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The Lack of Childcare and its Impact in America

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The Lack of Childcare and its Impact in America

I. Introduction

Child care is expensive. The average cost of child care in the United States can range from 9- 36% of a family's income, depending on where they live. We are the only industrialized country that does not offer some kind paid family leave.¹ For one of the richest countries in the world, child poverty rates have remained increasingly high in America.² The lack of affordable child care has become a national crisis, with daycare costing more than in-state university tuition in half of the country.³

Lowering costs and providing better access to high quality childcare can significantly increase parents' employment rates and incomes. In turn, the increase in income has the potential to improve children's outcomes as well in terms of more educational opportunities later in life.⁴ A typical family paying for child care spends about 10% of their income but the challenge is especially acute for low-income families and single parents. In some states, a minimum wage worker simply would need to work more weeks than exist in a year to afford an average-priced

¹Gretchen Livingston & Deja Thomas, AMONG 41 COUNTRIES, ONLY U.S. LACKS PAID PARENTAL LEAVE PEW RESEARCH CENTER (2019), <https://www.pewresearch.org/fact-tank/2019/12/16/u-s-lacks-mandated-paid-parental-leave/> (last visited Mar 24, 2020)

²America's Child Poverty Rate Remains Stubbornly High Despite Important Progress, SEARCH THE WEBSITE (2018), <https://www.mailman.columbia.edu/public-health-now/news/america's-child-poverty-rate-remains-stubbornly-high-despite-important-progress> (last visited Mar 24, 2020).

³ The US and the High Price of Child Care: 2019, CHILD CARE AWARE® OF AMERICA, <https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/> (last visited Mar 23, 2020).

⁴ Early Learning, NATIONAL ARCHIVES AND RECORDS ADMINISTRATION, <https://obamawhitehouse.archives.gov/issues/education/early-childhood> (last visited Mar 23, 2020).

day care.⁵ Quality child care is expensive and in many states it can cost more than college tuition.⁶ In California, the cost of a typical day-care center is now equal to almost half of the median income of a single parent.⁷

II. Cost of Child Care in the United States

There are many elements that contribute to the high cost of childcare. First, there is the price of labor that go into child-care facilities. Unlike other businesses that use outsourcing to cut down costs, the child care industry cannot cut spending by moving labor to poorer countries or by replacing human workers with machines. Similar to health care and education, child care requires the implementation of domestic salaries.

Second, the childcare industry is highly regulated which drives costs upward. States with more stringent labor laws tend to have the most expensive facilities.⁸ In Massachusetts, which requires one caregiver for every three infants, the average annual cost is more than \$16,000. In contrast, in Mississippi, which requires one caregiver to every five infants, the cost is less than \$5,000. The cost of insurance also comes into play where it is needed in order to cover damage to the property and worker injuries, as well as legal fees to deal with any possible lawsuits.

⁵ Barbara Janta, BRITAIN JUST EXPANDED FREE CHILD CARE. THE U.S. SHOULD FOLLOW ITS LEAD. USA TODAY (2017), <https://www.usatoday.com/story/opinion/2017/10/26/u-k-s-child-care-system-isnt-perfect-but-we-can-still-learn-lot-barbara-janta-column/796324001/> (last visited Mar 23, 2020).

⁶ Child care costs in the United States, ECONOMIC POLICY INSTITUTE, <https://www.epi.org/child-care-costs-in-the-united-states/#/CA> (last visited Mar 23, 2020).

⁷ Kristen Naeem, RECENT STUDY FINDS DAY CARE TO BE UNAFFORDABLE IN CALIFORNIA, OVER HALF OF SINGLE PARENTS' AVERAGE INCOME THE SIGNAL TRIBUNE NEWSPAPER, <https://signaltribunenewspaper.com/46241/news/recent-study-finds-day-care-to-be-unaffordable-in-california-over-half-of-single-parents-average-income/> (last visited Apr 22, 2020).

⁸ Jordan Weissmann, WHY IS CHILDCARE GETTING SO EXPENSIVE? THE ATLANTIC (2013), <https://www.theatlantic.com/business/archive/2013/11/why-is-childcare-getting-so-expensive/281394/> (last visited Mar 23, 2020).

The third factor is location. The most expensive child-care facilities tend to be located near high-income neighborhoods or in commercial districts where rent is usually high. Not every child care facility can move into a smaller building because as per regulation the number of infants is limited to the size of the facility.⁹ Securing quality childcare is a challenge for parents. Chances are that other parents are also out there searching for an affordable facility that offers high quality care. Most childcare centers operate out of homes and the spots available often fill up quickly.¹⁰ The number of parents looking for childcare drives the price of these home operated centers upward as many parents are willing to pay more for better quality childcare services.

There are some employers who recognize the cost and need for childcare. However not everyone has the opportunity to work for companies such as Apple or Google. These companies are stepping in to offer daycare centers for employees or to pay for childcare costs if an employee's first option in childcare becomes unavailable.¹¹ As most people do not work for employers who offer childcare services, there is a common practice where one parent chooses to stay home to care for the child. This practice impacts the earning potential of the family because only one parent is working and earning income.

⁹ REQUIREMENT, <http://ncchildcaresearch.dhhs.state.nc.us/reqcomp.htm> (last visited Mar 23, 2020).

¹⁰ Most child care settings in the United States are homes, not centers, CHILD TRENDS (2018), <https://www.childtrends.org/most-child-care-providers-in-the-united-states-are-based-in-homes-not-centers> (last visited Mar 23, 2020).

¹¹ Annabelle Timsit & Lila MacLellan, HOW THE BIGGEST NAMES IN TECH STACK UP ON BACKUP CHILDCARE BENEFITS QUARTZ AT WORK (2019), <https://qz.com/work/1568480/amazon-competitors-with-backup-childcare-google-facebook-apple-microsoft/> (last visited Mar 23, 2020).

Typically, young parents are the most affected.¹² When starting out, most younger parents have less money and are less established in their career. As parents balance competing responsibilities of work and family, access to high-quality child care has become more critical. Having high-quality childcare enables parents to increase their employment and earnings knowing their children are being well cared for during the hours they are at work.

III. Policies in Other Countries-Sweden

In comparison to the United States countries like Sweden offers up to 16 months of paid leave after the birth of a newborn, extra tax credits to defray the cost of childcare. Sweden also offers access to regulated, subsidized day care facilities that stay open from 6:30 in the morning until 6:30 at night.¹³ These programs are available to everybody, regardless of income. Sweden's maximum fee policy makes childcare affordable. Fees are calculated according to income with low-income families paying nothing while the cost is capped for all families.¹⁴

Swedish parents pay 3% of their gross salary but with a maximum cap so you never have to pay more than 1,260 Swedish krona about \$120 USD a month per child. If parents have more children, they pay a maximum of 420 krona or \$40 USD for the third child and nothing for the

¹² Early Learning, NATIONAL ARCHIVES AND RECORDS ADMINISTRATION, <https://obamawhitehouse.archives.gov/issues/education/early-childhood> (last visited Mar 23, 2020).

¹³ Jonathan Cohn, I'M INSANELY JEALOUS OF SWEDEN'S WORK-FAMILY POLICIES. YOU SHOULD BE, TOO. THE NEW REPUBLIC (2014), <https://newrepublic.com/article/118294/us-should-copy-sweden-and-denmarks-work-family-policies> (last visited Mar 23, 2020).

¹⁴ John Doe, EARLY CHILDHOOD EDUCATION AND CARE EURYDICE - EUROPEAN COMMISSION (2020), https://eacea.ec.europa.eu/national-policies/eurydice/content/early-childhood-education-and-care-80_en (last visited Mar 23, 2020).

fourth. The message behind the program is that every parent should have the same opportunity to have childcare, regardless of income or circumstances.¹⁵

Evidence from other countries and states that have adopted paid leave policies suggests that parental leave boosts female employment and helps increase subsequent earnings.¹⁶ At the same time, women who are offered maternity leave are more likely to return to the same employer and many women who would not have otherwise returned to work re-enter the labor force within a year.¹⁷ Studies that have examined the effects of paid sick leave and concluded having childcare policies would increase businesses profits by improving productivity, and reducing the need to hire and train new employees which would save time and resources.¹⁸

IV. Current Childcare Policies in United States and California

While there is no universal childcare program in America, if a family falls under a certain category then childcare may be available to them. Military families are offered childcare and over 200,000 children are in the program. The Pentagon's program directly funds the majority of the cost of center and home based child care, with families chipping in an affordable fee depending on their income to cover the rest (on average, 10% of their income).¹⁹ KinderCare

¹⁵ Gwladys Fouché, SWEDEN: WHERE TAX GOES UP TO 60 PER CENT, AND EVERYBODY'S HAPPY PAYING IT THE GUARDIAN (2008), <https://www.theguardian.com/money/2008/nov/16/sweden-tax-burden-welfare> (last visited Mar 23, 2020).

¹⁶ Adam Burtle & Stephen Bezruchka, POPULATION HEALTH AND PAID PARENTAL LEAVE: WHAT THE UNITED STATES CAN LEARN FROM TWO DECADES OF RESEARCH HEALTHCARE (BASEL, SWITZERLAND) (2016), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4934583/> (last visited Apr 22, 2020).

¹⁷ Tessa Holtzman et al., PAID PARENTAL LEAVE IN THE UNITED STATES: WHAT THE DATA TELL US ABOUT ACCESS, USAGE, AND ECONOMIC AND HEALTH BENEFITS INSTITUTE FOR WOMEN'S POLICY RESEARCH (2019), <https://iwpr.org/publications/paid-parental-leave-in-the-united-states-what-the-data-tell-us-about-access-usage-and-economic-and-health-benefits/> (last visited Apr 22, 2020).

¹⁸ *Id.*

¹⁹ Military Families, CHILD CARE AWARE® OF AMERICA, <https://www.childcareaware.org/fee-assistancerespite/military-families/> (last visited Mar 23, 2020).

partnered with Child Care Aware of America to offer fee assistance for eligible active duty military families and a solution to address their child care needs when care at an on base Child Development Center (CDC) isn't available.²⁰

Programs such as Temporary Assistance for Needy Families (TANF) and California Work Opportunity and Responsibility to Kids (CalWORKs) are available if a parent has a qualifying need and is participating in an approved Welfare to Work activity. The CalWORKs Child Care Program was established in 1997 to provide subsidized services for welfare program participants and low-income families. There must be at least one eligible child under 13 years, or a child with special needs under 19 years living in the home.²¹ Even with these programs the services are dependent on fund availability.

If a parent is not under or at the poverty line they are not eligible for these limited programs.²² Currently there is no U.S. federal or state-mandated program to subsidize or provide childcare to families or employees. The majority of parents are responsible for finding and paying for their child's care. Incomes that fall in the line between poverty and middle class struggle to afford childcare while maintaining employment to care for their families.

Countries like Sweden are able to offer universal childcare because of how their taxes are structured. Although Sweden's tax system is tiered and comparable to the U.S. progressive tax system the similarities end there. In Sweden income can be taxable up to 60%. With those taxes Swedes are able to utilize the social welfare programs being benefited by them such as universal

²⁰ Connective DX, SUPPORT FOR MILITARY & FEDERAL FAMILIES KINDERCARE, <https://www.kindercare.com/resources/subsidized-child-care-and-support-for-military-and-federal-families> (last visited Mar 23, 2020).

²¹ Home, EHSD, <https://ehsd.org/benefits/calworks-welfare-to-work-program/child-care/> (last visited Apr 22, 2020).

²² Reimbursement Ceilings for Subsidized Child Care, REIMBURSEMENT CEILINGS FOR SUBSIDIZED CHILD CARE - CHILD DEVELOPMENT (CA DEPT OF EDUCATION), <http://www3.cde.ca.gov/rcscc/> (last visited Apr 22, 2020).

childcare and healthcare.²³ Americans, however, might be less inclined to be on board to being taxed the same. In the U.S. those in the highest tax bracket pays 37%.²⁴

V. Recommendations

Those who live in states like California have Paid Family Leave Paid Family Leave (PFL). The statute provides partial pay to employees who need to take time off from work to care for a seriously ill family member or to bond with a new child entering the family through birth, adoption, or foster care placement for up to 6 weeks.²⁵ However as a whole, in America there is a severe lack any sort of a monthly or weekly cash supplement from the government to help parents raise children, a policy that is available in most other nations. Parents do not have federally protected time off to bond with their children despite evidence showing how proper nurturing and care lay the foundation for children future in their emotional, education and physical wellbeing.²⁶

While a complete restructuring of the American tax system is highly unlikely in the near future, a proposed new tax for a childcare policy seems more viable. The policy can establish a network of child care facilities, subsidized and regulated by the government and local municipals. Facilities would charge families based on their ability to pay based on a progressive categorized system, much like how the U.S. tax is regulated. Low income families will pay less, while higher earning families will pay more. Most people would oppose paying for a new tax

²³ Sweden.se, HEALTHCARE IN SWEDEN SWEDEN.SE (2020), <https://sweden.se/society/health-care-in-sweden/> (last visited Apr 22, 2020).

²⁴ Sweden Personal Income Tax Rate 1995-2020 Data: 2021-2022 Forecast: Historical, SWEDEN PERSONAL INCOME TAX RATE | 1995-2020 DATA | 2021-2022 FORECAST | HISTORICAL, <https://tradingeconomics.com/sweden/personal-income-tax-rate> (last visited Apr 22, 2020).

²⁵ Cal. Gov't Code § 12945.2

²⁶ Early Learning, NATIONAL ARCHIVES AND RECORDS ADMINISTRATION, <https://obamawhitehouse.archives.gov/issues/education/early-childhood> (last visited Mar 23, 2020).

that will not benefit them. Not everyone is willing to pay an additional tax especially for those that do not or will not have children.

Another option to fund a childcare policy could be a opt-in program through existing infrastructures such as insurance companies. There can be a supplemental fee that individuals choose to pay for through their existing insurance. The additional fee will go towards the funding for childcare if the individual chooses to opt-in.

A third option for funding childcare policy can be utilized through state payroll deductions or taxes. Currently the state of California already has four state payroll taxes which are administered by the Employment Development Department which are Unemployment Insurance (UI) and Employment Training Tax (ETT) are employer contributions. State Disability Insurance (SDI) and Personal Income Tax (PIT) are withheld from employees' wages.²⁷ People who want to receive federal childcare can choose to have their payroll deducted if they do not have insurance. Most people likely would not choose to take another deduction in their pay but in the long term putting both parents into the workforce would offset the money deducted. Single parents can also benefit because the money deducted would still be less than what they would have paid trying to find reliable and consistent childcare before.

A new policy would make child care more affordable for millions of low and middle income families. It would likely encourage more women to participate in the workforce rather than stay at home. This can lower the gender inequality of the lack of women in the workforce due to mainly mothers who are forced to stay home to offset the costs of childcare.

²⁷ Employment Development Department, WHAT ARE STATE PAYROLL TAXES?, https://edd.ca.gov/Payroll_Taxes/What_Are_State_Payroll_Taxes.htm (last visited Apr 22, 2020).

In addition, a new childcare policy can provide government subsidies for parents that utilize these networks of childcare facilities. With the federal policy, each state and or municipal will receive funds from the government to operate the network of childcare facilities. While no one wants to be paying more for taxes, this proposed policy will receive gains. The money from the tax will go to opening more childcare facilities with more uniform regulations to ensure quality control. With the search and cost of childcare no longer a main issue in the familial unit, both parents would be able to work and receive income.

The network of childcare facilities does not have to be government run. Private facilities can be part of the network as long as they are up to code and regulation set by the federal government. Abiding by the regulations ensures that any possible facility that wants to join the network is given funding as well. The proposed childcare policy can offer people who wish to start their own business in childcare a roadmap. To reach a wider audience, the utilization of programs currently available such as Wonderschool may be beneficial. The government can use platforms and refer them to first time childcare business owners and operators in order to help set up their business.

Wonderschool is a platform that helps licensed educators and caretakes operate in-home preschools and daycare centers.²⁸ It gives caregivers the option to open a business at home while the platform handles the administration and logistics side of running a business. Utilizing platforms rather than going directly to the federal government can be more user friendly to most people. Navigating the process of licenses and documents can be difficult but having a third

²⁸ Josh Constine, WONDERSCHOOL RAISES \$20M TO HELP PEOPLE START IN-HOME PRESCHOOLS TECHCRUNCH (2018), <https://techcrunch.com/2018/08/10/wonderschool-raises-20m-to-help-people-start-in-home-preschools/> (last visited Mar 25, 2020).

party step in to help facilitate would be helpful especially for people new to the business of operating a childcare facility.

Lawyers can also help by bringing awareness to the issue of childcare. Free resources like Legal Aid and law clinics are already helping people navigate through programs that offer aid for childcare such as CalWORKS. The lack of reliable and quality childcare can affect every family. People that work long and intensive hours like lawyers probably felt the panic at some point where they do not know who will be available to look after their child. Lawyers can do more by advocating for childcare policies. They can reach out to communities that otherwise would not have access to affordable childcare and help individuals with applying for programs which they qualify for.

VI. Conclusion

The lack of childcare options costs the United States \$57 billion annually with employers who lose over \$12 billion due to their employees unable to find reliable and quality childcare.²⁹ To offer a policy in childcare or even to extend Paid Family Leave to the federal level would boost the economy as a whole. New job growth will be seen as a result of the increase of childcare facilities opening. Paying more in taxes regardless of the tax bracket and contributing towards a childcare policy would be beneficial economically.

Putting both parents into the workforce encourages income stability and can offset the costs of childcare. Parents are able to work more flexible hours and jobs knowing that their children are being taken care of. Implementing a childcare policy in the U.S. would ease the minds of parents who struggle to find affordable and reliable childcare. Parents will no longer

²⁹ Want to Grow the Economy? Fix the Child Care Crisis., COUNCIL FOR A STRONG AMERICA, <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis> (last visited Mar 25, 2020).

have to face the decision of who should stay home to care for their children because paying for quality childcare would place too much of a financial burden on the family.