

Want to Strengthen South Dakota's Economy? Fix the Child Care Crisis

Impact of infant-toddler child care challenges felt by families, employers, and taxpayers



Acknowledgements

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ReadyNation: Business. Kids. Workforce.

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

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Author:

Sandra Bishop, Ph.D., Chief Research Officer

Contributors:

Nancy Fishman, Co-Global Director

Kate Schaefer, Senior Associate

Tom Garrett, Communications Director

Mariana Galloway, Art Director

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\$6,500+
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center in South
Dakota

South Dakota 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. South Dakota employers know that the economic impact of these child care challenges will only worsen as the child care crisis continues.

Our 2019 national study examining the economic impacts of the nation’s infant-toddler child care crisis on working parents, employers, and taxpayers describes the consequences: an annual cost of \$57 billion in lost earnings, productivity, and revenue. An overwhelming 86 percent of primary caregivers of infants and toddlers said problems with child care hurt their efforts or time commitment at work. Meanwhile,

productivity problems cause employers to lose \$12.7 billion annually due to child care challenges faced by their workforce. Losses for South Dakota are estimated at \$146 million per year.

The business leaders of ReadyNation in South Dakota are calling on lawmakers to protect and expand programs that enhance the affordability and availability of quality child care—and to foster continuing innovations at the state and local level that address this problem for parents and employers. Policymakers must improve the quality and affordability of current infant-toddler programs, expand the supply of quality infant-toddler child care, and ensure adequate compensation to stabilize the child care workforce.

COVID-19 has shone a light on an already struggling industry. Now is the time to ensure that our child care system works for South

“High-quality child care gives parents the ability to work and children the opportunity to grow.”



Tom Johnson

President & CEO
Elevate Rapid City

Dakota families. The stakes are enormously high for the many families who depend on parents' employment, as well as for children, who depend on nurturing, stimulating environments for healthy brain development during the first three years of life. Action and innovation now will improve outcomes for South Dakota children today and strengthen the South Dakota workforce and economy both now and in the 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. Of the 14 million American parents with children under the age of three, 11 million—78 percent—are working.¹ In South Dakota, there are approximately 36,000 children under age 3, and 78 percent of the mothers of these infants and toddlers work outside the home.²

With parents working, many children are in child care.³ South Dakota has 223 licensed child care centers, 403 registered family child care homes, and 50 licensed group family child care homes.⁴ Parents need child care so they can go to work, build successful careers, and support their families. To be productive at work, they also need to know that their child care program provides a safe, nurturing environment that supports their child's development and early learning.

The current child care system does not meet the needs of South Dakota families or employers

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

- **Access:** Nearly half (43 percent) of South Dakotans live in a child care “desert,” where there are more than three children under age 5 for each licensed child care slot.⁵ Typically, availability is especially limited for families who have infants and toddlers, work evening and night shifts, or live in rural areas.⁶
- **Affordability:** Infant care in a center in South Dakota averages \$6,500 per year,⁷ not much less than public college tuition (\$8,700).⁸ This high cost makes child care unaffordable for many families, particularly those with low incomes.
- **Quality:** Just 28 percent of South Dakota's child care providers are licensed or registered with the state,⁹ so the quality of care received by many children is unknown. South Dakota is currently developing a Quality Rating and Improvement System (QRIS), the Quality Framework.¹⁰ The draft plan includes requirements for provider training specific to infants and toddlers.

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

When families do not have 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. The survey yielded a nationally representative sample of 812 parents—both mothers and fathers—of children under age 3. It 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 economy is affected by child care problems.¹¹

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

- **Families lose an average of \$3,350 per working parent**, in lost earnings and in more time looking for work. Across the 11 million parents of children under age 3, this burden is **\$37 billion** per year.
- **Businesses lose an average of \$1,150 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on business is **\$13 billion**.
- **Taxpayers lose an average of \$630 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to **\$7 billion** each year.

These amounts total to an annual cost of \$57 billion in lost earnings, productivity, and revenue nationwide.¹² The lack of reliable child care for working parents of young children, up to age 3, could come to an



estimated \$146 million in annual costs for South Dakota.¹³ COVID-19 has likely increased these costs.

The impact of insufficient child care on parents

The survey results provide a window on how the economic impacts occur. Parents reported spending less time at work—an average of two hours per week lost—by arriving late, leaving early, missing days, or being distracted. In turn, less time at work can lead to reduced income. Child care problems also decreased parents' productivity at work, undermining their job stability. Most seriously, eight percent of parents reported being fired due to child care problems. Further, problems with child care impacted parents' long-term career prospects. Narrower career prospects reduce parents' future earning potential. And less parent income, along with parental stress, can have harmful short- and long-term impacts on children.

The heart of any child care program is the relationship between the teacher and the children.

Research indicates that a well-qualified workforce is an essential, fundamental component of high-quality child care. Highly-qualified teachers engage in warm, nurturing interactions with the children to support their development in all areas. Excellent teachers also provide developmentally-appropriate instruction in pre-literacy, pre-math and other early academic skills. To offer this high-quality experience, early childhood educators must be well-trained, both before they start teaching and once they are on the job through ongoing professional development. Adequate compensation is also key to attracting and retaining top talent. Low compensation contributes to high rates of provider turnover, which, in turn, negatively affects the quality and continuity of care needed by young children, particularly infants and toddlers.

Source: <https://cscce.berkeley.edu/workforce-index-2020/>

The impact of insufficient child care on employers

For employers, insufficient child care results in reductions in revenue and increased hiring costs. 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.

The impact of insufficient child care on taxpayers

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues. The main impact is on federal income tax revenues, although state income tax and sales tax revenues can also be affected. These effects are also long-term, due to parents' decreased earning potential.

Policymakers should promote access to affordable, high-quality infant and toddler care

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 child care are enormous, impacting parents, employers, and taxpayers.

The business leaders of ReadyNation South Dakota call on state and local policymakers to support families' access to affordable, high-quality infant-and-toddler care.

Businesses can 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 state and local levels, will yield a child care system that will support a more productive workforce and economy for South Dakota, both now and in the future.

Endnotes

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1212 New York Avenue NW / Suite 300 / Washington, DC 20005 / 202.464.7005

