Strengthening the Child Care Workforce

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BACKGROUND
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The Hidden Workforce Crisis Impacting All Arizona Businesses & Schools

A preschool teacher works all day to engage children in learning and link their struggling families to resources all the while hiding a terrible secret: she and her family are homeless. Some nights, they can afford a hotel; others, they sleep in the car. They cannot afford rent any more but earn too much for many assistance programs. She worries about how to be the best teacher possible when her family’s survival is in the back of her mind all day.

A veteran early educator sadly tells her director she can no longer work at the child care center. She will make better wages stacking boxes on the overnight shift at a national chain grocery store.

A center director manages to hire new staff, only to have them quit a few days or weeks into the job when they realize teaching young children is hard work. They have found easier jobs with higher wages elsewhere.

These are true stories of early educators in Arizona, and sadly these scenarios are becoming increasingly common for child care and preschool owners throughout the state. The child care dilemma that faced Arizona before the pandemic has now become a full-blown crisis. And, while federal relief funding has kept the system from crumbling entirely, the resources for those programs are time-limited or steadily decreasing.

The lack of quality early learning options goes way beyond a family problem: it is an issue that educators, business leaders and policymakers must work together to resolve, or we risk the academic success of our students and the long-term economic recovery of our state.

Child Care Impacts the Workforce of Today and the Workforce of Tomorrow

90% of children’s brain growth happens before kindergarten, and early experiences lay the foundation for their lifelong learning and success (see Figure 1). For example, decades of research have proven children with access to high quality early learning are more prepared for kindergarten, do better in school and are more likely to graduate. They also are less likely to need special education or be held back a grade. A lack of early learning options could create gaps in children’s learning that will only widen as they enter school.

Figure 1: The Impact of the Early Years on High School Graduation
Research compiled by the U.S. Chamber of Commerce Foundation prior to the pandemic shows the impact that access to early learning opportunities has on parental education, employment and workforce participation, specifically:

**College Completion:** “More than a quarter of college students are raising children while trying to move up the education ladder, and half have children ages 5 or younger. Among all postsecondary students with children, only 27% attain a degree within six years. In one study, more than half of those who had dropped out cited ‘family commitments’ as the reason. And when people who dropped out were asked about factors that would ‘help someone whose circumstances are similar to yours...in getting a college degree,’ three-quarters of them cited child care.”

**Workforce Participation:** “As the baby boomer generation approaches retirement, the labor participation rate is projected to decline to 61% in 2027 and 59.2% in 2047 — likely to slow economic growth for decades to come if the downward trend is not reversed. Only about 10% of non-workers cite not being able to find work as the reason they’re not employed. Among nonworking poor individuals with young children (11.4% of nonworking poor people), a full 70% cite ‘taking care of home/family’ as the reason they’re not in the workforce.”

**Workplace Productivity:** “A survey of working parents who had children under age 5 found that child care issues greatly influenced workforce participation. One in seven respondents with a preschooler said they turned down a promotion and nearly one in five reported leaving full-time employment for part-time work because of child care issues. Almost half of both men and women reported missing work regularly due to problems with child care. In addition, one in six had quit a job and one in 13 had been fired because of problems finding or paying for child care.”

**COVID-19 Exacerbates Pre-Pandemic Problems**

Child care was scarce in Arizona before the pandemic. A 2018 study by the Center for American Progress found that 48% of Arizonans lived in child care deserts, defined as any Census tract with more than 50 children under age 5 that contains either no child care providers or so few options that there are more than three times as many children as licensed child care slots. A 2019 study by the Bipartisan Policy Center found that the child care gap in Arizona was 25.2%. This meant more than 76,690 children in Arizona needed access to early learning, but their families did not have access to child care settings.

In the early months of the COVID-19 pandemic, about half of Arizona’s child care providers shut down. Many quickly re-opened thanks to emergency funding made available so that essential workers could access child care. A September 2021 survey by the National Association for the Education of Young Children (NAEYC) showed that the majority of child care providers are open; however, they are operating at only 67% of their pre-pandemic capacity. The NAEYC survey also revealed the cause of this shortfall: 90% of programs were experiencing staffing shortages. Those programs are dealing with the workforce shortage in a variety of ways, all of which limit access to early learning for kids and employment support for working parents:
If most working parents of young children need child care, and there are plenty of child care jobs available, why is there a workforce shortage? A big part of the answer is low wages and poor benefits. Before the pandemic, early educators already were poorly paid, often earning less than garbage collectors and pet groomers. According to analysis conducted by the Economic Policy Institute (EPI), in addition to low wages, “child care workers are less likely to receive nonwage benefits than the workforce as a whole. Over half of workers overall have employer-sponsored health insurance, compared with one-fifth of child care workers; and, one-third of workers overall have retirement benefits compared with only about one in 10 child care workers.”

In the pre-pandemic economy, there may not have been many jobs available that could lure child care and preschool teachers into leaving the education field. Now, many early educators have left the child care sector to work in private sector jobs. Places like Target, Walmart, and even McDonald’s offered higher pay for what many people felt was easier work. Target, for example, has set a new starting wage range from $15 to $24 with healthcare benefits. Child care and preschool providers have had a hard time competing with the private sector wages. The NAEYC survey identified that 45% of respondents found it more difficult to recruit qualified educators compared to before the pandemic. This is a big reason why nationally, employment in the child care sector remains 12.4% below pre-pandemic levels. The aforementioned EPI analysis estimated that child care workers should be paid, at minimum an hourly wage between $21.11 and $25.95 in order to be able to support themselves and at least one child and to have enough early educators in the field to meet the needs of today’s economy. This does not include the other nonwage benefits recommended by the EPI analysis, such as paid leave, health insurance, and retirement benefits. This way beyond the current benefits and median hourly wage of $13.22 typical for child care staff.

Why Don’t Providers Just Raise Tuition?

In an ideal world, child care providers could budget based on a model called the Iron Triangle: full enrollment, on-time collection of tuition and fees; and, tuition that covers the full cost of providing quality care, including a well-compensated workforce. Conventional wisdom dictates that if a business’ costs increase (such as labor costs), the business would simply raise the cost of their product, in this case, the tuition charged to families. That conventional wisdom, however, fails to consider two very important factors: child care already is too expensive and Arizona families cannot afford to pay more.

Every two years, under federal law, the Arizona Department of Economic Security studies the rates charged by providers every two years. According to the recently released 2022 Market Rate Survey, child care rates already increased since the 2018 – likely the result of the impact of the state’s rising minimum wage and other rising operational costs, like rent and supplies. Depending on the area of the state, infant care increased 16-25%; toddler care increased 6-27%; and preschool care increased 9-24%.
Given these increases, it is no surprise that analysis conducted earlier this year by the EPI shows that child care is one of the biggest expenses families face. In fact, for infants, annual tuition can cost more than sending a student to an in-state university. (See box at right).

When compared to wages in Arizona, these costs are even more startling. Infant care for one child would take up 19.8% of a median family’s income in Arizona. According to the U.S. Department of Health and Human Services (HHS), child care is affordable if it costs no more than 7% of a family’s income. By this standard, only 8.7% of Arizona families can afford infant care. Families with two children face an even larger burden. A typical family in Arizona would have to spend 35.2% of its income on child care for an infant and a 4-year-old. And quality child care is even more out of reach for minimum wage earners in Arizona, who would need to work full time for 23 weeks, or from January to June, just to pay for child care for one infant.

**Public Programs are Helping with the Workforce Shortage, But Have Limitations**

There have been several federal COVID relief packages that have attempted to address the nation’s child care crisis. The largest of these is the American Rescue Plan Act (ARPA), which provided $1.2 billion to Arizona over two years. The Arizona Department of Economic Security (DES) – administrators of the federal relief funds – have been thoughtful about using these resources to address both long-standing issues within the system and current realities. Strategies DES is funding are helping to reduce family costs for child care, expand the availability of preschool, improve the quality of early learning settings, promote early literacy and help early educators support the social-emotional development of young kids and prevent expulsions by coaching educators on dealing with challenging behaviors. Three strategies, in particular, are helping the state’s child care providers address skyrocketing operational costs and the ongoing workforce crisis.

**Stabilization Grants** – ARPA required DES to use about $724 million out of the $1.2 billion in relief funds for stabilization grants. These monthly payments directly to providers – between $500 and $10,000 per month depending on the licensed capacity of the program – can be used for a variety of expenses including rent, utilities, supplies, and of course, workforce costs.

**Workforce Grants** – Beginning in July 2022, providers receiving the stabilization grants could receive an additional monthly amount – between $250 and $15,500 per month depending on the licensed capacity of the program – as long as they certify they will use the amount for increasing wages, employee benefits, or other recruitment and retention activities.

**Subsidy Reimbursement Rates** – Federally funded child care subsidies are used to reimburse child care and preschool providers for the early education they provide to babies, toddlers and preschoolers from low-income working families. These rates do not cover the full tuition that most providers charge, leaving families to pay the difference (also referred to as co-pays). DES – administrators of the federal subsidy program – have used federal relief dollars to significantly raise reimbursement rates and to help

<table>
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<th>Annual Cost in Arizona:</th>
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<tr>
<td>Housing: $11,948</td>
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<tr>
<td>Infant care: $10,948</td>
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<tr>
<td>College: $10,557</td>
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<tr>
<td>4 year-old care: $8,547</td>
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reduce parent co-pays during the pandemic. These increases raised the reimbursement to the 50th-75th percentile of the 2018 market rates. Given the rising costs of providing care, the 2022 Market Rate Survey reveals that current subsidy rates cover only a fraction of child care costs (between the 8th and 50th percentile of market rate depending on the age of the child, area of the state and type of setting). xii

Although the federal resources noted above are helping to address current issues, many providers worry about hiring staff at salaries and with benefits that cannot be sustained because the federal monies that pay for much of the assistance available must be expended by September 30, 2023.

Impact of the Child Care Crisis on Preschool Participation & Economic Development

Adding to the sense of urgency for a long-term solution to Arizona’s child care crisis is the impact the lack of early learning opportunities is having on young children and their families – and what both are costing Arizona employers and policymakers.

Education Forward Arizona worked with stakeholders statewide to develop the Arizona Progress Meter – a series of educational milestones that community stakeholders – including business groups and elected leaders – committed to helping our state’s children achieve. The first of those milestones was increased access to quality preschool for Arizona 4-year-olds. Prior to the pandemic, Arizona had been making progress on that indicator – increasing from a baseline of 21% in 2016 to 24% in 2018. A loss of federal preschool funding in 2019 began a downward slide, which the pandemic exacerbated. In 2020, only 17% of Arizona preschoolers had access to a quality education, setting Arizona and young children back by years (See Figure 2).

Figure 2: Arizona Progress Meter Shows Fewer Preschoolers in Quality Early Learning Settings

Analysis by the U.S. Chamber Foundation tells us the impact that crisis is having on Arizona’s working parents, businesses and the state coffers.

The Chamber found that due to child care issues: 71% of parents surveyed missed work in the previous three months; 6% of parents voluntarily left a job; and 33% had to make adjustments to their education. This leaves businesses footing the bill for absences and turnover – to the tune of $1.4 billion per year.
The state also loses out on almost $350 million a year in tax revenue from the lack of economic activity as families struggle to make ends meet.

**Successes to Build On**

The good news is that Arizona has several positive points on which to build:

- Engaged early educators, industry leaders, funders and advocates;
- Successful programs that can be scaled up, including those that encourage people to pursue early learning careers; scholarships that help teachers expand their skills; supports for programs looking to improve the quality of their early education environments; resources to help providers recruit and retain qualified staff; and assistance for families who cannot afford quality care and education for their children.
- Information about the needs of parents, the areas of the state where child care deserts exists and the costs of providing quality care;
- And, an economy that has produced the resources our state needs in order to make early childhood investments.

We also have extensive information about what other states are doing to tackle the workforce crisis from a variety of angles (see accompanying document from the Early Care and Education Consortium).

**A Cautionary Note**

As Arizona works to promote public policy changes and investments to address the current workforce shortage and child care crisis, it is crucial that we remember that, in the end, we are talking about supporting young children and their families.

Proposed solutions must address the unique developmental needs of young children. Measures already passed or proposed in other states offer a seemingly quick fix to these critical issues, but are in fact, bad for children and families. Examples include:

- Lowering the minimum age to work in a child care setting: Minors do not have the training or experience needed to engage young learners. Their criminal records also are not available to ensure the health and safety of the young children in their care.
- Increasing class sizes: Teacher-child ratios exist to promote the safety of young children and ensure that they can have the one-on-one interactions with teachers that research proves are the cornerstone of quality early learning.\textsuperscript{xiii}
- Online preschool: The American Academy of Pediatrics, along with the state’s Arizona Department of Health Services standards, recommend limited screen time for young children.\textsuperscript{xiv} Online platforms do not provide the essential developmentally appropriate experiences young children need to build decision-making, emotional, physical, and social skills. Solutions to addressing the workforce shortage in the child care sector have to positive outcomes for young children and not create adverse consequences to their futures.
First Things First 2022 Leadership Forum

In August 2022, First Things First brought together early education experts, industry leaders, business groups, philanthropic organizations and elected leaders to begin the important work of finding long-term solutions to Arizona’s child care workforce crisis. By working together, important steps can be taken toward ensuring that Arizona can recruit, retain, compensate, develop and support a diverse and high-quality early childhood workforce.

It is our sincere hope that this document provides the basic background to understand both the historical and current issues impacting the workforce, the importance of young children’s development to later success, and the crucial role child care plays in supporting our youngest learners, their parents, communities, businesses throughout our state and the Arizona economy.
ENDNOTES


As the economy recovers from the Covid-19 pandemic, child care – along with many other sectors – is grappling with an unprecedented workforce shortage. As of February 2022, two-thirds of providers reported a staffing shortage that affected their ability to serve families; of those, 52% were forced to serve fewer children while 37% had a longer waiting list. This limits child care options for working families, thereby hindering our nation’s economic progress.

The child care workforce shortage is not caused by a single problem, but rather a series of endemic and immediate factors that, in turn, require innovative and multi-faceted solutions. To help, many states have enacted new and innovative policies to alleviate the child care workforce shortage. These interventions represent small but significant ways to help child care providers navigate the workforce crisis and provide for more families. The purpose of this report is to compile, organize, and share ideas to help guide states on how to help families, educators and providers.

While this report offers solutions for states to help alleviate the workforce shortage, states are working with one-time and time-limited federal relief funds. This is why, above all, Congress must pass a robust investment for child care immediately, and no later than the end of this year.

Compensation

Low pay is a primary reason why turnover in early childhood education is so high. Providers operate on such thin profit margins that requirements for higher compensation alone would significantly raise the cost of providing care resulting in significantly higher costs for families, steep losses in child care capacity, or both. Increasing worker compensation instead requires policies that are sustainable for the field and facilitate real progress toward higher wages.

In response to child care industry's financial ruin due to the pandemic, Congress allocated more than $50 billion in child care relief funding to states through the Coronavirus Aid, Relief, and Economic Security (CARES), the Coronavirus Response and Relief Supplemental Appropriations (CRRSA), and the American Rescue Plan (ARP) Acts. This not only represents the largest public investment in child care in U.S. history, but demonstrates the impact that robust federal funding can have on the sector.

Bonus Pay

Many states have issued bonus payments for child care workers. Minnesota, for example, classified child care workers as essential, enabling them to qualify for state frontline worker bonuses. States like Georgia, Idaho, Illinois, Ohio, and Pennsylvania have offered multiple bonuses ranging between $300 and $1200 per worker. The 2022 Alaska SEED ROOTs Award gives eligible early childhood educators a well-deserved $3,000 wage bonus to help with personal and professional expenses while encouraging continued employment in the field in 2022. Maine is providing $200 per month for all employees for an entire year, while Alabama is offering 8 quarterly payments of $1500 for full-time and $750 for part-time employees from February 2022 through September 2023. Meanwhile, Washington, DC announced $10,000 and $14,000 bonuses for full-time child care workers, along with $5,000 and $7,000 bonuses for part-time staff.

While these bonus pay initiatives have been essential for increasing wages, the temporary nature of the Covid relief funds will render them unsustainable without long-term financial support from Congress.

Hiring & Retention Grants

In addition to bonus payments, some states created grants to help child care providers attract and retain new staff. Iowa and New Jersey have offered recruitment and retention bonuses of $1,000 per employee. Meanwhile, Massachusetts launched the HireNow Grant – a general, statewide workforce bonus for which child care providers were eligible to receive $4,000 per new employee hired and retained for 60 days. These funds can be used to reimburse the training costs for a new hire, for supervision time, or for bonus payments to a new employee.

Sustainable Wage Enhancement

A few states created wage enhancement mechanisms to help providers reach a minimum wage threshold. Iowa, for example, expanded WAGE$ statewide, a salary supplement program offered by the Iowa AEYC. WAGE$ also creates a supplement scale rooted in skills and experience, rewarding workers for pursuing credentialing. Meanwhile, Florida passed its own wage supplement program to help its Voluntary Pre-K programs meet the state's $15/hour minimum wage requirement by 2023.

Additional Benefits

Several states are exploring innovative benefits for the child care workforce. For example, in May 2022 the Colorado legislature passed House Bill 1010, which creates a refundable tax credit for early childhood educators working in center-and home-based child care programs for the next five income years. The same month, lawmakers in Massachusetts included $10 million in their proposed budget to make child care itself a benefit for being a child care worker.
Degrees and credentials are crucial for a high-quality workforce. Without financial and other supports to attain them, however, such items can pose undue burdens. Instead of meeting child care workers halfway, states must meet them where they are.

**Cover Costs**

With wages often too low, child care worker should should have financial support to obtain credentials required by the state. For this reason, Maryland and Colorado are offering to cover fees for early educators to earn a Child Development Associate (CDA). States such as Minnesota and New Mexico have allocated millions in scholarships for child care workers to obtain Associates, Bachelors, or Masters Degrees. Meanwhile, the Joint Committee on Education in Massachusetts recently introduced legislation to create a scholarship and loan forgiveness program for the child care workforce.

**Build Pathways**

Some states restructured career ladders to allow experience to become a marker of professionalization. In December 2021, Massachusetts streamlined hiring criteria and provided accelerated pathways for new teachers to enter the field by providing increased flexibility for group, school-age, and center-based programs by allowing some coursework to be done after hire, broadening the types of EEC-permitted educator preparation programs and certificates to allow recruitment of candidates from a broader set of backgrounds, and updating the prior work experience criteria to allow for activities where a candidate may have demonstrated competency for the role they are pursuing. In addition to covering Child Development Associate (CDA) fees, Colorado restructured requirements to allow teachers with more on-the-ground experience to qualify for a lead qualified teacher, which is required to work unsupervised in a classroom. This “internship” allows candidates to work towards their CDA while being considered a lead qualified teacher as they work toward their certification. Delaware, Oregon and North Carolina made similar adjustments, enabling employees to leverage their experience to move up career ladders.
Imagine getting the job, then learning you must wait six weeks before starting. Due to extensive backlogs in processing important, mandatory background checks, new hires in many states have been required to wait six weeks or longer. This delay is a barrier to continuous employment and contributes to new hires leaving before they are approved to work, further exacerbating labor shortages and contributing to increased costs of care.

Intrastate and interstate background checks are required to access federal child care funding, which is crucial for the safety and well-being of young children. However, the method of administering background checks can create unnecessary hiring burdens for providers. From lengthy turnaround times to inconvenient fingerprinting locations, state background check procedures can exacerbate the workforce shortage. In some states and localities, background checks can take months or even a year to complete. During this time, new hires find other opportunities that pay more without having to wait for a background check clearance.

For these reasons, several states improved background check policies in a number of ways over the last few years. Last year, Washington and Massachusetts issued emergency waivers to allow new hires to work while supervised, enabling them to earn income as they await their background check result. Pre-pandemic, Utah began administering fingerprint services through its child care resource & referral (CCR&R) system, making it more convenient for new hires to access. Montana began paying for background checks last year – a policy Washington and Nebraska will implement beginning in Summer 2022. Meanwhile, Connecticut hired a third-party vendor to reduce background check waiting times from months to weeks. While these seem like small steps, all were extremely helpful in reducing the background check burden while ensuring children are cared for in safe, welcoming environments.

Finally, due to the interstate background check requirement, it is crucial states understand the benefit of joining the FBI’s National Fingerprint File (NFF) program. The NFF is a database of fingerprints or other unique personal identification information relating to an arrested or charged individual, which is maintained by the FBI. Only states that have ratified the National Crime Prevention and Privacy Compact may join the NFF program, making it easier to conduct interstate checks between them. However, to date only 24 states are NFF states, making interstate checks in the remaining 26 states and Washington, DC much more difficult. States should consider ratifying the NFF Compact to ease the burden of interstate checks.
To address low subsidy reimbursement, some states raised rates temporarily, ranging from a 10% increase in New Hampshire and Tennessee to a 25% increase in Mississippi. Georgia raised rates by 15% across the board until October 2024, while Michigan raised rates an additional 50% for 6 months, 40% the following 6 months, and then 30% until relief funds are used up. By passing the Fair Start for Kids Act in 2021, Washington is able to work toward paying at the 85th percentile of current market rates – a full 10% above the federal recommendation.

Currently, most states set subsidy reimbursement rates in accordance with a survey of current rates in the child care market. By design, this methodology depresses the value of reimbursement rates for higher-quality providers, making them less likely to accept financial assistance. Consequently, several states are looking into utilizing a Cost Estimation Model to determine reimbursement rates, which factors in the costs associated with high-quality child care as opposed to the prices of all child care. In 2019, Washington, DC became the first locality to implement a Cost Estimation Model for rates, while New Mexico became the first state in the country to do so last year. The Cost Estimation Model led to drastically higher reimbursement rates in both, particularly for infant and toddler care, recognizing the true costs of providing child care services.

Unlike public school funding, child care subsidy is often paid based on attendance rather than enrollment, resulting in revenue gaps that make it difficult for providers to raise wages. As a result, states such as California, Colorado, Kentucky and Nevada are temporarily paying on enrollment instead of attendance, while legislation in New Jersey and Massachusetts seeks to make this change permanent. Meanwhile, Michigan allocated $36.5 million for the state to contract with providers who care for infants and toddlers. Through contracts — as opposed to biweekly reimbursements — the state can provide more stable funding.
The Covid-19 pandemic is not over yet, and infections or exposures can play a significant role in keeping early educators out of the classroom. As the nation quickly learned, access to Covid-19 testing is crucial, but this is too large a financial burden for child care providers to bear.

Testing Support

Colorado and Rhode Island provided testing kits to child care providers for each employee to facilitate rapid-testing onsite or at home, thereby reducing operating disruptions from breakthrough cases or outbreaks. In Kansas, the Department of Health and Environment (KDHE) partnered with Battelle – a leader in the field of science and tech – to provide rapid, self-delivered Covid-19 tests to all licensed child care providers in the state. Meanwhile, Massachusetts launched Testing for Child Care – a testing initiative that provides child care programs with COVID-19 tests, resources and training. The program is designed to minimize classroom closures by ensuring children and staff have access to regular COVID-19 testing and can safely continue attending care programs.

Quarantine Costs

A Covid-19 exposure or outbreak can decimate monthly revenues, leaving child care providers with the difficult decision of whether to weather the cost or pass it on to families. By reimbursing for quarantine – particularly through paid leave for the workforce – states can help providers navigate the remainder of the pandemic. Florida, for example, reimbursed providers an additional 10 days to cover quarantine periods. In Minnesota, child care subsidy pays for children even when they are under quarantine and not attending, avoiding steep losses in revenue as a result.

A well-trained, well-compensated child care workforce is crucial to support working families today and support the development of the workforce for future generations. However, if the current shortage remains unaddressed, our nation’s child care system will remain fractured, preventing from returning to work and hindering our economic recovery as a result. While there is no silver bullet for fixing this crisis, many states have come up with interesting and innovative ideas to help. When together, these ideas can pave the path forward to rebuilding our nation’s child care infrastructure.

We strongly encourage Congress to pass an immediate and robust investment in child care.