

# Insufficient Infant-Toddler Child Care Costs Ohio \$3.85 Billion Annually

To grow the economy, invest in child care



## Acknowledgements

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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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## **\$3.85 billion** the annual cost of Ohio's infant-toddler child care crisis

### **Summary**

Ohio's working parents know how difficult it is to find child care that's accessible, affordable, and high-quality. This problem is particularly acute for parents of very young children, as infant and toddler care is typically the least available and most expensive. Further, children under age 3 are experiencing one of the most crucial periods of brain development.

ReadyNation's new study found that the lack of adequate child care for infants and toddlers imposes substantial and long-lasting economic consequences in Ohio. Effects are felt by parents, businesses, and the state's taxpayers, with an **annual economic cost of \$3.85 billion** in lost earnings, productivity, and revenue.

Productivity challenges affect both employers and employees, with parents reporting that problems with child care hurt their efforts and/ or time commitment at work. More than half of Ohio parents surveyed reported being late for work, leaving work early, missing full days of work

or being distracted at work due to child care struggles.

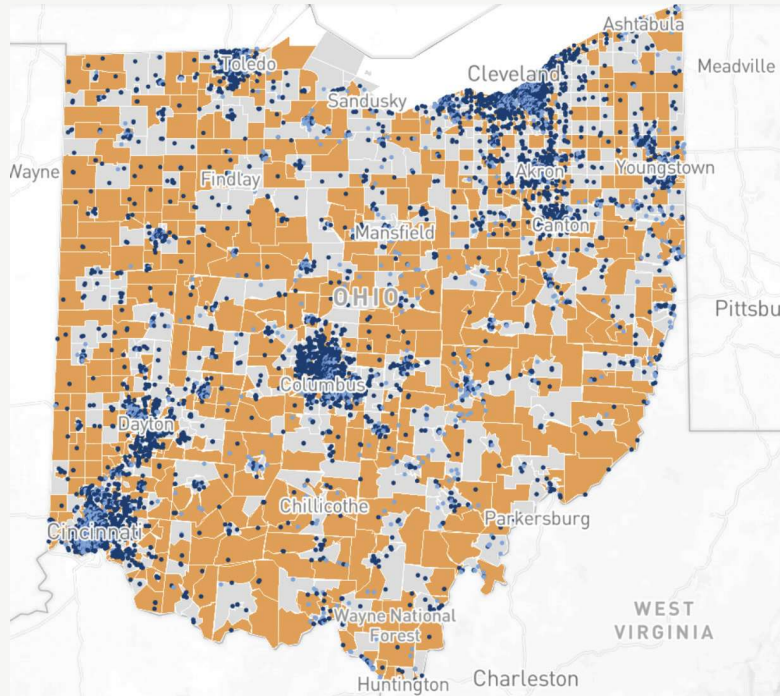
These challenges had predictable impacts: nearly 1 in 3 Ohio parents said they've been reprimanded and 15 percent have been let go or fired. As a result, Ohio families lose \$2.41 billion per year in forgone earnings and job search expenses

Meanwhile, productivity problems cause Ohio employers to lose \$862 million annually due to child care challenges faced by their workforce. Ohio taxpayers, in turn, lose \$576 million each year in lower federal and state tax revenue.

Beyond its impact on the workforce and economy today, Ohio's child care crisis damages the future workforce by depriving infants and toddlers of nurturing, stimulating environments that support healthy brain development while their parents work.

Policymakers must support evidence-based policies and programs that enhance the availability and affordability of high-quality child care. In particular, eligibility for child care subsidies should be increased to 200

## 39 percent of Ohio residents live in a child care desert (shown in orange)



Source: <https://childcaresdeserts.org/>

percent of the federal poverty level, to help more families with low incomes access care. With wise investments, policymakers can improve life outcomes for thousands of Ohio children today and strengthen our state's workforce and economy both now and in the years to come.

### Ohio parents of infants and toddlers are in the workforce and need child care

There are approximately 395,000 children under age 3 in Ohio, and 63 percent of these children have mothers who are in the workforce.<sup>1</sup>

Many parents need child care so they can go to work, be productive, and build successful careers to support their families.

Child care settings are also a key environment for children's development, particularly given the importance of the early years for brain development.

### The current child care system does not meet the needs of Ohio families or employers

Interrelated challenges combine to build a child care crisis for children, families, and businesses:

- **Access:** More than one-third (39 percent) of Ohio residents live in a child care "desert," where there are more than three children under age 5 for every licensed child care slot.<sup>2</sup> Availability is especially limited for families who have infants and toddlers,

have low incomes, work non-traditional hours, or live in rural areas.<sup>3</sup>

- **Affordability:** Infant care in a center in Ohio averages \$11,438 per year, comparable to the \$12,056 cost for in-state public college tuition.<sup>4</sup> This high cost makes child care unaffordable for many families, particularly those with low incomes; this cost represents 11 percent of the median annual income of a married-couple family in Ohio, when seven percent is considered affordable. Although Ohio provides subsidies to help make child care more affordable, just about four percent of low- and moderate-income infants and toddlers received subsidies.<sup>5</sup>
- **Quality:** Nearly three-fourths (73 percent) of publicly-funded child care is rated as quality or high-quality in Step Up To Quality (SUTQ),<sup>6</sup> Ohio’s quality rating and improvement system. However, not all licensed child care providers choose to participate in SUTQ.

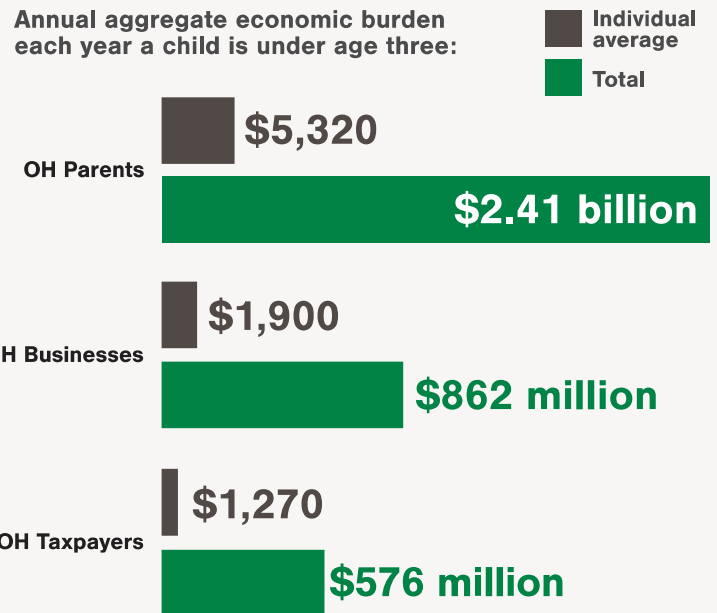
## Insufficient child care negatively impacts Ohio parents, employers, and taxpayers

When families do not have the infant-toddler child care they need, parents’ work productivity falls, resulting in costs to parents, their employers, and ultimately, taxpayers. ReadyNation Ohio commissioned a survey of working parents of infants and toddlers in Ohio. The survey yielded a representative sample of 408 parents—both mothers and fathers—of children ages birth to 3.

87 percent of working parents surveyed reported that access to child care presents a challenge and more than half said it is a significant challenge to find child care that is either affordable (59 percent) or high-quality (55 percent).

## The economic impacts of insufficient child care on parents, employers, and taxpayers in Ohio

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



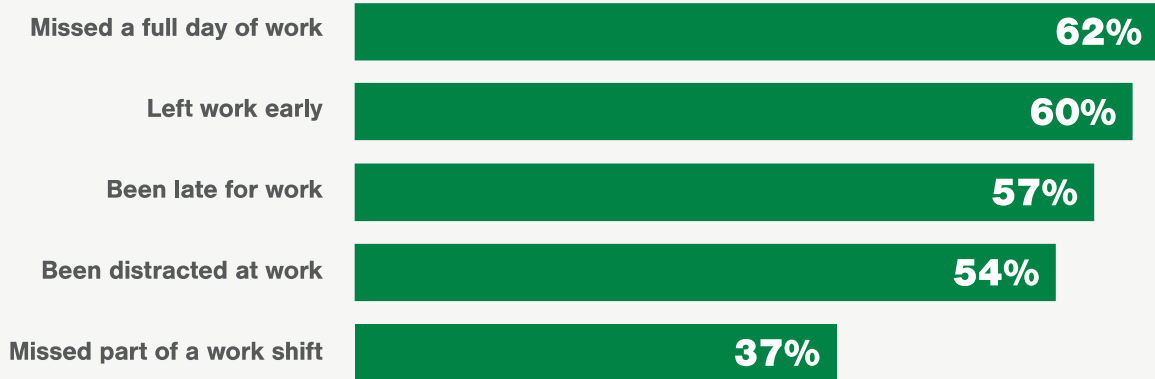
The survey provided evidence of the various ways in which parents’ work commitments, performance, and opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modeled how the Ohio economy is affected by child care problems.<sup>7</sup>

Overall, the costs of insufficient child care in Ohio are immense. Each year a child is under age 3 without sufficient child care:

- **Families lose an average of \$5,320 per working parent** in lost earnings and job search costs. Across all parents of children under age 3 in Ohio, this burden is **\$2.41 billion** per year.

## Lower effort and productivity at work

Due to child care problems, over the past three months, have you:



## Less time at work

As a result of child care problems, have you ever:



- **Businesses lose an average of \$1,900 per working parent** in extra hiring costs and reduced revenue. In aggregate, the annual burden on Ohio's businesses is **\$862 million**.
- **Taxpayers lose an average of \$1,270 per working parent** in lower federal and state tax revenue. In aggregate, this amounts to **\$576 million** each year.

**These losses experienced by Ohio families, businesses, and taxpayers sum to a total cost of \$3.85 billion each year due to the infant-toddler child care crisis.**

## The impact of insufficient child care on Ohio parents

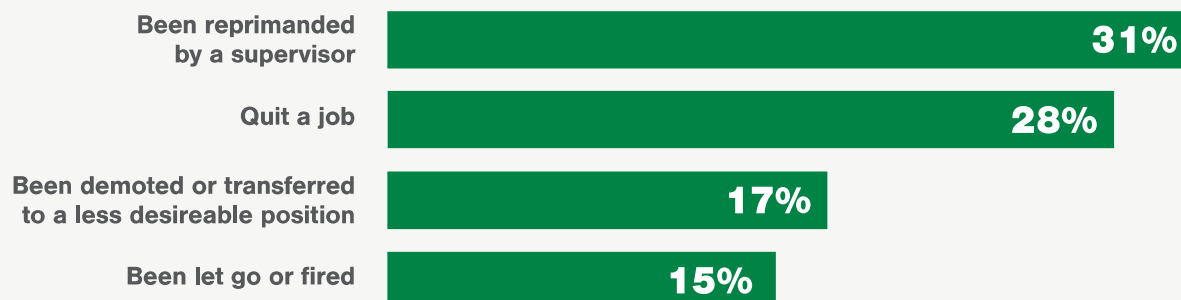
The survey results provide a window on how the above economic impacts occur. Parents were asked how child care problems affected their work. They reported that these problems affected their time at work and their work productivity, as well as diminishing their career opportunities.

### Less effort at work and being distracted:

Child care problems decreased parents' effort and productivity at work, undermining

## Work disruptions

As a result of child care problems, have you ever:



## Diminished career pathways

As a result of child care problems, have you ever:



their job stability. More than half of parents reported being late for work, leaving work early, missing full days of work, or being distracted at work due to child care problems.

**Cuts to hours and pay:** Problems with child care significantly reduce how much time parents spend at work. More than one-half reported having to reduce their regular work hours. One-third or more had their pay or hours reduced, or changed from full-time to part-time work.

**Getting scolded, demoted, fired, or quitting:** Most seriously, 28 percent of parents reported quitting a job due to child care problems and 15 percent reported being let go or fired. Nearly one-third reported being reprimanded by their supervisor and 17 percent reported being demoted or transferred to a less desirable position.

**Diminished career opportunities:** Problems with child care also impacted parents' long-term career prospects. More than one-third reported turning down a new job offer,

# How child care problems hurt the Ohio economy

Working Parents	Businesses	Taxpayers
Lost earnings now from lower productivity and labor force attachment	Lost revenue now from lower output	Lost revenue now from lower incomes
Extra costs of job search	Extra costs due to absences, disruptions, hiring	Smaller federal and state tax base and revenue
Lost earnings in the future from less work experience and fewer skills	Lost revenue in the future due to lower workforce capital	Lost revenue in the future due to weaker economic growth

further education or training, or a promotion / reassignment. Nearly one-third had problems participating in work-related training.

In sum, for parents, the primary short-term result of insufficient infant-toddler child care is reduced income. The challenges add up over time due to less training and less experience. Parents then face narrower career prospects, reducing their future earning potential. Reduced parent income, along with parental stress, can have harmful short- and long-term impacts on children.

### The impact of insufficient child care on Ohio employers

Child care is the workforce behind the workforce. For employers, insufficient infant-toddler child care results in increased hiring costs and reductions in revenue. A

workforce with lower productivity and shorter tenure has major economic consequences. If an employer’s workforce keeps changing, worker morale may fall, product quality may diminish, and clients may be lost. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience. Productivity problems cause Ohio employers to lose **\$862 million** annually due to child care challenges faced by their workforce.

### The impact of insufficient child care on Ohio taxpayers

The economic impact of infant-toddler child care problems on parents and employers





## **The impact of insufficient child care on Ohio's vulnerable families**

Some families may be disproportionately impacted by shortcomings in Ohio's child care system. We examined impacts for three subgroups that may be expected to face extra challenges: families of color, families with low-incomes, and single-parent families. [Note: Individual families can be in more than one group.]

We found that these subgroups face compounded challenges, especially more difficulty finding affordable care. These families also had more serious work-related consequences of insufficient child care, such as having to change their work schedules, moving to part-time work, quitting, or being let go or fired. For example, compared to an average of 15 percent for all parents being let go or fired, the rates were 22 to 25 percent for families of color, those with low incomes, and single parents; disparities in rates of quitting were even higher. These disparities also have financial implications: the annual economic burden of insufficient infant-and-toddler care is five percent higher for families of color and seven percent higher for families with low incomes and single parents, compared with statewide averages.



subsequently causes lower tax revenues, **\$576 million** annually. There are losses in state income taxes and sales taxes. Reduced incomes also mean lower federal tax payments, which results in lower government funding for Ohio. These effects are also long-term, due to parents' decreased earning potential.

### **Ohio policymakers should promote access to affordable, high-quality infant and toddler care**

Ohio parents, particularly those with infants and toddlers, often have difficulty finding affordable, high-quality child care so they can build successful careers. The practical and economic consequences of insufficient infant-toddler child care in Ohio are enormous, impacting parents,

employers, and taxpayers. Losses total \$3.85 billion every year.

The business leaders of ReadyNation Ohio call on state policymakers to support families' access to affordable, high-quality child care, particularly for infants and toddlers. Our state has made strides recently, increasing eligibility for child care subsidies and investing federal funds in the early care and learning system. We must now take the next step and increase eligibility for subsidies to 200 percent of the federal poverty level, to help more families with low incomes access care. Effective, well-funded policy initiatives, as well as continuing innovations at the state, federal, and local levels, will yield a child care system that will improve life outcomes for thousands of Ohio children today and strengthen our state's workforce and economy both now and in the years to come.

## Endnotes

- 1** Zero to Three (2023). The state of Ohio's babies. <https://stateofbabies.org/state/ohio/>
- 2** Center for American Progress (2019). Early learning in the United States: 2019. <https://www.americanprogress.org/article/early-learning-united-states-2019/>
- 3** Center for American Progress (2018). Do you live in a child care desert? <https://childcaresdeserts.org/2018/#:~:text=51%20percent%20of%20people%20in,as%20licensed%20child%20care%20slots;> Howe, S. & Oncken, L. (n.d.) The third pillar of care: Availability. New America. <https://www.newamerica.org/in-depth/care-report/third-pillar-care-availability/>
- 4** Child Care Aware (2023). 2022 child care affordability. <https://www.childcareaware.org/catalyzing-growth-using-data-to-change-child-care-2022/#PriceofCare>
- 5** Groundwork Ohio (2023, January). 2023 early childhood dashboard. <https://www.groundworkohio.org/dashboard>
- 6** Groundwork Ohio (2023, January). 2023 early childhood dashboard. <https://www.groundworkohio.org/dashboard>
- 7** For details on the survey and economic analyses, see the accompanying technical report.

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