CONNECTICUT VOICES FOR CHILDREN

Building an Early Child Care and Education System as a Strategy for Workforce Development in Connecticut: A Case for Employer Support

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Introduction

When children have access to high-quality care and education, there are benefits to the child, the child's family, and community as a whole. As our state grapples with developing a strong and robust workforce, we must consider how the child care needs of working parents in Connecticut are having a large impact on the state's workforce. Due to high costs, limited availability, and uneven access to quality care, many parents do not fully participate in the Connecticut workforce. National data[1] suggest that increasing access to high-quality early care and education is a key mechanism to strengthen today's workforce.

While Connecticut had increased spending in the past decade for early care and education, policymakers have recently pulled back on these investments due to state budget deficits.[2] There is an ongoing need for substantial investment to increase availability, affordability, and access to quality early care and education for young children and their families. State funding for Care 4 Kids, School Readiness, and State Head Start have been used to support families' access to early care and education, particularly at the preschool level (i.e., 3-4 year olds). Such investments can allow more parents to work and spur economic growth by increasing both employment and earnings, lifting families with young children out of poverty. High-quality care is the crucial factor that leads to quality outcomes and the return on investment. High-quality early care provides a solid foundation for child development and prepares young children to become engaged citizens and to be able participate fully in the workforce of tomorrow.[3] This research brief describes the importance of early care and education as it relates to workforce development and retention in Connecticut.

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Connecticut Council for Philanthropy

As stated in our *2018 Early Childhood Candidate Brief*[4], Connecticut needs a system for early childhood education that is grounded in the following concepts:

1. The first 1000 days of a child's life provide the opportunity to lay the foundation for a lifetime of benefits to the children, their families, and society as a whole. A healthy start, right from birth, fosters health, cognitive, social, and emotional function later in life.
2. Investments in early childhood are investments in Connecticut's social and economic future. Prioritizing the needs of Connecticut's youngest children today is an investment in Connecticut's citizens, workers, decision makers, and leadership of tomorrow.
3. All children, no matter their interests, backgrounds, and developmental needs, require affirming relationships and stimulating experiences to thrive and achieve their potential. Therefore, our early care and education environments must be responsive to the needs of children and their families in the diverse contexts in which they live.
4. Children who are resilient are able to counter the harmful effects of trauma or stress. Resilience is built during early childhood through positive relationships and healthy environments. To promote resilience, whole-family or two generation approaches are needed to support children, parents, and others involved in caregiving. This allows children to develop protective factors while providing caregiving adults with the skills and supports they need to respond to challenges in productive ways.
5. Connecticut needs a robust, state-of-the-art infrastructure to promote early childhood development across our entire population—and infrastructure requires investment. We also need a strong early childhood system so all children and families can thrive, and so we can support the future prosperity of our state.

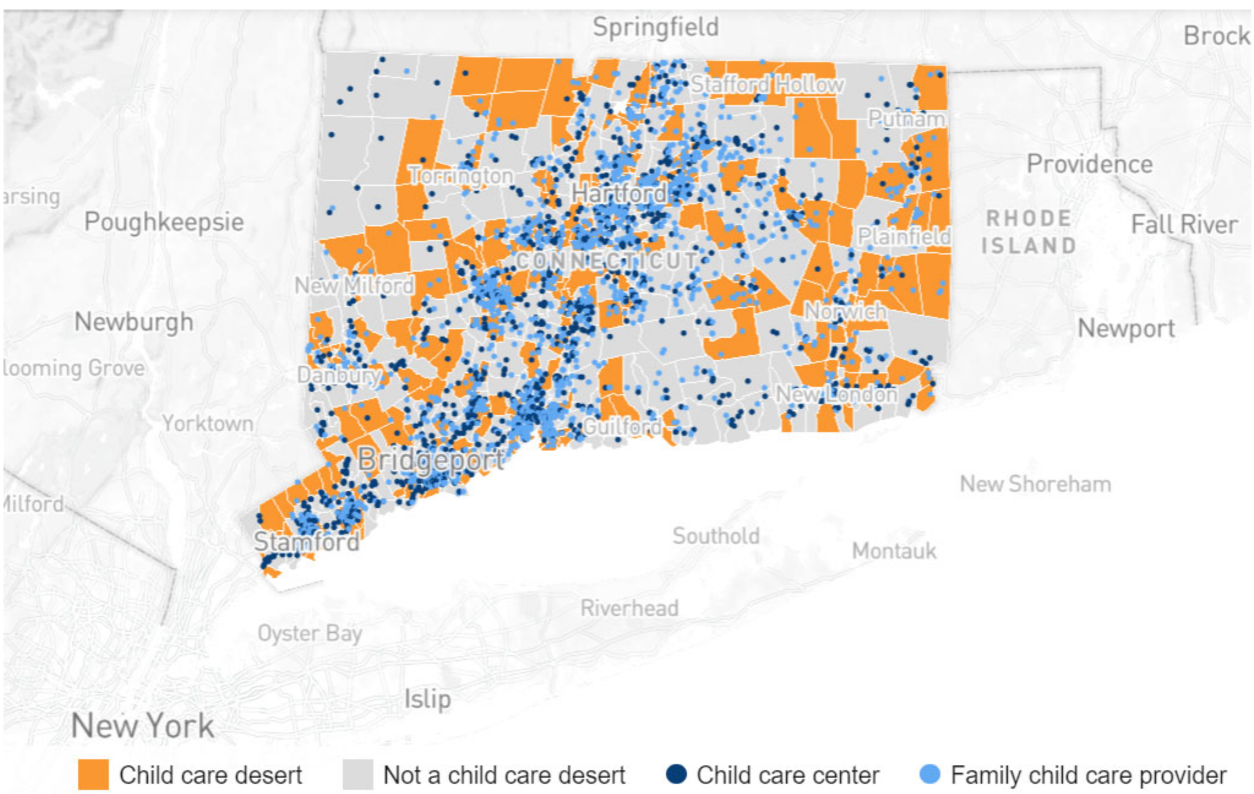
The current workforce & their need for high-quality child care

Connecticut is made of up of over 1.3 million households, and children under five years old make up just over 5 percent of the population.[5] In 2016, 10 percent of households were living in poverty, and an additional 30 percent had incomes above the poverty level but insufficient to afford basic household needs.[6] On the whole, since the recession of 2008, Connecticut continues to experience weak economic growth, long-term wage stagnation, and growing income disparities.[7] Although there has recently been a modest increase in wages for low- and middle-income families, wages have not kept pace with the increased cost of living in the state.[8]

As the cost of living has increased, more parents are required to do paid work outside the home to meet the needs of their families. Concurrently, as baby boomers enter into retirement, the workforce is increasingly made up of parents of young children. Since 2010, Connecticut has seen an increase in the number of parents working resulting in an increase in the percentage of children under age six whose parents participate in the labor force. In 2017, over 70 percent of young children had all available parents in the labor force,[9] while 26 percent of children live in families where no parent has secure employment, defined as full-time, year-round employment.[10] This statistic is even more alarming when the data are disaggregated by race. Approximately, 40 percent of Black parents and 42 percent of Latino parents do not have secure employment as compared to 17 percent of White parents.

Many working families make too much money to qualify for public assistance but do not earn enough to afford basic necessities. In 2016, 45 percent of jobs paid less than $20 per hour, despite estimates indicating an hourly wage of nearly $40 per hour is necessary to support a family budget.[11] Low-income and many moderate-income parents are earning insufficient wages to afford child care without the support of a child care subsidy. This is particularly true of care for infants and toddlers, which is the most expensive to provide and most difficult to find.[12] As of March 2019, costs of full-time, center-based care for infants and toddlers ranged from $175 to $558 per week, with an average of $301 per week.[13] A recent household budget estimate for a family comprised of two adults, one infant, and one preschooler identified average monthly child care costs of $1,691, a 13 percent increase from 2010.[14] Although state and federal standards suggest that affordable child care should cost less than 10 percent of a household income, few low-income and moderate-income Connecticut families meet this standard.[15] The median income for a family of four in Connecticut is $112,550 per year.[16] Therefore, the average cost of care for one preschooler and one infant represents almost 20 percent of the income for the average family.

An additional challenge for low- and middle-income working families is the availability of quality child care. A recent poll found that 83 percent of parents with a child under five reported that finding quality, affordable child care was a problem.[17] Forty-four percent of Connecticut's families live in a "child care desert", defined as an area (i.e., a census tract) where there are no child care options or more than three young children for every licensed child care slot.[18]



Source: Center for American Progress[19]

There is a vast gap in the supply of child care to meet the demand for all parents who need it, particularly for infants and toddlers. This is especially true for those who qualify for Connecticut's child care subsidy, Care 4 Kids.[20] Quality care is expensive. For example, center-based infant and toddler care is only affordable for 25 percent of Connecticut families.[21] Many low-income and moderate-income families rely on Care 4 Kids to make child care affordable. Many parents who cannot afford child care may leave the workforce entirely, or may rely on unregulated child care providers, where quality standards are not assured. For families, there is also no accessible system or mechanism to measure *quality* child care. High-quality early care and education has been linked to positive outcomes in the areas of educational achievement, health, and social functioning. The long-term gains from these outcomes include increased taxes paid and unneeded social benefits as adults such that communities receive approximately 13 percent rate of return on investment.[22]

How does access to quality early child care improve the workforce?

For many families, access to child care is a prerequisite for parents to work.[23] Parents, most often mothers, rely on child care in order to enter the workforce and remain employed. Without access to affordable, quality child care, parents may need to choose between spending substantial portions of their income on care, placing their children in potentially inadequate care environments, or leaving the labor force all together. A survey of families in Louisiana found that inadequate child care cost the state approximately $2 billion in employee absences, turnover, and lost state tax revenue.[24] Increasing the availability of low-cost early care and education has been shown to significantly increase parental labor force participation, and helps businesses to attract and retain employees.[25] Employees with access to low-cost child care demonstrate lower rates of absenteeism and increased productivity.[26]

What can employers do to support their employees?

As we recognize the importance of early care and education as an essential means to help fuel workforce productivity, dependability, and flexibility, employers will reap the fiscal benefits of their investments in early childhood through increased staff retention and greater organization effectiveness. This strategy also helps relieve some of the enormous cost of high-quality child care that has fallen on parents and providers in a time where the state is facing structural deficits in its budget. While continued strategic investments are necessary from both the state and federal government, a dynamic early care and education system requires investments from all stakeholders, including employers. Employers have much to gain from a more productive and engaged workforce today, while contributing to the preparation of the workforce of tomorrow. Below we offer several examples of how employers can help their employees pay for child care and use their leverage to improve quality as we continue to build an early childhood system in Connecticut.

Recommendations to employers

1. Implement and offer family-responsive programs and policies.

The National Study of Employers[27] identifies the most common employer intervention to support child care as the flexible savings account (FSA). In dependent care FSAs, employees can set aside up to $5,000 pre-tax for child care expenses. This money is deducted from an employee's paycheck and the employee is then reimbursed for qualified child care expenses.

In 2009, a research team at Cornell conducted an exploratory study to identify which employees were more likely to use an employer-sponsored FSA-based voucher program.[28] While most FSAs require the *employee* to contribute pre-tax funds, Cornell University's program used funds contributed by the *employer*, provided on a sliding scale based on income. This program was intended to be accessible to all employees with children under 12 years of age and was designed for families with a wide variety of child care and scheduling needs. This study found that hourly staff, women, single parents, and parents of toddlers and preschoolers were more likely to use the voucher program, compared to dual parent households, academic faculty, and parents of school-aged children, many of whom did not meet financial eligibility for the program. The researchers hypothesized that the employees who were less likely to use the program had low–cost or no cost child care options with a spouse/partner available. Employees with children in formal early care and education settings were also more likely to use the voucher program; employees with informal child care arrangements were 60 percent less likely to use the program. How the employee learned about the voucher program was also related to whether the employee used it. Employees were 40 percent more likely to use this voucher program if they heard about it through a personal interaction (e.g., co-worker, supervisors or human resources), compared to those who learned about the program via an email or flyer.

The research team conducted a follow up study of this voucher program in 2011 to measure the program's impact.[29] Of those families who received the employer-supported child care funds, over 90 percent reported that the funds reduced the cost burden of child care, and nearly 80 percent reported that the voucher decreased their work-life stress. The benefits were greater for employees with higher child care costs, even after controlling for other relevant factors like child age and job type. There was little difference in parent satisfaction with their child care arrangements between those who did and did not use the voucher program. This finding did vary slightly based on child age with higher satisfaction among parents with toddlers. This may reflect qualitatively different needs and circumstances for parents of infants and parents of older children. Overall, these findings suggest that employer-supported initiatives, such as this FSA voucher model, are effective strategies in the continuum of solutions to improve child care needs for working families.

In addition to fiscal supports, employers can create environments that make it more likely that employees return to their organizations after the birth of baby. According to a national study[30] of almost 2000 mothers, there are three high impact strategies to support their return to work: flexible scheduling, manager training to ensure benefits utilization, and breast feeding support. Among the women in the study, 34 percent did not return to work and of those who did return, just over 12 percent did so because they loved their job. Most of the women (77 percent) reported that the opportunity for flexible scheduling was important in supporting their return to work. This included a gradual return to work, modified hours, consistent breaks, options to work remotely, and the ability to arrange their hours to accommodate their child care needs. Forty-three percent of women valued managers who share information on parental benefit options (e.g., FSA and insurance) proactively, i.e., before as well as after they know of the woman's pregnancy. Finally, support for breastfeeding was suggested by 70 percent of respondents. In addition to the federally mandated dedicated rooms where women can pump with privacy, mothers would appreciate having easy access to those rooms and paid time off to pump.

2. **Invest in community early care and education programs through a public/private partnership model.**

Other states have been developing and implementing public/private partnership models, which can provide guidance as Connecticut seeks to build an effective early childhood system.

Florida operates a Child Care Executive Partnership (CCEP), which aims to increase child care funding for working families, allowing both access to school readiness services and increased business productivity and profits.[31] In this model, funding is essentially doubled for early care and education by matching federal and state funding with contributions from other sources, such as private businesses, charitable foundations, and local governments. The CCEP is codified in Florida statutes and receives support from staff in the state's Office of Early Learning. Funding supports Early Learning Coalitions, which are nonprofit organizations that help provide child care services to Florida's working families, including both salaried and hourly moderate earning employees.[32] In 2017-2018, the CCEP served nearly 15,000 children and had over 500 employers participate, most of which were private businesses.[33]

Vermont, a neighboring state, operated a Blue Ribbon Commission for Affordable Child Care, appointed by the Governor including several business representatives. Through legislation, the Commission was mandated to determine the elements inherent in high-quality, affordable child care and recommend to the State the most effective use of existing public funding and other resources.[34] Through this process, the Vermont Blue Ribbon Commission identified and published a summary and report defining the components of high-quality early care and education programs, estimated the cost of operating such a program, defined affordability, and provided a series of both short and long-term recommendations for the State. One of these recommendations led to a statewide campaign to move policy and increase both public and private support for improving access to affordable, high-quality care. The Let's Grow Kids campaign[35] highlights the economic impact of child care, referencing both large scale national research and a study by the Vermont Business Roundtable that document large returns on investment in high-quality early child care. Some benefits cited include increased earnings and associated tax revenues, in addition to cost savings across child welfare, special education, health care, crime, and substance abuse.[36] The panel estimated that the state would reap benefits of $1.6 billion over the working lifetime of the children served.

3. Advocate for a robust, high-quality early care and education system.

A publicly funded infrastructure for early care and education will allow parents to work and children to thrive. However, employers should be a part of the solution. In collaboration with the Office of Early Childhood, this system could combine public and employer subsidies, tying incentives to quality child care. For example, this was done through the Cornell study, where employers contributed funds on a sliding scale based on income through the employees' FSA account.[37] However, the authors of the study warn that assisting with costs alone does not fully address the challenges that working parents face. We also need to attend to the supply-side of child care to identify how quality child care is structurally made available to parents.[38] Business and industry have much to gain from parents who are fully engaged in the workforce and by ensuring that every child has a strong start in life. However, for the benefits to be realized, children need to be placed in high-quality settings so that children can thrive and parents can be present when at work.

Conclusion and next steps

As Connecticut's workforce continues to change, the needs of working parents are placing new demands on the labor market. Increasing access to affordable, quality child care will strengthen the workforce of today and tomorrow, increasing workforce productivity and retention. Employers can play a significant role in relieving the child care cost burden through the use and support of innovative programs, policies, and partnerships that benefit Connecticut's families, workforce, and economy.

As a state, we need to understand how employers are currently viewing this issue and how they are supporting their employees who are parents of young children. We have designed a short survey and invite employers to share their experiences with us via this link.

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