ILLINOIS

REPORT

Strengthen Child Care, Grow Illinois' Economy

Workers & employers are paying dearly for our child care crisis

Acknowledgements

Council for a Strong America is a national, bipartisan nonprofit that unites five organizations comprised of law enforcement leaders, retired admirals and generals, business executives, pastors, and prominent coaches and athletes who promote solutions that ensure our next generation of Americans will be successful, productive members of society.

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Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

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Authors:
Sandra Bishop-Josef, Ph.D., Research Director
Sean Noble, Illinois State Director
Tom Garrett, Communications Director

Contributors:
Clive R. Belfield, Ph.D., Professor, Economics, Queens College, City University of New York; Economist, Center for Benefit-Cost Studies in Education, Teachers College, Columbia University
Mariana Galloway, Art Director

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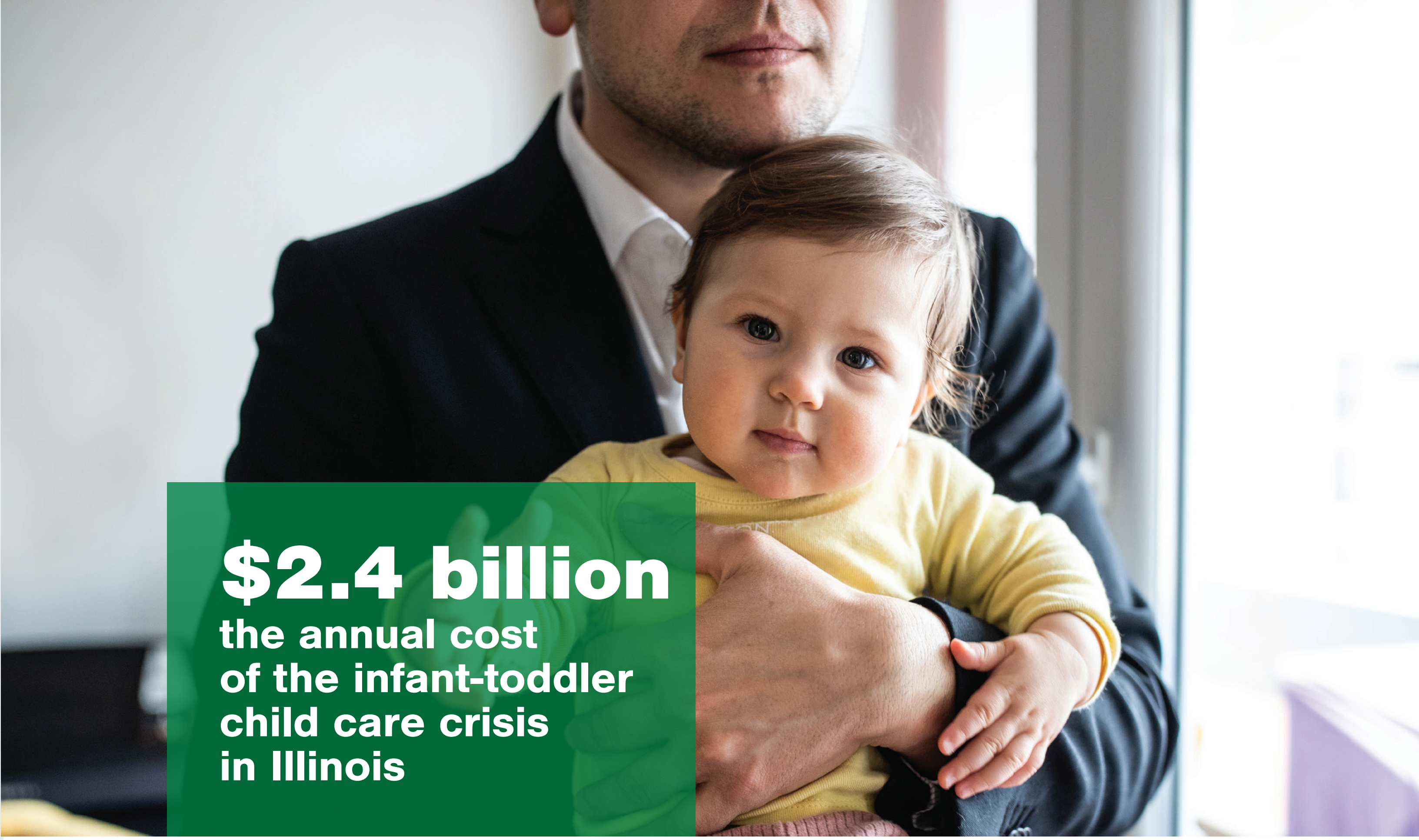


$2.4 billion

the annual cost of the infant-toddler child care crisis in Illinois

Talk to working parents of an infant or toddler, and you'll often hear how difficult it is to find child care that's accessible, affordable, and enriching during a crucial period of kids' development.

Talk to their bosses, and you're likely to hear about an economic impact that will only grow as the child care crisis continues, throughout Illinois and nationwide. In fact, in Illinois this impact was magnified by several years of state cuts in eligibility for child care assistance, from which our state is still working to rebound and rebuild.

ReadyNation has studied the economic effects of the child care crisis on working parents, employers, and taxpayers across the country. The verdict, in Illinois alone: An annual cost of about $2.4 billion in lost earnings, productivity, and revenue. Nationally, that tally comes to $57 billion—and these costs relate only to the costs of care for infants and toddlers; considerations for kids older than 3 could add many billions more to this price tag.

> "The child care crisis is a significant drain on our economy—but we know how to fix it, and should do so."

Jessica Linder Gallo
President & CEO, Aurora (IL)
Regional Chamber of Commerce

Productivity challenges affect employers and employees, alike. Nationally, almost two-thirds of parents facing child care struggles report leaving work early, and more than half report being distracted at work or missing full days. Fully 86 percent of primary caregivers said problems with child care hurt their efforts or time commitment at work. The predictable impact: One in five say they've been reprimanded, 8 percent have been fired, and about one in 14 parents reported being demoted or transferred. Meanwhile, productivity problems cause U.S. employers to lose $12.7 billion annually due to child care challenges faced by their workforce—up to $559 million in Illinois, specifically.

Representing more than 2,600 business leaders across the nation (and 275 in Illinois), ReadyNation is calling on policymakers to protect and strengthen programs that enhance the affordability and availability of quality child care—and to foster continuing innovations at the federal, state, and local level that address this problem for parents and employers.

The stakes are enormously high for employers, for working parents, and for their children, who depend on nurturing, stimulating environments for healthy brain development during their first years of life. Action and innovation can improve life outcomes for millions of children today as well as bolster the workforce and economy for years to come.

Most parents of infants and toddlers are in the workforce, and need child care

The majority of American parents with very young children are now in the workforce; this is true of both single and married parents. Of the 14 million parents with children under the age of 3, about 78 percent (11 million) are working.[1]

As a result of the dramatic increase in maternal employment over the past several decades, many children are in child care.[2] Parents need child care so they can go to work, remain productive, and build successful careers to better support their families.

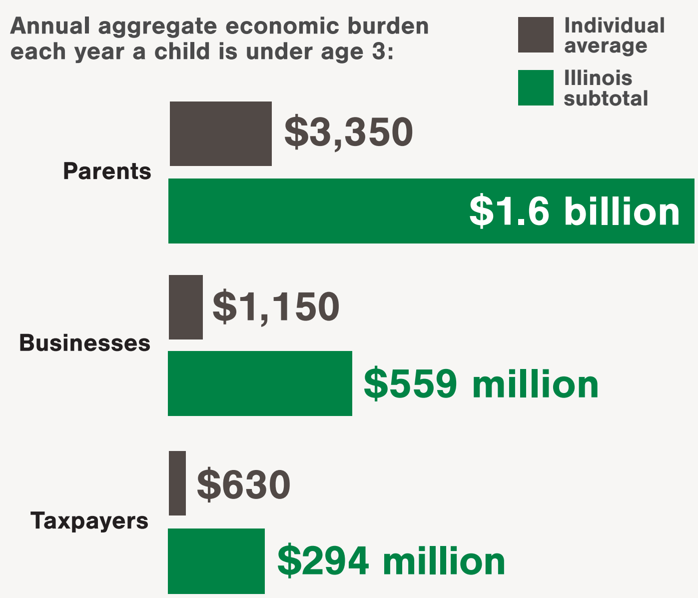
The child care system currently fails to adequately meet the needs of families or employers

Several interrelated challenges render the system less than optimal for children, families, and businesses:

- **Access:** Nearly one-third of U.S. parents report having difficulty finding child care.[3]

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

Insufficient care for children under the age of 3 costs individuals, businesses, and our entire state billions of dollars each year



Source: Illinois projections based on ReadyNation national report (2019).

Availability is especially limited for families who have infants and toddlers, work evening and night shifts, or live in rural areas.[4]

- **Affordability:** The average annual price of center-based child care for infants in Illinois ($13,762) is similar to the average price of public college tuition and fees ($13,970).[5] The U.S. Department of Health & Human Services considers child care "affordable" if it claims no more than 7 percent of household income, but Illinois families spend an average of 10.6 percent on care.[6] High prices make child care unaffordable for many families, particularly those with low incomes—and Latino and African-American households are hit especially hard, spending an average of 14 to 18 percent of their incomes on care, respectively.[7]
- **Quality:** Among other shortcomings, child care programs often suffer from low caregiver pay and high rates of turnover, resulting in a lack of stability and consistency for young children. In 2017, over 87 percent of Illinois child care providers received a "licensed" rating or greater in the state's ExceleRate system for incentivizing and tracking program quality - yet only one in 10 received a Gold Circle of quality designation, denoting the highest-caliber care.[8]

Insufficient child care poses an economic impact for parents, employers, and taxpayers

When families lack access to the child care they need, parents' work productivity falls, resulting in costs to parents, their employers, and, ultimately, taxpayers. ReadyNation commissioned a national survey of working parents of children under age 3, one of very

"Barriers to child care are, too often, barriers to working parents' full and productive employment."

Joni Duncan
Senior Vice President & Chief Human Resources Officer, Ann & Robert H. Lurie Children's Hospital of Chicago

few such surveys covering this group. This analysis yielded a nationally representative sample of 812 parents—both mothers and fathers. It helped detail the various ways in which parents' work commitments, performance, and opportunities are diminished by problems with child care. Merging this survey evidence with labor market data, we modeled how the economy is affected by child care problems.[9]

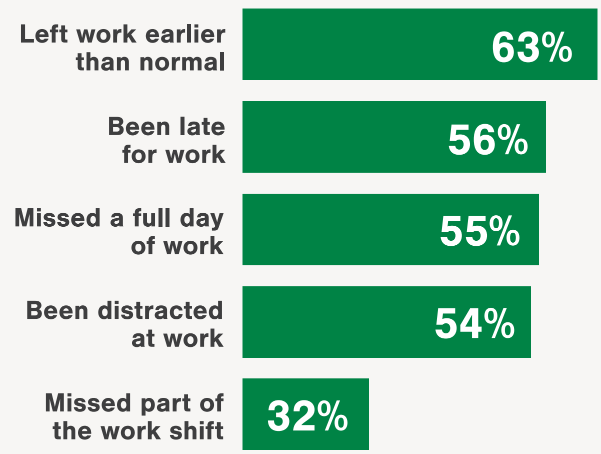
The impact of insufficient child care on parents

The national survey results provide a window on how the aforementioned economic impacts occur. At least 30 percent of respondents reported challenges in finding care that was affordable, high quality, convenient, had open slots, available on an emergency/sick child basis, or available outside Monday-Friday daytime hours. 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 time at work and being distracted:** Problems with child care significantly reduce how much time parents can spend at work. Nationwide, parents lose an average of two hours per week of work time; almost two-thirds of parents reporting leaving work early, and half reporting being late for work, missing days of work ("absenteeism"), or being distracted at work (sometimes called "presenteeism").
- **Losing out on training and getting in trouble, or even fired:** Child care problems decreased parents' productivity at work, undermining their job stability. One quarter of nationally surveyed parents reported problems participating in education and training that would improve their productivity. Twenty percent said they had been reprimanded by their supervisor, and 13 percent had their pay or hours reduced. Most seriously, eight percent of parents reported being fired, and about one in 14 parents reported being demoted or transferred due to child care problems.

Time and effort at work

As a result of child care problems have you ever:



Source: ReadyNation national survey and report (2019)

Productivity and performance at work

As a result of child care problems have you ever:

Source: ReadyNation national survey and report (2019)

- **Diminished career opportunities:** Problems with child care impacted parents' long-term career prospects, too. One-quarter of surveyed, U.S. parents reported having to reduce their work hours, or turn down job offers or further education and training. Sixteen percent said they'd had to reject a promotion, while 15 percent went from full-time to part-time work. An additional 13 percent had quit a job due to insufficient child care.

In sum, for parents, the primary short-term result of insufficient child care is reduced income, due to less time at work. Workers with young children also have to look harder and more frequently for new job opportunities. These issues add-up over time: With less training and less experience, these parents face narrower career prospects, reducing their future earning potential. And diminished parent income, along with parental stress, can have harmful short- and long-term impacts on children.

The impact of insufficient child care on employers

For employers, insufficient child care results in reduced revenue and increased hiring costs. Lowered employee productivity and shorter tenure carry major economic consequences for the workforce. If an employer's workforce keeps changing, worker morale may fall, product quality may diminish, and clients may be lost. Also, workforce turnover generates immediate, direct costs associated with recruitment, hiring, and training. Plus, future losses and costs can be expected when workers are not well-trained and have too little experience.

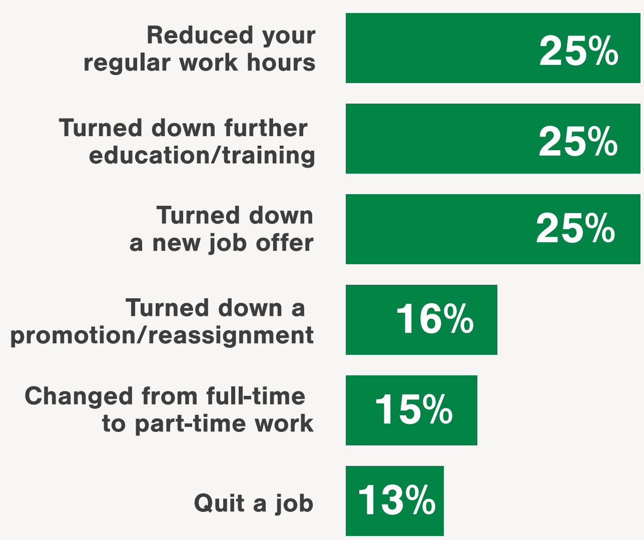
The impact of insufficient child care on taxpayers

The economic impact of child care problems on parents and employers reduces tax revenues. The main impact is on federal income tax revenues, which are the revenues primarily reflected in this report's calculations on tax-base effects; however, state income tax and sales tax revenues can also be affected. These effects are also long-term, due to parents' decreased earning potential.

"For employers, insufficient child care results in reduced revenue and increased hiring costs. Lowered employee productivity and shorter tenure carry major economic consequences for the workforce."

Career pathways

As a result of child care problems have you ever:



Source: ReadyNation national survey and report (2019)

How child care problems adversely affect the economy

Individual Parents	Businesses	Taxpayers
Lost earnings now from lower productivity and less work experience Extra costs of job search for alternative work and child care arrangements Lost earnings in the future from lower productivity, less work experience, and lower skills upgrading	Lost revenues now from lower output Extra costs to rehire quits and cover absenteeism Extra costs to manage disruped workers Lost revenues in the future from lower output	Lost tax revenue now from lower GDP Lost sales and consumption tax revenue Lost tax revenue in the future

The Illinois policy backdrop for child care

Child care represents one of several vital components of Illinois' system of early childhood programs and supports, alongside preschool, federal Head Start, birth-to-3 services and other initiatives. The state's Child Care Assistance Program (CCAP), administered by the Department of Human Services, helps the low-income, working families of more than 130,000 children - up to age 12 - to afford care. Assistance is determined on a sliding-scale basis, according to household size and income, and families are charged co-pay fees for participation. However, several administrative decisions in 2015 cut eligibility sharply and CCAP enrollment dropped by about 50,000 children statewide. Although eligibility cuts have been restored, actual enrollment has been slow to rebound and continues to lag tens of thousands shy of where it once was.

Several recent, forward-thinking moves have greatly strengthened CCAP access and quality. These include:

- Doubling eligibility determination periods to 12 months, reflecting federal standards;
- Increasing program-entrance income eligibility to 200 percent of the Federal Poverty Level (FPL), from 185 percent, while establishing a new, 225 percent FPL guideline for eligibility re-determinations;

A quality program depends on a quality workforce

Without a well-trained, well-supported workforce of teachers and other professionals, child care will suffer from turnover and instability—ultimately threatening program quality as well as access. Thus, it's significant that Illinois recently boosted investments in the Gateways to Opportunity Scholarship Program of tuition assistance for qualified early childhood professionals' education. The state similarly increased Great START wage supplements for providers' educational attainment, helping to support and incentivize greater skills acquisition. But more such steps are necessary, such as:

- **Greater moves** to bolster early care and education professionals' consistently low pay and reimbursement;
- **Strengthening the state's postsecondary pipeline** for their training and preparation; and
- **Expanding programs' participation in the ExceleRate initiative of incentives** for improvements in such areas as teaching quality and learning environment.

- Reducing co-payments to no more than 9 percent of a family's gross income, while also increasing provider payment rates statewide; and
- Dedicating $100 million to helping meet some pressing early childhood construction and renovation needs, as part of Illinois' 2019 capital plan.

Illinois should build on these positive measures to further improve child care options statewide, by:

- Greatly expanding infant/toddler capacity, which is sorely lacking statewide;
- Taking more steps to reduce co-pay fees for low-income, working families; and
- Further extending the Early Childhood Mental Health Consultation program of assistance to caregivers, to increase their capacity for meeting children's social-emotional needs.

Conclusion

As parents work to build successful careers, they too often face difficulties finding affordable, high-quality child care. This is especially true for the parents of infants and toddlers. The practical and economic consequences of insufficient child care are enormous, impacting parents, employers, and taxpayers. The business leaders of ReadyNation call on federal, state, and local policymakers to support families' access to affordable, high-quality infant and toddler care. The federal government supports families' need for child care through direct funding (i.e. the Child Care and Development Block Grant), as well as through the tax code. State and local governments support child care quality with funding and through efforts such as quality rating systems. Businesses play a role as well, through on-site child care, funding for employees or to child care providers, and advocating for sound child care policies. Effective, well-funded policy initiatives, as well as continuing innovations at the federal, state, and local levels will yield a child care system that will support a more productive workforce and economy, both now and in the future.

Endnotes

1 U. S. Census Bureau (2018). Annual Social and Economic Supplement (ASEC) of the Current Population Survey.

2 Child Trends (2016, May). DataBank: Child care. http://www.childtrends.org/wp-content/uploads/2016/05/21_Child_Care.pdf

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5 Child Care Aware (2019). Price of child care in Illinois. https://info.childcareaware.org/hubfs/2019%20Price%20of%20Care%20State%20Sheets/Illinois.pdf?utm_campaign=2019%20Cost%20of%20Care&utm_source=2019%20COC%20-%20IL

6 Erikson Institute (2019). Illinois Risk and Reach Report. https://www.erikson.edu/policy-initiatives/risk-reach/

7 Ibid.

8 IFF (2019). Access and Quality for Illinois Children. https://iff.org/access-and-quality-for-illinois-children-statewide-early-childhood-education-needs-assessment/

9 For details on the 2018 survey and economic analyses, see the accompanying technical report at: https://strongnation.s3.amazonaws.com/documents/522/3c5cdb46-eda2-4723-9e8e-f20511cc9f0f.pdf?1542205790

10 Illinois Department of Human Services data (provided October, 2019).

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70 E. Lake Street / Suite 1116 / Chicago, IL 60601 / 312.288.8229

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