

## REPORT

# \$6.65 Billion: The Growing, Annual Cost of Pennsylvania's Child Care Crisis

Impact on families, businesses, and taxpayers  
has more than doubled since 2018



## Acknowledgements

### **ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life. ReadyNation is part of Council for a Strong America, a national, bipartisan nonprofit that unites membership organizations, including law enforcement leaders, retired admirals and generals, and business executives, that promote solutions ensuring that our next generation of Americans will be successful, productive members of society.

**The Pennsylvania Early Learning Investment Commission** is a partnership of business leaders dedicated to making the success of every child in Pennsylvania a top priority. We work to improve tomorrow's economy through smart policy and investments in today's young children.

**Start Strong PA** is an issue-based advocacy campaign focusing on improving healthy development outcomes for infants and toddlers by increasing support for and improving the quality of child care programs that serve them.

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# \$6.65 billion

the annual cost of Pennsylvania's child care problems

## Summary

For Pennsylvania, inadequate child care options impose substantial and long-lasting consequences; its effects are felt by parents, businesses, and the commonwealth's taxpayers. The top-line findings of a new study examining the economic impacts of problems in Pennsylvania's child care system on working parents, employers, and taxpayers describe the consequences. The verdict: an annual economic cost of \$6.65 billion in lost earnings, productivity, and revenue.

Productivity challenges affect both employers and employees:

- 56 percent of Pennsylvania parents surveyed report being late for work due to child care struggles.
- Half or more report missing full days of work, leaving work early, or being distracted at work.
- More than half of parents said problems with child care hurt their efforts at work.

The predictable impact: 1 in 4 say they've been reprimanded and 18 percent have been let go or fired. Meanwhile, productivity problems cause Pennsylvania employers to lose \$1.52 billion annually due to child care challenges faced by their workforce.

Beyond its impact on the workforce and economy today, Pennsylvania's child care crisis damages the future workforce by depriving children of nurturing, stimulating environments that support healthy brain development while their parents work.

Policymakers must support evidence-based policies and programs that enhance the availability and affordability of high-quality child care, to improve life outcomes for Pennsylvania's children today and strengthen the commonwealth's workforce and economy both now and in the years to come.



## Most parents of young children are in the workforce and need child care

The majority of Pennsylvania parents with young children are now in the workforce; this is true of both single and married parents. Across Pennsylvania, there are nearly 796,000 working parents with children ages birth to 5.<sup>1</sup>

With parents working, many children are in child care. Our study revealed that Pennsylvania families rely on a patchwork of child care arrangements, including formal center-based care (32 percent), formal home-based child care (39 percent), and informal care (21 percent). Many parents need child care so they can go to work, be productive, and build successful careers. Child care settings are also a key environment for children's development, particularly given the importance of the early years for brain development.

## The current child care system does not meet the needs of Pennsylvania families or employers

**Access:** In Pennsylvania, 57 percent of all residents live in a “child care desert,” an area where there are over three times as many children as licensed child care slots.<sup>2</sup> Typically, child care availability is especially limited for families who have infants and toddlers, work evening and night shifts, or live in rural areas.<sup>3</sup>

**Affordability:** Infant child care cost represents 40 percent of the median annual income of a single parent in Pennsylvania. Infant care in a center in Pennsylvania averages \$12,152 per year, comparable to \$15,312 for the average public college in-state tuition and fees.<sup>4</sup> Child care is unaffordable for nearly all families, especially low-income families who do not have access to subsidized child care and for middle class families who do not qualify for subsidized child care.<sup>5</sup>

**Quality:** Only 46 percent of child care capacity in Pennsylvania currently meets high-quality standards.<sup>6</sup> Among the shortcomings in quality are high rates of provider turnover caused by low compensation, resulting in a lack of stable, consistent caregiving for young children. Caregiver disruptions delay the secure bond that must form before a child can learn from a new adult, and limits children's developmental progress.

**“Pennsylvania’s economy and the success of individual companies depend on working families. Working families depend on quality child care. Unfortunately this system is in crisis, which is significantly impacting our economy and workforce. Investing in our commonwealth’s child care infrastructure is an imperative that we, as business leaders, can no longer ignore.”**

**Stephanie Doliveira, Executive Vice President, People & Culture, Sheetz, Inc.**



# Insufficient child care negatively impacts Pennsylvania parents, employers, and taxpayers

When families do not have the child care they need, parents' work productivity falls, resulting in costs to parents, their employers, and ultimately, taxpayers. ReadyNation in partnership with Start Strong PA commissioned a survey of working parents of children ages birth to 5 in Pennsylvania. The survey yielded a representative sample of 503 parents—both mothers and fathers—of children ages birth to 5.

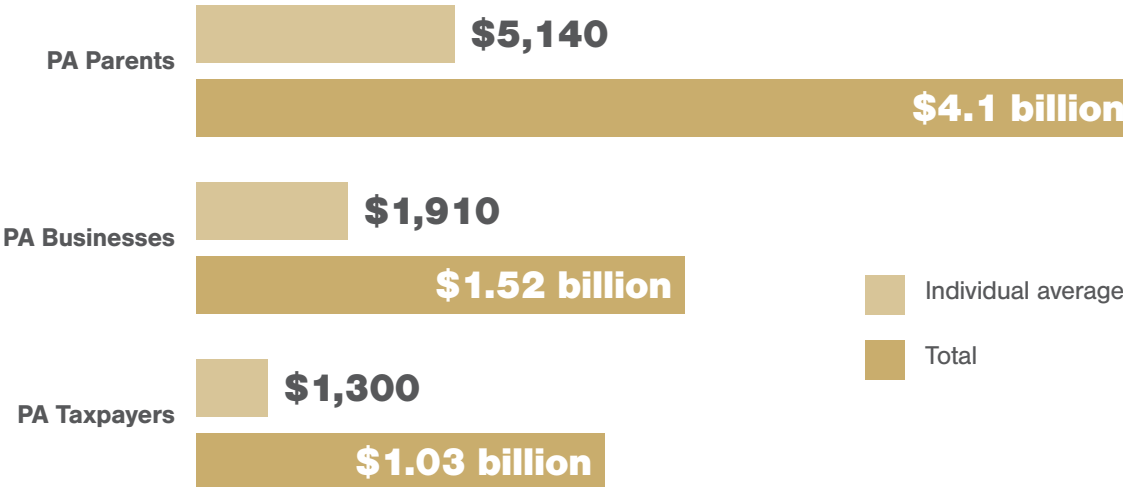
Seventy percent of working parents surveyed reported that access to child care is a challenge and more than half said it is a significant challenge to find child care that is either affordable (61 percent) or high-quality (51 percent).

The survey provided evidence of the various ways in which parents' work commitments, performance, and opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modeled how the Pennsylvania economy is affected by child care problems.<sup>7</sup>

## The economic impacts of insufficient child care on parents, employers, and taxpayers

Insufficient care for children under the age of five costs individuals, businesses, and the commonwealth billions of dollars each year.

Annual aggregate economic burden each year a child is under age five:



## The impact of insufficient child care on PARENTS in Pennsylvania

The survey results provide a window on how the above economic impacts occur. Parents were asked how child care problems affected their work. They reported that these problems affected their time at work and their work productivity, as well as diminishing their career opportunities.

**Less effort at work and being distracted:** Child care problems decreased parents' effort and productivity at work, undermining their job stability. More than half (56 percent) of parents reported being late for work, leaving work early, or missing full days of work. About half reported being distracted at work.

### Lower effort and productivity at work

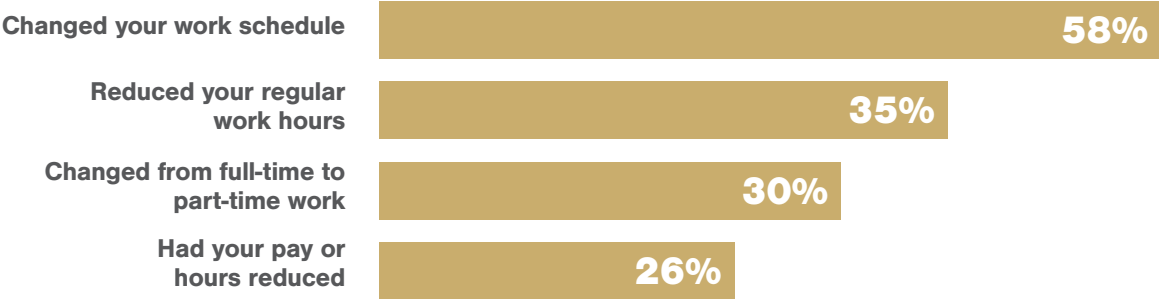
Due to child care problems, over the past six months, have you:



**Cuts to hours and pay:** Problems with child care significantly reduce how much time parents spend at work. More than one-half reported having to change their work schedules, while more than one-third said they had to reduce their regular work hours. More than one-quarter changed from full-time to part-time work or had their hours or pay reduced.

## Less time at work

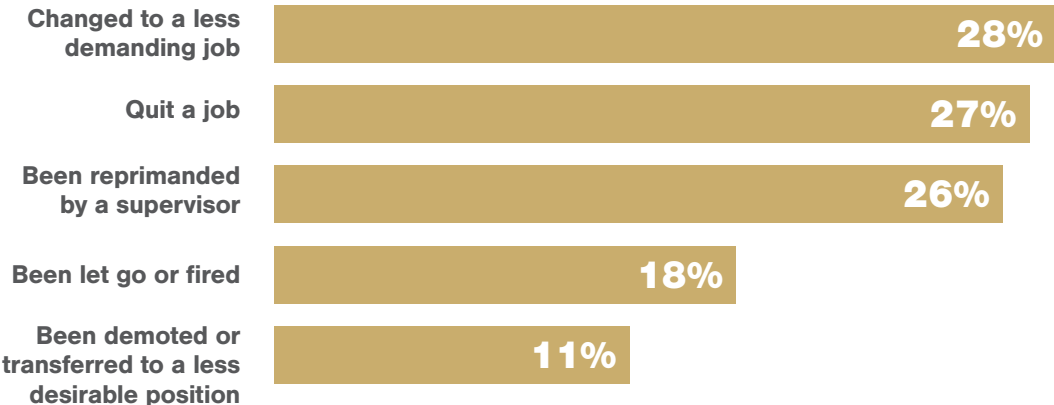
As a result of child care problems have you ever:



**Getting scolded, demoted, fired, or quitting:** Most seriously, 27 percent of parents reported quitting a job due to child care problems and 18 percent reported being let go or fired. More than one-quarter reported being reprimanded by their supervisor (26 percent) or changing to a less demanding job (28 percent). Eleven percent reported being demoted or transferred to a less desirable position.

## Work disruptions

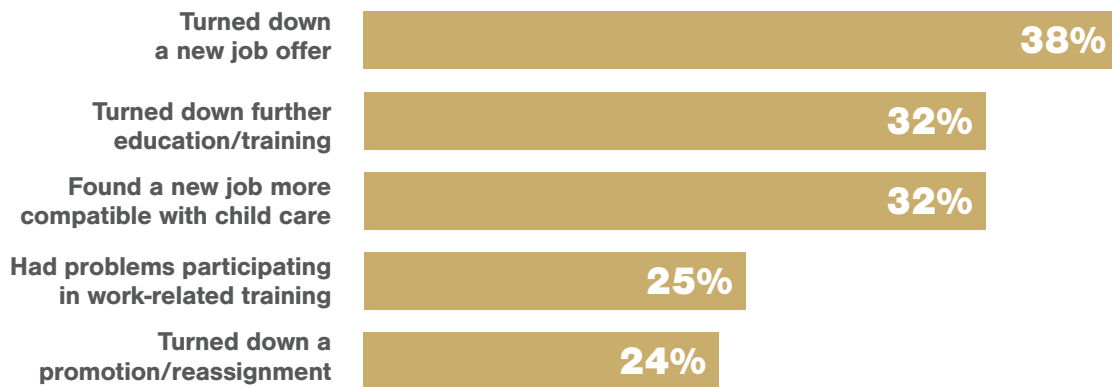
As a result of child care problems have you ever:



**Diminished career opportunities:** Problems with child care also impacted parents' long-term career prospects. More than one-third reported turning down a new job offer. About one-third reported having to turn down further education or training, or find a new job more compatible with their child care needs. About one-quarter had problems participating in work-related training or had rejected a promotion.

## Diminished career pathways

As a result of child care problems have you ever:



In sum, for parents, the primary short-term result of insufficient child care is reduced income. The challenges add up over time due to less training and less experience. Parents then face narrower career prospects, reducing their future earning potential. Reduced parent income, along with parental stress, can have harmful short- and long-term impacts on children.

## The impact of insufficient child care on Pennsylvania EMPLOYERS

Child care is the workforce behind the workforce. For employers, insufficient child care results in reductions in revenue and increased hiring costs. A workforce with lower productivity and shorter tenure has major economic consequences. If an employer's workforce keeps changing, worker morale may fall, product quality may diminish, and clients may be lost. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience. Productivity problems cause Pennsylvania employers to lose \$1.52 billion annually due to child care challenges faced by their workforce.







## The impact of insufficient child care on Pennsylvania TAXPAYERS

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues. There are losses in state income taxes; there are also losses in excise and sales taxes, as well as corporate income and property taxes. There are also decreased local taxes. At the federal level, reduced incomes mean lower tax payments. As most federal taxes are spent in the state in which they are levied, lower federal tax revenues mean lower government funding for Pennsylvania. These effects are also long-term, due to parents' decreased earning potential.

## How child care problems adversely affect the economy

| Working Parents  | Businesses  | Taxpayers  |
|--|---|--|
| Lost earnings now from lower productivity and labor force attachment   | Lost revenue now from lower output                        | Lost revenue now from lower incomes                      |
| Extra costs of job search to match work with child care                | Extra costs due to absences, disruptions, hiring          | Smaller federal, state and local tax base and revenue    |
| Lost earnings in the future from less work experience and fewer skills | Lost revenue in the future due to lower workforce capital | Lost revenue in the future due to weaker economic growth |





## **The impact of insufficient child care on Pennsylvania's VULNERABLE POPULATIONS**

Some families may be disproportionately impacted by shortcomings in Pennsylvania's child care system. We examined impacts for four subgroups that may be expected to face extra challenges: African American and Hispanic families; families with low-incomes; families with more than one young child; and families with very young children (ages 0-3). [Note: Individual families can be in more than one group.]

All subgroups were impacted by insufficient child care. Broadly, each subgroup faces similar impacts with respect to productivity, effort, and hours at work. Some work disruption rates were higher for families of color and those with low incomes. For example, while 27 percent of all parents reported quitting a job due to child care challenges, the figure was 34 percent for parents of color and 33 percent for parents with low incomes.

Career opportunity impacts were also somewhat more onerous for these groups. For example, while 38 percent of all parents turned down a new job offer due to child care problems, the figure for parents of color was 46 percent and 44 percent for parents with low incomes. Overall, 24 percent of parents turned down promotions due to child care problems, while parents of color had a rate of 35 percent and those with low incomes had a rate of 29 percent.



## The negative impacts of insufficient child care have **INCREASED** over time

In late 2018, prior to the COVID-19 pandemic, we conducted a similar survey and study, focusing just on parents of children under age 3. Comparing the current results for the subgroup of parents of these very young children to those obtained in 2018, percentages of parents reporting each negative impact of insufficient child care are higher now for three-quarters of the impacts, with some substantially higher.

For example, parents reported that child care problems had caused them to be demoted six times more often in 2022 than in 2018. Child care problems caused parents to have pay or hours reduced three times as often. Turning down a new job offer, missing a full day of work, quitting a job, being reprimanded by a supervisor, and being late for work were all ten or more percentage points higher in 2022 than in 2018. Overall, challenges to parents' work lives due to child care challenges are greater and more widespread now, compared with 2018. This situation is reflected in the increase in economic impact, as well: in 2022, the cost of child care problems for children aged 0-3 was \$5.65 billion, compared to \$2.5 billion in 2018. **These findings suggest that a combination of COVID-19 and insufficient policy action have now significantly worsened the child care crisis.**

### Impacts of insufficient child care for children 0-3, pre- vs. post-COVID-19

|   | 2018 | 2022 |
|---|------|------|
| Been late for work  | 48%  | 58%  |
| Missed a full day of work                                     | 46%  | 58%  |
| Left work early   | 60%  | 56%  |
| Been distracted to the point of being less productive         | 47%  | 51%  |
| Missed part of the middle of work shift                       | 41%  | 39%  |
| Reduced your regular work hours                               | 35%  | 35%  |
| Had your pay or hours reduced                                 | 8%   | 26%  |
| Changed from full-time to part-time work                      | 22%  | 31%  |
| Been reprimanded by a supervisor                              | 14%  | 25%  |
| Quit a job  | 17%  | 29%  |
| Been let go or fired  | 10%  | 18%  |
| Been demoted or transferred to a less desirable position      | 2%   | 12%  |
| Turned down a new job offer                                   | 22%  | 36%  |
| Turned down further education/ training                       | 32%  | 32%  |
| Had problems participating in work-related education/training | 23%  | 25%  |
| Turned down a promotion/reassignment                          | 18%  | 23%  |



## How **POLICYMAKERS** can take steps to promote access to affordable, high-quality child care

Pennsylvania parents with young children often have difficulty finding affordable, high-quality child care so they can build successful careers. These difficulties are compounded by the fact that the child care sector is struggling to survive with historic labor shortages due to low compensation, high inflation, and outdated state policies that have not kept pace with current challenges. The need to improve availability and affordability of high-quality child care, as well as advance initiatives that will stabilize programs and appropriately compensate the professionals that provide these services, is critical.

Steps to help close Pennsylvania's child care gaps:

**1. WAGES - Increase compensation for child care teachers to better compete in the current labor market.** Wages for the child care sector are not keeping pace with the current labor market. According to a new (2023) study, the average early childhood educator in Pennsylvania earns \$12.43 per hour. As a result, child care providers can't recruit and retain quality educators, leading to programs with empty classrooms and long waiting lists, or programs that have to close. The commonwealth must invest in a wage scale for child care teachers that better reflects the work, experience, and degree achievement of these professionals in the field.

**2. ACCESS - Boost the availability of high-quality child care for Pennsylvania's most vulnerable working families, especially for those with infants and toddlers.** Currently, the commonwealth's subsidized child care program (Child Care Works) is reaching only 25 percent of eligible children under age 5 and only 21 percent of eligible infants and toddlers. Pennsylvania should continue to boost the availability of subsidized infant and toddler care utilizing the piloted contracted slots model which provides grants to programs to serve a specific number of children. Additionally, the commonwealth should publicly advertise its Child Care Works program to build better awareness among eligible families.

**3. QUALITY - Expand the number of high-quality providers by increasing incentives within Pennsylvania's Quality Rating Improvement System (Keystone STARS).** Research is clear that high-quality child care programs support children's healthy development and school success, yet only 46 percent of child care capacity in Pennsylvania meets high-quality standards. The commonwealth should increase Keystone STARS grants and awards to better reflect the actual cost of providing these services. Longer-term, Pennsylvania should conduct a study to determine the cost of providing quality child care and establish a new Child Care Works rate structure based upon it. Knowing the true cost will allow the commonwealth to develop a plan to fund the gap between current payments and costs, creating greater stability for programs participating in Child Care Works and likely increasing provider participation in the program, ultimately benefiting more children and families.





## How **BUSINESSES** can take steps to promote access to affordable, high-quality child care

Pennsylvania companies that take an active role in assisting their employees to obtain high-quality child care can strengthen employee engagement, satisfaction, and retention and ultimately generate additional revenue due to increased, consistent workforce participation. Moreover, these policies bolster the company bottom line through increased productivity and the ability of the company to attract and retain the talent it needs to thrive.

Private sector opportunities:

1. Better understand what your employees' needs are through collecting survey information to determine child care impacts on scheduling, transportation and access.
2. Provide information to your employees, connecting them to child care referral resources and possible tax credit programs.
3. Offer flexible scheduling policies and/or child care benefits to your employees. This could include dependent care flexible spending accounts, child care vouchers or tuition subsidies, or other assistance programs.
4. Partner with local high-quality child care providers to offer employees tuition assistance, contracted slots, priority on wait lists, back-up care or consider an on-site child care center.
5. Consider other innovative solutions working with other area employers to support the local child care system, including educating elected officials on the business and economic case for increased state and federal investments in early learning.

Source: [investmentsincaringpa.com](https://investmentsincaringpa.com)

Working together, policymakers and businesses can help build a child care system that will support a more productive Pennsylvania workforce and economy, both now and in the future.



## Endnotes

**1** The population of working parents depends on the number of children in the family, the number of parents in the family, and labor force participation rate. This estimate of 0.796 million working parents is weighted from population aged 0-5 from [www2.census.gov/~cpsmar21.pdf](http://www2.census.gov/~cpsmar21.pdf); [www.census.gov/quickfacts/fact/table/US/PST045222](http://www.census.gov/quickfacts/fact/table/US/PST045222). Adjustments for household composition (twins, siblings, non-parent families) and labor force participation reduce the number of parents who are affected. Data from [cdc.gov/nchs/data/nvsr/nvsr71/nvsr71-09.pdf](http://cdc.gov/nchs/data/nvsr/nvsr71/nvsr71-09.pdf) and Census [census.gov/quickfacts/PA](http://census.gov/quickfacts/PA), March Current Population Survey 2022 [census.gov/data/tables/2021/demo/families/cps-2021.html](http://census.gov/data/tables/2021/demo/families/cps-2021.html). Single parents: [fred.stlouisfed.org/release/tables?rid=412eid=360857snid=360894](http://fred.stlouisfed.org/release/tables?rid=412eid=360857snid=360894). Rural: [rural.pa.gov/data/rural-urban-definitions](http://rural.pa.gov/data/rural-urban-definitions).

Notes: Survey sample is Pennsylvania parents/guardians who are caregivers (unpaid) of at least one child currently aged 0-5 and who are either working or in a school/training program. Census data is parents with co-resident children under age 6 (or 18) or age-adjusted.

**2** Center for American Progress (2019). Early learning in the United States: 2019. <https://www.americanprogress.org/article/early-learning-united-states-2019/>

**3** Howe, S. & Oncken, L. (n.d.) The third pillar of care: Availability. New America. <https://www.newamerica.org/in-depth/care-report/third-pillar-care-availability/>

**4** Child Care Aware (2022). Price of Care: 2021 child care affordability analysis. <https://info.childcareaware.org/hubfs/Child%20Care%20Affordability%20Analysis%202021.pdf>

**5** Insider (2023, January 30). Childcare is unaffordable almost everywhere across the country — and where it's even pricier, fewer women are employed. <https://www.businessinsider.com/childcare-is-unaffordable-almost-everywhere-in-america-2023-1>

**6** Pennsylvania Department of Human Services. Child care providers including early learning programs listing current monthly facility county human services. <https://data.pa.gov/Services-Near-You/Child-Care-Providers-including-Early-Learning-Prog/ajn5-kaxt>

**7** For details on the survey and economic analyses, see the accompanying technical report at: <https://www.strongnation.org/articles/2118-the-economic-impacts-of-insufficient-child-care-cost-pennsylvania-6-65-billion-annually>







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