2</sup>

Unfortunately, on average, the early care and education settings attended by many young children, particularly low-income children or children of color, provide quality at levels too low to adequately promote children's learning and development.<sup>3</sup> This exacerbates socioeconomic and racial and ethnic inequalities. At the same time, in most regions of the country, families with young children are spending more on childcare than they are on housing, food, or healthcare.<sup>4</sup>

In this essay, I argue that greater policy attention to early childcare and education is warranted for three reasons:

- High-quality early care and education promotes children's development and learning, and narrows socioeconomic and racial/ethnic inequalities.
- Reliable, affordable childcare promotes parental employment and family self-sufficiency.
- Early care and education is a necessary component of the economic infrastructure.

I then provide the research underlying these three statements, and follow with a discussion of several policy solutions to address the current problems of affordability, quality, and supply of early care and education in the United States. The overwhelming evidence shows that more public investment is needed to help ease the cost burden for families and ensure that a trained, stable workforce has adequate compensation. A universal early care and education plan, particularly one with a sliding income scale to provide progressive benefits, may not pay for itself in the short term, but will very likely do so in the long term by boosting broad-based U.S. economic growth and stability while narrowing economic inequality.

#### Key Takeaways

#### THE EVIDENCE

- High-quality early care and education promotes children's development and learning, and narrows socioeconomic, racial, and ethnic inequalities while promoting parental employment and family self-sufficiency, yet most existing programs in the United States are expensive and difficult for parents to juggle alongside their jobs.
- Existing state and local paid family leave programs help parents manage their own health and their newborns' needs while maintaining their jobs and a basic income, but the transition to early care and education is often tumultuous for both parents and children, given the dearth of high-quality, affordable options.

#### THE SOLUTIONS

Early care and education is a necessary component of the U.S. economic infrastructure. Following periods of paid leave and preceding preschool, families face gaps in affordable, high-quality, and stable early care and education arrangements that match their working hours. Expanding early care and education options can narrow pervasive social and economic inequalities and lead to greater U.S. economic growth.

## High-quality early care and education promotes children's development and learning and narrows inequality

Early childhood, especially the first 3 years of life, constitutes a sensitive period of the life course, one during which caregiver warmth, responsiveness, and developmentally appropriate stimulation are vital for development.<sup>5</sup> Experiences during early childhood—whether positive, such as language exposure, or negative, such as high and chronic levels of stress or deprivation—have lasting effects.<sup>6</sup> Research demonstrates that socioeconomic disparities in cognitive skills and physical development are apparent in infancy.<sup>7</sup>

Over the past five decades, a wealth of research has examined how early care and education affects children's development. Most studies find that the majority of the intensive, high-quality, at-scale model programs promote children's academic school readiness in the short term. These include the Abecedarian project (studying a set of children born between 1972 and 1977 into their adult years), the Perry Preschool project (studying of a select group of children born between 1962 and 1967), the Infant Health and Development Program (a 1980s program that studied low birth-weight children in their first 3 years), and longstanding federal at-scale early care and education programs such as Head Start, state pre-Kindergarten programs, and high-quality center-based programs.<sup>8</sup> Effects are generally strongest for disadvantaged children, suggesting that early care and education may help to narrow socio-economic, racial, and ethnic disparities in achievement.<sup>9</sup>

Among the early care and education programs in existence long enough to have data on long-term effects, research finds substantial and lasting benefits for educational and economic outcomes, including higher rates of high school completion, college attendance, and earnings, and reduced criminal activity and public assistance reliance into adulthood.<sup>10</sup> There also is emerging evidence for intergenerational benefits.<sup>11</sup> Yet the research is somewhat mixed for the mid-term effects of early care and education programs. Research finds benefits of participation for reduced grade retention, or repeating a grade in school.<sup>12</sup> The short-term benefits on test scores, however, appear to "fade out" or converge with children who did not attend early care and education programs as they age.<sup>13</sup> But some research suggests that may be due to the quality of the schools attended after early childhood.<sup>14</sup>

A largely separate body of research examines the health effects of early care and education. Studies find that the initial entrance of young children into group care is associated with a short-term increase in the incidence of communicable diseases.<sup>15</sup> But there are substantial and lasting benefits of early care and education participation for health, including increased ontime immunization rates, early screening rates, improved cardiovascular and metabolic health, and reduced smoking.<sup>16</sup>

## Reliable, affordable childcare promotes parental employment and family self-sufficiency

Early care and education provides a context for child development, as well as temporary relief to parents for childcare, allowing them to work. Indeed, increased access to affordable childcare increases parents' labor force participation, particularly among single mothers. A recent review of the labor effects of childcare estimates that a 10 percent decrease in childcare costs would lead to a 0.25 percent to 1.25 percent increase in parental labor force participation.<sup>17</sup> Research finds that public preschool programs, which typically offer part-day, school-year programming, have some but potentially limited effects on parental employment.<sup>18</sup> But full-day, full-year early care and education—particularly for infants and toddlers for whom care is expensive and hard to find, and who are less likely to attend center-based care (See Figure 1)—would likely have larger effects on parental labor force participation.<sup>19</sup>



#### FIGURE 1

...full-day, full-year early care and education would likely have larger effects on parental labor force participation.

Source: Lynda Laughlin, "Who's Minding the Kids? Child Care Arrangements" (U.S. Census Bureau, 2013), 2011 Survey of Income and Program Participation data, available at https:// www.census.gov/prod/2013pubs/p70-135.pdf.

## Early care and education is a necessary economic infrastructure component

Childcare can be considered an infrastructure component akin to transportation. Without reliable, affordable sources, workers cannot regularly get to work or stay there. In the short term, early care and education settings support the productivity of two types of workers: employed parents and childcare workers. Research by University of Chicago economist and Nobel Laureate James Heckman and others suggests that many early childhood programs pay for themselves before children begin kindergarten via increased maternal employment, which generates both household income and tax revenue.<sup>20</sup> Further, research from the early 2000s suggests that investments in childcare have strong local economic development effects, or multiplier effects, because much of those dollars are spent on childcare worker wages that they, in turn, spend locally.<sup>21</sup>

In the long term, early care and education supports the preparedness and skills development of the future workforce of the country. Benefit-cost analyses of several intensive model programs and public early care and education programs indicate that the benefits—such as improved educational, economic, and health outcomes, and reduced criminal activity and receipt of public assistance—outweigh the initial program costs, demonstrating positive returns for participants, as well as the public.<sup>22</sup>

# Barriers in accessing the promise of early care and education

Unfortunately, families with young children today face barriers in accessing and paying for the opportunities offered by early care and education. High-quality early care and education is expensive and hard to find, particularly for infants and toddlers.<sup>23</sup> Families with young children spend about 10 percent of their incomes on childcare expenses, but families in poverty families below 100 percent of the Federal Poverty Level of about \$12,000 per year for a family of three—spend 30 percent.<sup>24</sup> These expenses represent families' actual expenses at a mix of regulated centers and homes and informal lower-cost arrangements with relatives, not necessarily what they may choose to spend if more options were available.

In 2017, infant childcare at centers or licensed homes cost an average of \$9,000 to \$12,000 per year across the country, more than public college

tuition in most states.<sup>25</sup> These high childcare costs accrue during a period when parents are at the lowest earning years of their careers and when the financing mechanisms of grants and low-interest loans are unavailable.<sup>26</sup> The public programs that exist to help families access early care and education—namely the Early Head Start/Head Start program and childcare subsidies provided under the federal and state Child Care and Development Block Grant program—serve a small fraction of those eligible. In 2016–2017, 35 percent of 3- to 5-year-old children in poverty attended Head Start, and 10 percent of children under age 3 in poverty attended Early Head Start.<sup>27</sup> In 2015, of the 13.5 million children eligible for childcare subsidies under federal rules, only 15 percent received them.<sup>28</sup>

Public investments in preschool contribute to dramatic increases in participation in early learning programs in the year or two prior to children's entry into kindergarten. Whereas in 1970, about 1.09 million (27 percent) 3- to 5-year old children in the United States attended preschool, by 2016, 4.701 million (60 percent) were enrolled.29 Yet these overall rates mask disparities in attendance. While income-based gaps in enrollment in preschool narrowed in recent decades, children in low-income families continue to be less likely to attend center-based care than their higher-income peers.30 As shown in Figure 1, among children under age 5 with employed mothers, only 28 percent of those in homes under the poverty line attend center-based care, versus 39 percent of those above the poverty line. This is problematic, as center-based settings tend to provide higher-quality, more stable care, on average, than unregulated arrangements.<sup>31</sup>

Further, centers that low-income children attend provide lower quality care, on average, than those attended by their higher-income peers.<sup>32</sup> Research shows that higher-income families are enrolling children in formal early care and education programs at increasingly younger ages.<sup>33</sup> In 2005, for example, 22 percent of 1-year-olds from families with incomes above 200 percent of the federal poverty line (at that time, about \$32,000 per year for a family of three) attended center-based settings, compared to just 11 percent of 1-year-olds from families with incomes below 200 percent of the federal poverty line.<sup>34</sup> Our system's reliance on private family investment in early childhood is a driver of inequality, putting children on unequal playing fields well before they walk through the doors of their kindergarten classrooms.<sup>35</sup>

Despite their high expense, early care and education programs should actually cost more, not less. The quality of early care and education depends on the warmth and responsiveness of teachers and caregivers and on the strength and consistency of the caregiver-child relationships, which means economies of scale do not apply to childcare in the same way as with other economic sectors. For good reason, state and local regulations set childadult ratios and group sizes and teacher training requirements. In turn, most childcare costs are directed to labor expenses.<sup>36</sup>

Yet, despite parents paying as much (or more) than they can afford, childcare workers are paid little. In 2018, the median hourly wage for childcare workers was \$11.17 (\$23,240 per year).<sup>37</sup> This is considerably less than the \$16.56 median hourly wage for bus drivers (\$34,450 per year).<sup>38</sup> What's more, there are wide racial and ethnic gaps in teacher pay and benefits such as health insurance coverage or paid sick leave.<sup>39</sup> Many workers earn so little that they rely on public assistance. Between 2014 and 2016, more than half (53 percent) of childcare workers lived in families that participated in one or more of four public programs.<sup>40</sup> This compares to 21 percent in the general population.<sup>41</sup>

Low pay and few benefits present barriers in attracting and retaining a skilled early care and education workforce. Teacher educational qualifications and stability are associated with the quality of early childhood settings and, in turn, a wide range of children's outcomes.<sup>42</sup> In 2012, 25 percent of childcare centers had turnover rates of 20 percent or higher.<sup>43</sup> A 2018 study found that 10 percent of children in Head Start (whose teachers average lower pay than those at public preschool programs) had a teacher who left Head Start entirely during the program year, with harmful consequences for children's outcomes.<sup>44</sup> Adequate caregiver and teacher compensation and training is necessary for supporting quality and stability in, and augmenting the supply of, early care and education.

This lack of reliable, affordable childcare has reverberating effects for parents, employers, and the U.S. economy. Interrupting a career due to a lack of adequate childcare—something more often done by mothers—has both short- and long-term economic ramifications for families in terms of lost wages, retirement savings, and other benefits, with an estimated average reduction of 19 percent in lifetime earnings.<sup>45</sup> Even when maintaining labor force participation, working parents and their employers feel the economic consequences of childcare inadequacy. A 2018 survey found that workers with children under the age of 3 lose an average of 2 hours per week of work time due to childcare problems, such as leaving early or arriving late. One-quarter of respondents reported they reduced regular work hours, turned down further education or training, or turned down a job offer due to childcare problems.<sup>46</sup> One recent study estimated that the childcare crisis results in \$57 billion in lost earnings, productivity, and revenue each year.<sup>47</sup>

### Policy solutions

Most early care and education policies are designed for one or both of two purposes: to provide care while parents work or to promote children's readiness to enter kindergarten by supporting cognitive, social-emotional, and behavioral development. This is a false dichotomy. As detailed above, high-quality, affordable, reliable programs accomplish both purposes. Yet there are simply too few high-quality, affordable, reliable programs in the United States today, and most are out of reach for low- and middle-income families.

In order to address families' and employers' early care and education needs, policies must address the affordability, quality, and supply problems in our current system. More public investment is needed to help ease the cost burden for families and ensure that a trained, stable workforce has adequate compensation, which will promote affordability and quality. Low-income families disproportionately shoulder the economic and other burdens caused by the lack of childcare, although middle-income families are also economically squeezed during the years in which their children are young.

A universal plan, particularly one with a sliding income scale to provide progressive benefits, may not pay for itself in the short term, but will likely do so in the long term.<sup>48</sup> A universal plan that offers benefits such as mixed-income classrooms may have beneficial peer effects.<sup>49</sup> And these kinds of plans have fewer administrative barriers and stigma, and a broader base of political support.<sup>50</sup> Further, an analysis of the Infant Health and Development Program estimates that socioeconomic achievement gaps would be substantially narrowed from universal programs.<sup>51</sup> Policies should be flexible enough to meet families' diverse needs, address the overall supply of early care and education, and cope with the gaps that are particularly troublesome for families today, such as care during nonstandard hours and for children with special needs.<sup>52</sup>

Two examples of universal policy solutions that would improve affordability, quality, and supply are the Child Care for Working Families Act and the Universal Child Care and Early Learning Act. Both of these proposed bills would increase public investment in early care and education to limit families' out-of-pocket payments to 7 percent of family income (the threshold recommended by the U.S. Department of Health and Human Services), increase childcare worker compensation and training, and expand public preschool and the supply of childcare for infants and toddlers. The Child Care for Working Families Act does so by expanding childcare subsidies, nearly doubling the number of children eligible.<sup>53</sup> The Universal Child Care and Early Learning Act relies more on public provision, expanding a network of early care and education options through federal-state or federal-local partnerships.<sup>54</sup>

Both bills, if passed by Congress and signed into law, would lead to substantial increases in the availability of high-quality, affordable early care and education programs. An analysis of the Child Care for Working Families Act estimated that, at full implementation, the availability of new childcare subsidies and reduced childcare costs would lead to 1.6 million more parents joining the labor force, the bill would create 700,000 new jobs in the childcare sector, and pay among teachers and caregivers would increase by 26 percent.<sup>55</sup>

#### Conclusion

The recent increases in state and local paid family leave programs in a handful of states and cities are laudable and help parents manage their own health and their newborns' needs, while maintaining their jobs and a basic income.<sup>56</sup> Likewise, federal and state public preschool programs and Head Start serve increasing numbers of children, with 44 percent of 4-year-olds and 16 percent of 3-year-olds enrolled in public programs across the country.<sup>57</sup> But in the years following the (relatively brief) period of paid leave and preceding the availability of preschool, families require affordable, high-quality, stable early care and education arrangements that match their working hours.

To ignore early care and education policy means to ignore a major expense and pressing concern for families and employers across the nation. Moreover, the research shows that early care and education can promote children's cognitive and other outcomes, narrowing disparities and leading to greater economic growth.<sup>58</sup> Our nation's current lack of investment in early care and education—unique among our peer countries—constitutes a lost economic opportunity to enhance our global competitiveness, as well as a lost opportunity for narrowing pervasive social and economic inequalities among families today.

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## Endnotes

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