Child Care at a Breaking Point: The Cost for Parents to Work

July 17, 2022

Introduction

Across the country, the child care industry continues to experience the consequences of the Covid pandemic on early care businesses that were already finding it hard to make ends meet. Providers report the income received from tuition, federal subsidies, and state funding is just not enough to keep up with the cost of running an early childcare business. Meanwhile, parents who need to work struggle to find care and pay the tuition which usually exceeds that at state colleges. During the month of April 2022, The Connecticut Association of Human Services (CAHS), conducted a simple survey to gauge the operational status of early care programs in Connecticut. The data collected through this survey, in combination with other available information, gives a window into the challenges the Connecticut early child care community continues to face.

Staffing Losses and Classroom Closures Are Pervasive

One quarter of Connecticut's current child care capacity is not available due to staffing shortages. Low wages, the lack of benefits and stress have increased the historically high staff turnover rate, and the rapid increase in entry level wages across the economy has left child care operators struggling. As staff departures accelerate and the applicant pool has dried up, programs have been forced to close classrooms and serve fewer children, despite waiting lists.

Center Based Programs	Staff losses	Classrooms Closed/ Limited Enrollment	Fewer Children than Pre-Pandemic
Private Pay	452.5	109	1440
PrivatePay/ School Ready	79	26	415
State Funded/ School Ready	288	87	1411
Total	**819.5**	**222**	**3266**

The inability to hire and retain the staffing necessary to maintain required ratios and provide quality care is the overarching problem facing the industry. Unlike other industries child care is uniquely less able to pass higher costs along to customers. Child care tuition is typically already their customers' first or second highest household expense. This has implications for the providers who struggle to operate small businesses, and for the ability of parents to access affordable early care so that they can work, support their families and contribute to the Connecticut economy.

Of the 168 center-based programs surveyed, it was reported that during the November 2021 to April 2022 time period, 819.5 early education staff members left their programs for other opportunities or retirement. Projected across the industry, these figures would suggest that over 6,000 early educators left their jobs during the previous 6 months[1]. Annualized this would be roughly double the historic average of 25% - 30% turnover. Accelerating staff departure, combined with an inability to attract new staff at a low wage rate, has left programs unable to meet the required staff to child ratio giving them no option but to close classrooms. Of the surveyed center-based programs, 222 classrooms either closed or had limited enrollment, with **a reported 3266 fewer children being served than pre-pandemic. Projected across the industry there are over 24,000 Connecticut child care spaces out of commission due to a lack of staff.**

> "Low wages do not attract prospective employees. As soon as we hire someone—we usually have someone else resigning. Experienced staff are not available and the inexperienced staff impact quality."

> "I barely break even. With the stress involved I'm wondering if it's worth staying open."
>
> Family home provider who lost 3 substitutes

While family (non-center based) child care programs do not have *classrooms* to close, respondents still reported losing staff. Survey comments indicate that staff can include assistants, who allow for several additional children to be in care, or substitutes needed to be available in case of provider illness or an emergency. Additionally, the cohort of 38 home-based providers reported serving 105 fewer children than pre-pandemic numbers.

Early Care Business Viability is at a Crossroad

As of April 2022, the survey reveals that early care providers of all types were operating below capacity across all age groups, placing businesses in financial jeopardy. School age care was operating well below capacity, possibly because of parents working from home, and/or the expense of care. Additionally, survey comments indicated that some parents were seeking part-time rather than full-time care. These dynamics seriously impede the ability of providers to break even, let alone make a profit.

% of Enrollment vs Full Capacity by Program Type and Age of Children	Family Home	Private	Private with School Readiness	State Funded +School Readiness	% of Capacity
% of capacity infants and toddlers	68%	84%	82%	75%	**80%**
% capacity for Preschool	48.9%	73.3%	76.0%	78.7%	**76.0%**
% of capacity of School Age	73.7%	51.4%	89.5%	53.8%	**56.7%**

With very narrow business margins, viability in the early care industry rests on operating at close to licensed capacity, and, according to the recent Office of Early Childhood *Narrow Cost Analysis Report*, personnel can account for 80% of an early care program's operating cost.[2] The annual mean salary of an

[1] The survey respondents represent 13.47% of the licensed capacity in the state. 819/13.47% = 6,080
[2] https://www.ctoec.org/news/20278/

early care worker in Connecticut averages only about $30,710[3] and many do not receive benefits. The compensation issue has made it difficult to attract and retain qualified staff. In fact, *Indeed* reports that the typical tenure for a preschool teacher in Connecticut is about one year.[4]

Private Providers: The survey responses indicate that enrollment is down in all age groups. The cost of running the business and the inability to hire and retain staff filled the comments.

> "My biggest concern is staffing. How is it that McDonalds, Dunkin Donuts, Big Y, etc. workers get paid more than child care workers? Finding qualified caregivers is nearly impossible."

In Connecticut private providers, nonprofit and for-profit, make up about 80% of all licensed care, by far the largest sector of the industry. In order for parents to work, it is imperative that this sector of the early childhood community remains viable. However, the pandemic accelerated an already fragile business model where the *need* of business owners to *charge the actual cost of care* is at odds with the *ability of parents to afford the actual cost of early care*. Increasing costs would price many families out of the market. With the large swath of early care operated by private centers, it becomes clear that they are a large part of the early care infrastructure supporting working families, and the Connecticut economy. Without the viability and affordability of private programs, there would be a great reduction in the availability of early care for parents that work.

Child Development Centers (CDCs), School Readiness Programs (SR), and programs operating using Care4Kids, rely on state funding to provide care for children in low income families. Survey data shows that these programs were hard hit by the pandemic, and are operating well below capacity. This is troubling for low income families who need to access state funded programs to be able to work. State funded centers face a unique set of challenges. They are designed to be "high quality" programs, ensuring that low income children have access to high quality care. Programs must be accredited by NAEYC and state law requires providers to work toward the goal of having Bachelors degreed teachers in each classroom.

School Readiness Programs and CDCs are barred from charging parents more than a fixed percentage of family income. In theory, Care4Kids subsidies are supposed to cover the difference. However, it is not mandated that families apply, nor do *they* see any savings as a result of applying, and the paperwork burden is substantial, and therefore many parents just do not apply. School Readiness programs have recently received a small cost of living increase, the first increase since 2015.

Home based providers reported operating well below capacity, and their concerns included: the difficulty hiring assistants so as to operate with additional children; families only needing part-time care, limiting their income; and the worry for children who might be at home and not well supervised.

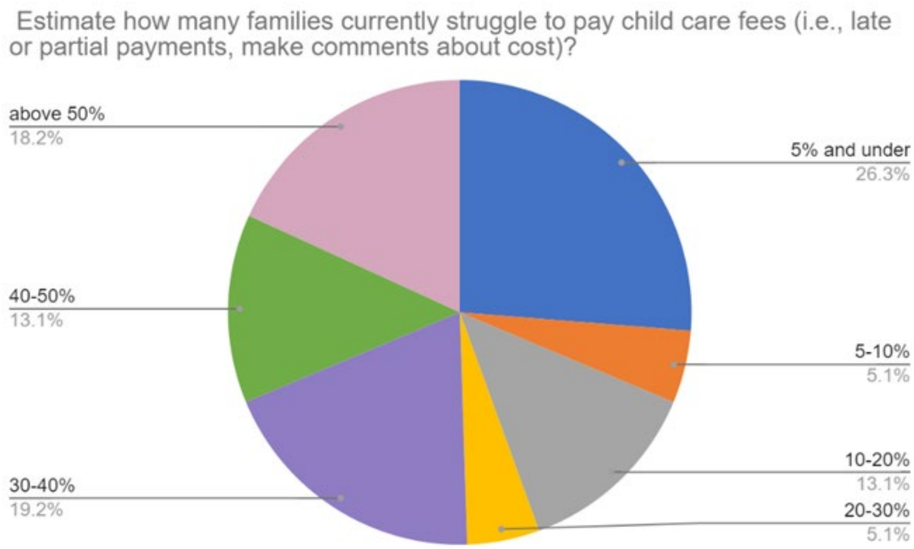
[3] https://www.bls.gov/oes/current/oes399011.htm#st
[4] https://www.indeed.com/career/preschool-teacher/salaries/CT

The Cost for Parents to Work

The constricted supply of care, and the expense, limits the ability of parents to work. Prior to the pandemic 74% of households with children under 6 had all parents in the workforce.[5] The closure of schools and child care due to the pandemic took more than 2 million women out of the workforce nationally. In Connecticut, CBIA reports 110,000 job openings, far exceeding the number of people currently seeking employment. For parents, especially women with young children, the lack of child care is a major barrier to employment.

Parents Struggle with the Cost of Early Care and Education

While providers struggle to find staff and enroll children, parents struggle to pay for the cost of early care and education programs. The survey asked providers to estimate how many families struggle with the expense of their early care program.



Of the respondents approximately:

- 30% estimated that only a small percentage of their families struggled with costs;
- 18% estimated that a moderate number of families of struggle with costs;
- 19% of estimated that a little over one third of their families struggle with costs;
- 30% estimated that a large percentage of their families struggle with the costs of their early care program.

Who Can Afford Early Care and Education?

The federal government indicates that a reasonable amount for families to pay for early care should amount to only 7% of their family's budget.[6] In Connecticut, the *median* income for a family of four in

[5] https://datacenter.kidscount.org/data/tables/5057-children-under-age-6-with-all-available-parents-in-the-labor-force?loc=8&loct=2#detailed/2/8/false/1729,37,871,870,573,869,36,868,867,133/any/11472,11473

[6] U.S. Department of Health and Human Services Administration for Children and Families, "Child Care and Development Fund (CCDF) Program," *Federal Register* 81 (190) (2016): 67438–67595, available at https://www.gpo.gov/fdsys/pkg/FR-2016-09-30/pdf/2016-22986.pdf.

Connecticut is $125,000.[7] Using the federal guideline, this family can "afford" 7% of income or $8,750 per year for childcare, no matter how many children are in their family.

A March 2022 report from *Child Care Aware*[8] indicates that currently, the average cost for pre-school in Connecticut is about $13,000, for infants and toddlers it is approximately $16,000. Using the federal affordability standard, a family would need an income of about $190,000[9] to "afford" tuition for *one* preschool age child. Infant toddler care is even more expensive. Using the federal standard, a family would need $228,500[10] to afford infant/toddler care making it "affordable" for just 11.5% of Connecticut's households.[11] However, the present business model is not working for most programs, implying that the *actual cost* to operate *viable* early care programs is much greater than the present rates.

Federal subsidy programs like Care4Kids help defray the cost for some families. However, to be eligible for a Care4Kids subsidy a family of four can earn a family income of not more than $75,052.[12] If this same family earned one dollar over the eligibility level, they would need to pay about 20% of their gross income for early care.

The survey responses also indicate that not all families struggle with the cost of early care. 30% of all providers reported that most parents seem to be able to pay tuition without too much struggle. This could be explained by several factors. Wealthier families are able to afford the cost through their own means. *When available*, very low-income families have access to state funded Child Development Centers, Care4 Kids subsidies, Head Start programs and in certain communities School Readiness programs.

Although some families are perceived as "not struggling", one provider makes a good point:

> "We are located in a wealthy community, but even in this community families will only tolerate a certain level of tuition costs. Our teachers cannot afford to live in the community so we need to entice them to commute to us. Quality teachers with degrees can and do leave our program for higher wages. They love working with us, but must face the reality that they have to pay their bills. Access to affordable health care coverage is also an issue."

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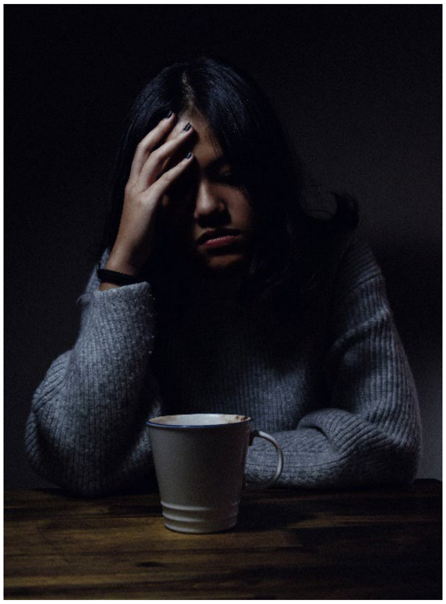
[7] Median income: half the families make more and half make less than $125,000.
[8] Child Care Aware of America, Demanding Change: Repairing our Child Care System, Appendix I: 2020 Average Annual Price of Full-Time Center-Based Child Care by State, March 2022, https://info.childcareaware.org/hubfs/Demanding%20Change%20Appendices.pdf.
Child Care Aware of America, Demanding Change: Repairing our Child Care System, Appendix I: 2020 Average Annual Price of Full-Time Center-Based Child Care by State, March 2022
[9] $190,000 x 7%=$13,300
[10] 228,571x75 =16,000
[11] https://www.epi.org/child-care-costs-in-the-united-states/#/CT
[12] https://www.ctcare4kids.com/income-guidelines-for-new-applications/



Finances, Low Morale and Mental Health Exacerbate the Crisis

The loss of dedicated staff, financial stresses and the intensified workload during the pandemic lead to low morale/mental health struggles amongst staff, and to providers themselves.

Over 60% of all center-based providers reported lower morale and/or mental health issues. Comments from providers indicated that many felt disrespected as professionals, that they were worn out from the intensity of working in early care throughout the pandemic, and now due to staffing shortages many providers reported substituting in classrooms without enough time to run the business. Some providers have increased personal debt, others have had to delay bill payments. The financial and personal toll on providers indicate the crisis is far from over.

To address the financial circumstances, 30% reported limiting infant and toddler care (which is not as profitable as pre-school, (one staff member for every 4 children) which due to lower staff ratios is not as profitable as pre-school, (one staff member for every 10 children). The majority of providers indicated that despite the staffing crunch, they could not raise wages for staff, including themselves. Some providers reported that they are only accepting parents who can afford the high cost, and are therefore not experiencing as much difficulty. Other providers are struggling to keep afloat.

Financial worries were top on the list of family home providers. About 58% of family providers reported increased personal debt and one third reported delays in paying business expenses. As sole proprietors with great responsibility, family providers work an average of 68 hours per week. Depending on the number of children in care, their average hourly wage is about $8.50, hardly enough to make ends meet.

Even when financial burdens are not the issue, the impact of stress and low morale is having an effect on all types of programs.

"Staffing shortages cause burnout in staff that remain committed and once we lose our loyal staff our business will no longer [exist]."

"Everything [is] suffering, including staff morale/stress, quality; classroom consistency; as a result of qualifies staff shortage."

"We were forced to close due to inability to hire professional staff for our program which had very high standards and high expectations from [town] families."

Private provider who closed a program in March 2022

"Thankfully we've been lucky financially, but it's the overall wear and tear of the daily grind that is taking its toll on everyone."

The Workforce Behind the Workforce: Economic Implications for Women, Families, and the Economy

The lack of early care has economic implications and has caught the eye of the business world. Chris DiPentima, the CEO of the Connecticut Business and Industry Association, declared in a recent press conference with Governor Lamont, "Childcare is the workforce behind the workforce. You can't have the workforce you need if you don't have that *foundational workforce."*[13]

> "The states around us: NY, MA, and VT are all taking real steps towards addressing the broken market that is child care. Unless we do the same, CT risks falling behind as a place where families with young children want to live."
>
> Merrill Gay, Executive Director, CT Early Childhood Alliance

The fact is that the early care business model has become untenable. It has become unaffordable for low and middle income families, and it is inequitable, with child care-related challenges falling disproportionately on women, and particularly women of color. Consider that 94% of families of color cannot afford high quality infant and toddler care,[14] 92% of private child care providers in Connecticut are women-owned businesses,[15] and women are generally considered the care givers in a family and at a disadvantage as they try to juggle work responsibilities with child care needs and costs.

> "Parents cannot make up the differences, they are struggling too. We are working really hard for less wages. If we want to attract good people to this career, we need to pay more than minimum wage to teachers who are college educated. If we don't do something, the field will not survive, and then what would families do?"

Considering that 44% of Connecticut is considered a child care desert[16] capacity is already limited. In some communities, small rural towns, there are not enough children to support a child care center, while in other communities, parents can't afford the market rates and programs can't operate on low subsidy payments. It's a lose-lose situation.

The situation is especially dire for parents needing infant and toddler care, which on average is only available for one out of three children in Connecticut, and in many places is much more extreme. In New Britain, the city with the least infant toddler capacity, there are eleven children for every licensed infant/toddler slot.[17] Many parents are left having to choose between work and caring for their families, which impacts women at an alarming rate. CBIA reported that during the first two weeks of April 2022, of the parents needing to stay home due to early care issues 76% were women, well over the national average. [18]

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[13] Attributed to Merrill Gay, Executive Director of the Connecticut Early Childhood Alliance
[14] Connecticut Collective for Women and Girls (2021). "Essential Equity: Women, Covid-19, and Rebuilding Connecticut."
[15] Ibid.
[16]https://americanprogress.org/wp-content/uploads/2021/12/Connecticut.pdf?_ga=2.197237225.731845872.1657716085-1829753127.1639495680
[17] 2,826 children (based on the last 3 years of the most recently available birth data) divided by 256 licensed child care spaces (164 in centers and 92 in 31 licensed Family Child Care homes)
[18] https://www.cbia.com/news/workforce-development/private-sector-coalition-tackles-childcare-issues/

Meanwhile, early care providers are grappling with the cost of operating. Providers are faced with decisions such as raising tuition substantially, closing classrooms, or closing the program. Programs with empty classrooms often have waiting lists, but staffing prevents them from making slots available.

This is not just a parent and provider issue, it is an economic problem for the state. According to the Economic Policy Institute: "meaningful child care reform that capped families' child care expenses at 7% of their income would save a typical Connecticut family with an infant **$9,194** on child care costs. This would free up **13.2%** of their (post–child care) annual income to spend on other necessities. Parents would have more opportunities to enter the labor force. If child care were capped at 7% of income, 15,349 more of our state's parents would have the option to work. ***This reform would expand Connecticut's economy by 0.8%. That's $2.1 billion of new economic activity.***[19]"

Federal ARPA funding Helped to Stabilize the Early Care Industry

Recent program closures would have been much more extensive were it not for an influx of federal funding earmarked for early care, and the swift actions taken by the Connecticut Office of Early Childhood. Rather than guessing how the funds should be disbursed, Commissioner Bye met with providers to understand what they needed for short term stabilization. The OEC's quick response ensured that Connecticut was one of the first states to get ARPA funding into the hands of providers, *and* that it was distributed equitably across the entire community of licensed programs. This helped to stabilize the Connecticut programs and minimized program closures. However, as reported in this paper, the funding didn't reduce the underlying fragility of the industry, and for most providers offered only short-term relief.

Historic State Investment in Early Care Will Help, but Won't Solve the Underlying Problems

This past spring intensive advocacy efforts from the early child care and education community led to historic state investment in the early care system. The legislature listened to parents and providers about issues within the early care industry, and acted. To give some relief lawmakers included an additional 183 million dollars within the 2022-23 state budget. Approximately 80 million of new funding was added directly to the OEC budget and is now part of the budget baseline. This funding is designated to support wage relief throughout the early care industry, to increase payments for infant and toddler care in state funded centers, to increase the number of infant toddler slots, and provide funding for Birth to Three programs. Additional one-time state ARPA funds and 2022 carry-over funds will add to the short-term stabilization of state funded programs; increase eligibility for Care4Kids, fund early childhood facility renovations and construction to increase infant toddler capacity; fund a pilot infant toddler program; and provide apprenticeship programs to begin a pipeline of trained early childcare professionals.

[19] https://www.epi.org/child-care-costs-in-the-united-states/#/Connecticut

This substantial investment is a positive and much needed first step, but will not promote the long-term viability of this field. For family economic stability, parents must work; for our economy to grow we need to grow our workforce; to attract and retain a young workforce, there must be a functional early care system to enable them to both have a family and work.

> "We applaud Connecticut's commitment of one-time ARPA funds to support child care, but families and child care providers need more. They need an ongoing appropriation of state funds to raise wages so there will be early educators to teach young children and to make the system affordable for parents."
>
> Merrill Gay, Executive Director, CT Early Childhood Alliance

Going Forward

Thousands of children across Connecticut are not in child care right now because there are no teachers to fill classrooms. What does this mean for parents? What does this mean for Connecticut's economic growth? What does this mean for the children unable to access care? Even as Connecticut tries to attract businesses and a younger workforce to Connecticut, we are not fully considering the value of early care and education as the underpinning of a strong workforce and economy. Child care is an investment in the future of our workforce, our families, our children and our state.

Recent studies are finding that investment in early education programs will provide increased economic opportunity for families and for state economies. If Connecticut capped the cost of childcare expenses at 7% for all families, the high price tag would be offset by more women returning to the workforce, more financially stable families, more money pumped into our economy and **return on investment of $4.00-$9.00 for each dollar invested.** [20]

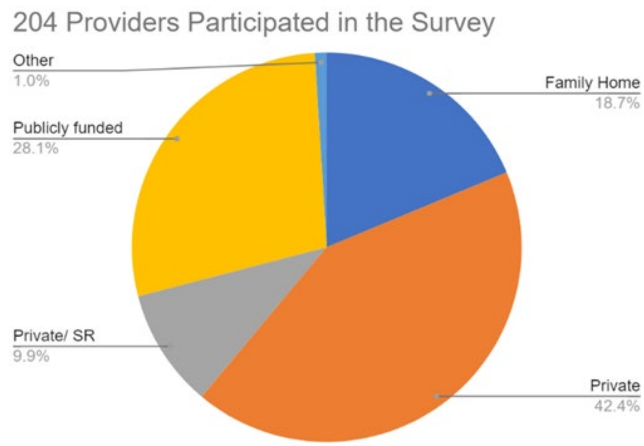
How many companies would consider moving here because they knew they could attract young families. How much additional spending power would be in the pockets of parents to pump back into the economy?

This past legislative session, the General Assembly and the Executive Branch realized that not enough public funding has been put into a system of early care and education that supports the ability of parents to work, raise their families, and contribute to the overall economy. Steps were made in the right direction. Federal funding would certainly help to get us started and is greatly needed. However, there is the real possibility that it might not be here in time to provide much needed relief, or at all.
As the survey makes clear, the child care industry is in trouble. Providers are calling upon our state legislature, our Governor, and our Congressional delegation to prioritize this investment. If we want to keep our young adults in the state, and attract a *young*, and vibrant workforce to Connecticut, then we need to value early care and education as a public good, give parents the opportunity to be financially secure in our state, and make Connecticut once again a place that working people see as a great place to raise their families.

[20] https://live-penn-impact.pantheon.io/wp-content/uploads/2016/2015/06/Why-Invest-High-Return-on-Investment.pdf

Methodology

The survey was available to early childhood providers during the month of April. It was publicized and distributed on the ECE-Listserv and on weekly Zoom calls with providers. 204 providers with a combined licensed capacity of 15,999 children responded to the survey. Respondents represent 13.5% of the total licensed capacity of the industry, and is representative of a cross section of early care business models across a diverse geographic area. The data collected through this survey, in combination of other available data, gives a window into the challenges the early childhood community continues to face.



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