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Committee for Economic Development (CED) of The Conference Board
Vermont General Assembly
House Committee on Commerce and Economic Development
“Early Childhood Care, Education and Workforce”
February 28, 2020

Good afternoon. My name is Cindy Cisneros and I serve as the Vice President of Education Programs at the Committee for Economic Development (or CED), which is the Public Policy Center of The Conference Board, and is a nonprofit, nonpartisan, business member-driven organization.

Our business leaders know that a skilled workforce is paramount to economic prosperity. From CED’s perspective, access to quality, affordable child care is a two-generation strategy. It helps fuel economic growth by supporting working parents and supporting the healthy development of young children. Americans are working today, including mothers of very young children. Over 15 million children under age six have working parents.¹

In 2019, CED released a study, *Child Care in State Economies*,² which reviewed the use of child care by families and the economic impact on states. We found that child care, as an industry, plays a significant role in economic growth. The industry, which includes both center-based and home-based child care, had a total economic impact in 2016 of \$99.3 billion. This includes \$47.2 billion in revenue, plus another \$52.1 billion in spillover in other industries.³ Service industries of comparable size include medical labs (at \$47 billion) and spectator sports (at \$46 billion).

In terms of jobs, the spending of 1.5 million sole proprietors—or home-based providers—and wage and salary employees in the child care sector, supports more than 507,000 workers in other industries for a total jobs impact of over 2 million.⁴

CED’s study analyzed the use of market-based care—that is, paid child care services—using the U.S. Census Bureau Economic Census, and County Business Pattern data, as well as Non-employer Statistics data from 2016.⁵

Without access to child care, parents reduce their hours or opt out of the workforce – and 94 percent of those are women.⁶

The use of paid child care is highest among two-parent families working full-time (88 percent) and single-parent families working 35 hours or more per week (84 percent). Both family types far exceed the overall usage rate of 59 percent across all family types.⁷

Families regularly struggle with the availability, affordability, and quality of child care. Employers are also impacted, with some estimates of more than \$4.4 billion per year in lost productivity.⁸ Just a few weeks ago, the Center for the Study of Child Care Employment estimated in a report that parents forgo about \$30-\$35 billion in income because of challenges with child care.⁹

The supply of child care is uneven across communities. Child care centers open in areas where the population is dense enough and has sufficient income to sustain a viable business model. Of concern, particularly in rural areas, is the decline in family child care homes, which we estimated at 20% over the past 10 years, and in Vermont, it is even higher at 27%. For home-based providers, the hours are long and the fees charged to parents do not offer an economic incentive to stay in business. Average revenue

nationally is only about \$15,000 per year and in Vermont it is \$15,777,¹⁰ which is below the poverty level for even a family of two.

The current business model for child care centers, which also depends on parent fees, is challenged to keep rates low enough for parents to pay, but high enough to hire and retain high-quality staff. This has led to a child care workforce that earns low wages—at about \$11 per hour¹¹--and has high turnover. And, yet, the child care workforce is critical, as it is the workforce that literally helps support all other workforces.

There is no easy way to make quality child care more available and affordable. However, there are approaches that can be considered.

First, to help fill the gap between what parents can afford to pay and a livable wage for individuals working in child care, Vermont could enact a state refundable workforce tax credit that is linked to achieved competencies in early childhood education. CED produced a policy brief about this financing strategy approach (see attachment).

Second, the National Academy of Sciences (NAS) released a report in 2018 suggesting ways to better finance our nation's child care system. CED business leaders were represented in a NAS public hearing to inform that report, and recommended further engaging the local business community as a key stakeholder. CED has created a list of action steps for consideration (see attachment).

Third, expand support for shared services models. Child care is a business. Yet, many who operate within the child care industry know early childhood, but not best business practices. Shared services provide a way to transform the business of child care, and could be furthered expanded in collaboration with state child care agencies to offer guidance and assistance for both centers and homes.

Thank you for your time today and this opportunity. I am pleased to answer any questions.

¹ U.S. Census Bureau, Table B23008, Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements By Employment Status of Parents, 2018 American Community Survey, 1 Year Estimates. <https://data.census.gov/cedsci/table?q=b23008&g=&hidePreview=false&table=B23008&tid=ACSDT1Y2018.B23008&lastDisplayedRow=17&vintage=2018>

² Committee for Economic Development, Child Care in State Economies: 2019 Update, <https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf>

³ Ibid.

⁴ Ibid.

⁵ U.S. Census Bureau, Economic Survey. <https://www.census.gov/programs-surveys/economic-census.html>

⁶ Committee for Economic Development, Child Care in State Economies: 2019 Update, <https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf>

⁷ Ibid.

⁸ Child Care Aware of America, *Parents and the High Cost of Child Care: 2017*, 2018. https://usa.childcareaware.org/wp-content/uploads/2017/12/2017_CCA_High_Cost_Report_FINAL.pdf

⁹ Center for the Study of Child Care Employment, University of California Berkeley, *Who's Paying Now? The Explicit and Implicit Costs of the Current Early Care and Education System*, January 2020.

¹⁰ Committee for Economic Development, Child Care in State Economies: 2019 Update, <https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf>

¹¹ U.S. Bureau of Labor Statistics, Occupational Employment Statistics, Child Care. May 2018. <https://www.bls.gov/oes/current/oes399011.htm>

Pathways to High-Quality Child Care: The Workforce Investment Credit



The investments we make now in our future workforce—today's youngest generation—lay the groundwork for a prosperous economy tomorrow.

The science related to brain development shows that a child's experiences in the first years of life set the foundation for learning, including school readiness. As with other construction projects, the quality of materials used to build this foundation—early learning settings such as child care and Pre-K—has significant implications for children's lifelong knowledge acquisition, skills, and capabilities.

We can promote high-quality child care by investing in the professional development and adequate compensation of child care providers.

In Brief

An early childhood workforce investment credit, modeled after the Louisiana school readiness tax credit, rewards professional development for child care providers and can foster the quality early childhood education (ECE) workforce necessary to promote children's learning and school readiness.

Quality child care matters for children's healthy development, early learning, and safety.

- The quality of child care is directly related to the quality of the workforce.
- Low compensation for the child care workforce makes it hard to attract and retain quality staff.
- Low compensation makes it difficult for the current workforce to access the training and higher education necessary to acquire the knowledge and competencies for delivering high-quality care.

A Quality Early Educator Workforce is Needed

A well-trained and qualified early care and education (ECE) workforce is essential to produce desired results: children eager to learn, happy, healthy, and well-prepared to succeed in school and life.

Attracting and retaining such a workforce is a longstanding challenge in the United States because pay is based on what parents can afford. This limitation impacts the ability of early childhood educators to advance their education and training and acquire research-based skills and competencies that best promote early learning in young children.

An ECE workforce investment tax credit helps provide an incentive for professional development and rewards educational attainment with a refundable wage credit to increase pay.

High-Quality Child Care Can Influence Children's Brain Development Over the Course of Their Lives

Currently, more than 15 million children under age six have working parents.¹ Many of these children are in some type of child care setting every week. Numerous studies have shown that all children, and particularly children from low-income families, benefit from high-quality care.² This care can help launch a lifetime of better health, education, and career outcomes.

Neuroscience research confirms that a child's earliest years are critical for brain development. From birth to age five, the architecture of the brain is built rapidly, laying the foundation for future social, emotional, cognitive, and physical development. Because both genes and experiences play a role in brain development, children's interactions with the adults and environments around them influence the brain's architecture.³ Research shows that the quality of care can either positively or negatively affect a child's development.⁴

Improving the ECE Workforce Has Multiple Benefits

A high-quality ECE workforce is necessary for high-quality child care and early learning. The right scaffolding can support the capacity of the ECE workforce to help children build

strong brains in the earliest years of life. However, many child care providers have not had the education and professional training that can support them in their role as vital agents of children's early learning and skill development.

The workforce is underdeveloped as a result of the dominant business model in the child care industry. Parent fees are the only source of revenue to cover operating expenses for most programs (such as rent, utilities, materials, insurance, and wages for staff). Parents struggle with the high cost of care, which often leads to decisions to hire staff at the lowest wages possible so that programs can keep parent fees as low as possible. As a result, the median hourly wage for an individual working in child care is \$11.17 per hour (about \$23,240 per year).⁵

Low pay restricts the ability to hire and retain quality staff and leads to turnover, which research has shown is about 25 percent among centers with turnover.⁶ Low pay can also contribute to provider stress, which research demonstrates can lead to lower quality classrooms.

Boosting the wages of child care providers based on achieved competencies, certificates or educational levels is a voluntary, reward-based strategy that helps fill in the gap between what parents can pay and the operating costs of high-quality care.

The Louisiana Approach Works

Practical, viable solutions to the challenge of developing a high-quality ECE workforce already exist. Louisiana pioneered its School Readiness Tax Credits in 2007.⁷ One component of that package provides ECE directors and staff with a refundable credit linked to their educational attainment at four levels and work experience in a quality program. The credit amount increases as the credentials rise.

Only those individuals who voluntarily join the registry, achieve professional development, and have been working for at least six months in a licensed program that participates in the state quality rating system qualify for the credit.⁸

The ECE Workforce Investment Credit Is a Sensible Solution

Raising a healthy population of future workers, citizens, and parents starts with high-quality child care settings. Quality care depends on attracting, retaining, and growing a well-trained workforce that is fairly compensated for its skills and expertise.

The keys to designing a workforce investment credit are:

- Making the credit refundable so that the lowest paid providers can benefit from a wage increase;
- Indexing the credit to inflation;

- Structuring the credit large enough to matter (e.g., at least a 10 percent increase); and
- Linking the credit to qualifications.

The framework for this policy is already in place. Because it is voluntary, individuals working in child care select whether to participate and only receive the credit for educational levels actually achieved.

Business Leaders Understand Workforce Quality

Business leaders know a quality workforce matters. Investing in quality early learning settings can lead to more children starting school ready to learn. When children start school ready to learn, they are more likely to experience positive academic and health outcomes, which in turn will lead to a stronger future workforce and more engaged citizens.

The bottom line: investing in a quality ECE workforce allows parents to work, supports children's healthy development, promotes a skilled workforce pathway and more sustainable regional economies in communities across the country—now and in the long-term.

Notes

¹ U.S. Census Bureau, 2018 *American Community Survey 1 Year Estimates*, Table B23008, Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents.

² Yoshikawa, H., Weiland, C., Brooks-Gunn, J., Burchinal, M., Espinosa, L., Gormley, W., Ludwig, J., Magnuson, K., Phillips, D., Zaslow, M., *Investing in our future: The evidence base for preschool education*, Policy Brief, Society for Research in Child Development and the Foundation for Child Development (2013).

³ Harvard University, Center on the Developing Child, *Brain Architecture*.

⁴ U.S. Department of Health and Human Services, National Institutes of Health, National Institute of Child Health and Human Development, *The NICHD Study of Early Child Care and Youth Development* (2006).

⁵ U.S. Bureau of Labor Statistics, Occupational Employment and Wages, *Child Care Workers* (2018).

⁶ Whitebook, M., Phillips, D., and Howes, C., *Worthy Work, Still Unlivable Wages: The Early Childhood Workforce 25 Years After the National Child Care Staffing Study*. Center for the Study of Child Care Employment, University of California Berkeley. 2014.

⁷ Louisiana School Readiness Credits, [FAQs for Child Care Staff](#)

⁸ Ibid.

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Access to Early Childhood Education Yields Lifelong Results: ACTION STEPS for Business Leaders



Expanding access to quality early childhood education programs is:

- an economic development strategy, and
- a taxpayer savings strategy.

Nobel Laureate economist James Heckman released new research in 2016 that found:

- Every dollar spent on high-quality, birth-to-five programs for disadvantaged children delivers a 13% annual return on investment.
- Children were not the only beneficiaries – the economic benefits of the additional wages earned by parents with access to high-quality care paid for the cost of the program after five years.

Heckman, J., Garcia, J., Leaf, D., Prados, M., Center for the Economics of Human Development at the University of Chicago. The Life Cycle Benefits of an Influential Early Childhood Program. Working Paper 2016-035. (Dec.2016). <https://heckmanequation.org/resource/lifecycle-benefits-influential-early-childhood-program/>

Business leaders understand the value of investing in early care and education because it achieves the following:

- Supports the healthy development and school readiness of children while parents are working,
- Promotes employee reliability and stability,
- Spurs business and community economic growth, and
- Results in a skilled talent pool and workforce in future years.



What Business Leaders Can Do

Be informed. Ask employees about their child care arrangements. Inquire about any challenges they have in accessing early learning programs in your community. Many parents with young children will have a story to tell. Some leading businesses document these experiences to better understand employee work and family challenges, and to help educate the public and policymakers about the need to invest in high-quality care.

Provide child care resource information. For example, include information about how to find child care, critical questions to ask child care providers, and how quality child care can make a difference for children in new hire orientation packets. Post materials for employees on bulletin boards in the lunchroom, near the photocopier, and provide content information on the company web site. Your local child care resource & referral agency will have localized information to share, as well as about child care subsidy assistance for low wage workers, or information about tax credits for which families might be eligible such as the Federal Dependent Care Tax Credit or the Earned Income Tax Credit.

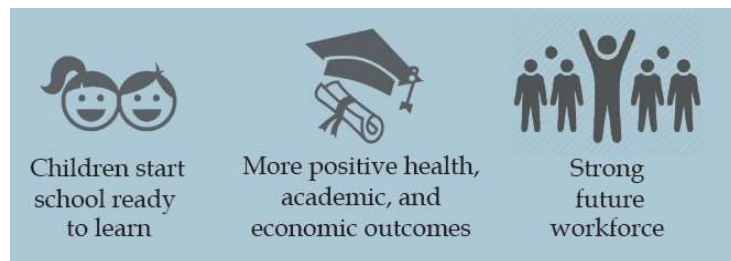
Determine available employer tax benefits to support child care. Talk to Human Resources staff about potential tax benefits available for employers to assist employees with child care costs. For example, employers are eligible for a federal tax credit in return for sponsoring child care on-site, sponsoring child care slots in a local community center for employees, and supporting child care resource & referral agencies in your community to help your employees find child care.

Join forces with advocates in your community. Support initiatives to strengthen the quality of child care and early learning. Understand the goals and programs in your community so that as an employer you can be an effective partner. Join early learning coalitions that are working to expand access to quality child care and early learning programs. Sometimes it is not what is said by a stakeholder that can make a difference, but which stakeholder says it.

Educate other business leaders through state or local chamber of commerce or economic development council meetings. Often state and local chambers of commerce create a public policy agenda and convene members to hear presentations or discuss priority topics. Prepare to speak out about the need for high-quality child care and early learning settings. Ask fellow employers to join in supporting investment in quality child care and early learning programs, and urge that it be placed on the public policy agenda.

Understand the issues and connect with your state and local legislators. Convey to policymakers your support for public investment in early education. Let them know how important it is to view quality early learning as an economic development strategy that is vitally important to children, employees, employers, communities, and citizens.

Raise visibility. Prepare and submit op-eds and letters-to-the-editor, post on social media, and engage other business leaders to help raise the visibility of quality early education and care as a key link to economic growth, development, and success.



Be an Early Childhood Education Business Champion

Let the Committee for Economic Development (CED) know if we can be helpful in customizing any information to your state or community.

CED staff can help with:


- ✓ fact sheets
- ✓ talking points
- ✓ testimony
- ✓ policy papers
- ✓ infographics
- ✓ draft op-eds or letters-to-the-editor
- ✓ blogs
- ✓ social media
- ✓ speakers
- ✓ networking
- ✓ online employer child care toolkits
- ✓ strategic planning about how to engage the business community and become champions for early learning access and quality.

Business leaders are powerful messengers. Be a change agent in your community and work with CED to expand access to high-quality early childhood education programs. These programs help children start school ready to learn, perform at grade level, and graduate high school college- and career-ready. They are less likely to repeat a grade, be referred to special education, or engage in behavior that leads to incarceration.

For more information about how CED can assist you in supporting high-quality early learning programs, contact Cindy Cisneros, Vice President of Education Programs at CED – ccisneros@ced.org.

QUALITY CHILD CARE MATTERS!

Building Brains
Birth to Age 5 Is Critical



The brain is built rapidly, laying the foundation for social, emotional, cognitive, and physical development

Investments in Quality Child Care Lead to



Lower costs for elementary school remediation and grade retention

Increased high school graduation rates, future wages and tax receipts

The Business Case

For Investing in High-Quality Child Care



CHILD CARE INDUSTRY ECONOMIC & JOB IMPACT

in

THE UNITED STATES

Every week in the United States

15 million children

are in paid child care.

SIZE OF THE MARKET-BASED CHILD CARE INDUSTRY IN THE UNITED STATES



Total ECONOMIC impact (2016)

\$99.3 billion

\$47.2 billion
child care revenue
PLUS
\$52.1 billion spillover
in other industries



Total EARNINGS impact (2016)

\$39.85 billion

\$24.1 billion
employee compensation and
sole proprietors' earnings
PLUS
\$15.73 billion spillover
earnings in other industries



Total JOBS impact (2016)

2 million jobs

1.5 million
sole proprietors and wage
and salaried employees
PLUS
507,089 spillover
jobs in other industries

MARKET-BASED CHILD CARE

674,332
Total Providers

75,314
centers



599,018
family
child care
homes

FAMILY CHILD CARE HOMES



have **declined by 20.4%** since 2010
resulting in

- Fewer choices for working parents
- Less of the lowest-cost care

IMPACT ON WORKING PARENTS

WITHOUT AFFORDABLE CHILD CARE

Parents reduce their hours
or opt out of the workforce



94%

of workers
involuntarily
working part-time
due to child care problems
are women.

ANNUAL COST OF CHILD CARE



INFANTS

\$10,759
19.4%
of household
income

FAMILY CHILD CARE HOMES

\$7,887
13.1%
of household
income



4 YEAR-OLDS

CENTER-BASED CARE

\$8,672
14.4%
of household
income

\$7,148
11.8%
of household
income

Sources: Committee for Economic Development of The Conference Board, *Child Care in State Economies: 2019 Update*; 2016 U.S. Census Bureau Economic Census and County Business Pattern data and non-employer statistics data; Current Population Survey for the 2015-2017 period; 2016-2017 National Survey of Children's Health (NSCH), U.S. Department of Health and Human Services; and Child Care Aware of America 2017 child care rates, *the U.S. and the High Cost of Child Care* (2018). Note: Regulations for child care licensing vary by state. The economic information provided through the U.S. Census Bureau Economic Census includes employers and sole proprietors who report child care business income. This does not mean such entities are regulated by the state or are in compliance with state law. Therefore, state regulatory lists may vary from child care business data reflected in the Census Bureau data.

The Business Case

For Investing in High-Quality Child Care



CHILD CARE INDUSTRY ECONOMIC & JOB IMPACT

in

VERMONT

Every week in Vermont

37,841 children

are in paid child care.

SIZE OF THE MARKET-BASED CHILD CARE INDUSTRY IN VERMONT



Total ECONOMIC impact (2016)

\$222 million

\$125 million
child care revenue
PLUS

\$97 million spillover
in other industries



Total EARNINGS impact (2016)

\$109.9 million

\$74 million
employee compensation and
sole proprietors' earnings
PLUS

\$35.9 million spillover
earnings in other industries



Total JOBS impact (2016)

4,967 jobs

3,864
sole proprietors and wage
and salaried employees
PLUS

1,103 spillover
jobs in other industries

MARKET-BASED CHILD CARE

1,714
Total Providers

269
centers



1,445
family
child care
homes

FAMILY CHILD CARE HOMES



have **declined by 27.3%** since 2010
resulting in

- Fewer choices for working parents
- Less of the lowest-cost care

IMPACT ON WORKING PARENTS

WITHOUT AFFORDABLE CHILD CARE

Parents reduce their hours
or opt out of the workforce



94%

of workers
involuntarily
working part-time
due to child care problems
are women.

ANNUAL COST OF CHILD CARE



INFANTS



4 YEAR-OLDS

CENTER-BASED CARE

\$12,507

22.3%
of household
income

\$11,438

19.9%
of household
income

FAMILY CHILD CARE HOMES

\$8,694

15.1%
of household
income

\$8,264

14.4%
of household
income

Sources: Committee for Economic Development of The Conference Board, *Child Care in State Economies: 2019 Update*; 2016 U.S. Census Bureau Economic Census and County Business Pattern data and non-employer statistics data; Current Population Survey for the 2015-2017 period; 2016-2017 National Survey of Children's Health (NSCH), U.S. Department of Health and Human Services; and Child Care Aware of America 2017 child care rates, *the U.S. and the High Cost of Child Care* (2018). Note: Regulations for child care licensing vary by state. The economic information provided through the U.S. Census Bureau Economic Census includes employers and sole proprietors who report child care business income. This does not mean such entities are regulated by the state or are in compliance with state law. Therefore, state regulatory lists may vary from child care business data reflected in the Census Bureau data.

Children Under Age 6 with Working Parents
Vermont House Committee on Commerce and Economic Development

Working Parents	Both Parents Working	Living with Father (Father Working)	Living with Mother (Mother Working)	Total Children Under Age 6 with Working Parents
Bennington-2-2 State House District (2018)	272	53	93	418
Chittenden-6-2 State House District (2018)	175	11	53	239
Chittenden-8-3 State House District (2018)	251	10	31	292
Franklin-3-2 State House District (2018)	200	0	0	200
Orleans-2 State House District (2018)	227	30	104	361
Rutland-6 State House District (2018)	265	36	0	301
Windham-2-1 State House District (2018)	159	0	80	239
Windham-2-3 State House District (2018)	42	12	18	72
Windsor-1 State House District (2018)	288	27	69	384
Windsor-3-2 State House District (2018)	101	21	22	144
Windsor-5 State House District (2018)	91	8	6	105
Vermont Total	16,900	2,625	5,308	24,833

Source: U.S. Census Bureau, Table B23008, Age of Own Children Under 18 Years in Families and Subfamilies by Living
2018 American Community Survey, 5 Year Estimates

<https://data.census.gov/cedsci/table?q=b23008&g=0400000US50&hidePreview=true&tid=ACSDT1Y2018.B23008&vintage=2018>