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11 DUPONT CIRCLE NW
SUITE 800
WASHINGTON, DC 20036
202-588-5180
NWLC.ORG

Senate Banking, Housing, and Urban Affairs Subcommittee on Economic Policy

"The Role of Child Care in an Equitable Post-Pandemic Economy"

Written Testimony of

Fatima Goss Graves

President and CEO

National Women's Law Center

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Good afternoon Chair Warren, Ranking Member Kennedy, and other distinguished members of the Senate Banking, Housing, and Urban Affairs Subcommittee on Economic Policy.

My name is Fatima Goss Graves, and I am the President and CEO of the National Women's Law Center (NWLC). NWLC fights for gender justice—in the courts, in public policy, and in our society—working across the issues that are central to the lives of women and girls. We use the law in all its forms to change culture and drive solutions to the gender inequity that shapes our society, and to break down the barriers that harm all of us—especially women of color, LGBTQ people, and women and families with low incomes.

I am grateful for the opportunity to testify before you today on the child care crisis our nation currently faces, and the investment and policies needed to rebuild this critical foundation of our society and economy equitably.

America's child care crisis:

I want to begin by thanking lawmakers for their leadership on the care economy and focusing on child care in the context of relief, recovery, job creation, and advancing racial and gender justice. We are lucky to have Chair Warren championing this issue.

We are also eternally grateful to Congress for The American Rescue Plan and the 2020 COVID-19 relief packages, which together provided over $50 billion in relief funding for child care and early learning and helped save the child care sector from collapse.

But make no mistake, the investment in child care cannot end there.

The American Rescue Plan provided urgently needed relief, but it was just that – relief. It was not designed or sufficiently funded to address the long-term structural flaws in our economy that made the pandemic so devastating, for women – especially women of color – and their families.

For the child care and early learning sector, the pandemic has laid bare and exacerbated the deep inequities of a child care system that relies on families paying unaffordable sums, early educators being paid poverty-level wages, and too many communities across the country lacking sufficient workforce or facilities to meet child care demands. Since the start of the pandemic, one in eight child care jobs has disappeared,[i] women have lost a net 4.2 million jobs,[ii] and 1.79 million women have left the workforce entirely,[iii] with child care obligations likely playing a significant role. Additionally, as the country reopens, child care programs are facing enormous and unprecedented staffing shortages, which means fewer slots and longer waiting lists. This blow to the child care industry will affect child care providers, parents, and children long after the health crisis has passed.

The United States has not had a comprehensive child care and early education system since a brief period during World War II. Since then, American families have been largely left on their own to fend for themselves, relying on the underpaid labor of Black, Latinx, Indigenous, and immigrant women so that others can work, and the time of older siblings to cover the care needs of families instead of attending to their own education.

It does not have to be this way. The pre-COVID status quo was unsustainable and left families and our entire economy more vulnerable to the ravages of the pandemic. We can and must do better as we recover and rebuild. We now have a unique window of opportunity in front of us to deliver for women and their families. To build the child care infrastructure that shows women we have heard their cries for help and that we value care work — both paid and unpaid — as the backbone of our economy.

Even before COVID-19, America faced a quiet child care crisis.

It was frankly far too easy to bring the child care industry to its knees. Before anyone had heard of the coronavirus:

Families were struggling to afford child care costs—if they could find child care at all.

- In more than half of states, care for an infant in a child care center costs more than in-state college tuition,[iv] and in one study, over 80 percent of two-child families spent more on child care than rent.[v] Additionally, low-income families spend an average of 35 percent of their income on child care which amounts to five times what is considered affordable.[vi]
- Fewer than one in seven eligible children were served by the Child Care and Development Block Grant (CCDBG) and related federal child care programs.[vii]
- Families—particularly in rural areas—struggled with a lack of care options. Research has found that over half of Americans live in a child care desert, or a neighborhood with an insufficient supply of licensed child care.[viii]

Early educators were paid poverty-level wages for caring for and educating our children.

- Child care is one of the lowest-paid professions in the United States,[ix] despite how valuable the work is, rising requirements for credentials and education and extensive research pointing to the importance of the early years for young children's healthy development.[x]
- Wages for providers average less than $12 per hour,[xi] about half of programs do not offer health benefits, and recent data show that over half of child care providers were enrolled in at least one public assistance or support program.[xii]

These inequities disproportionately impact women and families of color

- Virtually all child care providers (over 90%) are women, and disproportionately women of color and immigrant women.[xiii]
- Black and Latinx mothers are more likely to work in jobs with low pay and few or no benefits, making care more difficult to afford.[xiv]
- In addition, Black, Indigenous, People of Color (BIPOC) families are more likely to face more significant barriers to accessing care,[xv] including high costs, lack of care options that match their work schedules, language barriers, and lack of culturally competent, trusted options, all leading to inequitable participation in licensed child care across racial groups.

In short, the pre-COVID status quo was unsustainable and left families and our entire economy more vulnerable to the ravages of the pandemic. We can and must do better.

As we recover, we are entering a new struggle in child care.

Child care programs have been faced with unpredictable demand throughout the pandemic. While most of the economy was closed during the first phase of the pandemic, many providers struggled to keep their doors open to serve frontline workers or to stay open amid declining enrollment and increased operating costs.[xvi] Two in five providers report taking on debt for their programs using personal credit cards to pay for increased costs and three in five work in programs that have reduced expenses through layoffs, furloughs, or pay cuts.[xvii] However, as parents increasingly transition out of remote work, programs are dealing with a surge of demand and are unable to find and retain their child care workforce. The potential impacts include a lack of stability for children in care and immense burdens on parents, including job loss.

As a Pennsylvania child care program executive director pointedly noted in a local paper, if you are a child care worker making only $11 an hour, but the local grocery store is paying $14 an hour, that is where workers are going to seek employment.[xviii] Another director said she sees fast-food restaurants incentivizing new workers through sign-on bonuses when she cannot offer much over minimum wage let alone benefits.[xix]

Elliot Haspel, a child care scholar, recently noted in the Washington Post that it is not just child care for young children that is disappearing. He also cited a public school in Michigan that was forced to end its program that provided before- and after-school care for the upcoming school year due to staffing shortages.[xx] According to analysis by the Center for Law and Social Policy (CLASP), only one in four children who want to be in an afterschool program are currently enrolled.[xxi] Black and Latinx families are even more interested in participating in such programs,[xxii] but these programs are increasingly hard to find.

And a child care shortage means fewer high-quality options for children and greater barriers for parents – especially mothers – to enter, stay in, and advance in the labor force.

Federal relief dollars for child care *cannot* fully address the workforce crisis.

While the relief money is in the process of helping to stabilize programs in creative ways such as allowing temporary signing bonuses, as well as expanding services to parents that work non-traditional hours, children with disabilities, and those living in child care deserts, it is not a sufficient or sustained investment to raise wages or provide benefits. The infusion of funds is short-term with states having to spend all relief stabilization grants by September 2023 and their CCDBG supplemental by 2024. Building up high-quality child care supply is about more than investing in facilities – it means attracting and retaining a highly-qualified workforce to ensure sufficient slots for enrollment. And doing that requires long-term investments in building a system that values child care workers.

Why does this matter?

We need reliable, affordable, high-quality care so that parents – and mostly women – can get and keep jobs. Before the pandemic, in February 2020, we celebrated women comprising over half the workforce.[xxiii] Fast forward to today, and 1.79 million women have left the workforce entirely since the start of the pandemic,[xxiv] in large part due to caregiving responsibilities. Analysis by the National Women's Law Center underscores that "Before the pandemic, women's labor force participation rate had not been this low since 1988.[xxv]"

Lack of access to affordable, high-quality child care is an important piece of the puzzle. Last month, the Federal Reserve in Minnesota released a study showing that in the last quarter of 2020, child care was still a big barrier to parents' participation in the workforce. Nearly a quarter of all parents were either working less or not working at all because of disruption in care and schooling for their children.[xxvi] The study also underlined the disproportionate effect on mothers who are being prevented from full participation in the workforce, and even more severe labor force impacts for Black, Latinx, single mothers, and those with low incomes.[xxvii]

A recent survey of families with children age birth to five found that since the pandemic, more than one in three female caregivers had to leave the workforce or reduce their work hours/responsibilities.[xxviii] Of the women who had to stop working, over 80 percent said it was due to financial constraint.[xxix] The shares of women who were more likely to indicate these changes in workforce participation were higher for Black and Latinx women.[xxx]

While these numbers are cause for alarm, in fact it is more surprising that we are not seeing a *larger* reduction in labor force participation. Throughout history, mothers have always found workarounds- accepting a lower paying job because it offered more flexibility, putting off educational opportunities, foregoing other necessities because the cost of child care ate up a third of their income, working themselves to the bone to try and balance breadwinning and caregiving. Additional child care workarounds became commonplace for parents during the pandemic, including but not limited to: piecing available care together weekly or even daily depending on schedule and who is available; working full-time while caregiving full-time; finding creative care-sharing responsibility arrangements (neighbors, friends, grandparents, pods, alternating work schedules, etc.); working all hours of the day and night to care for children during waking hours; and, all at the expense of parents' free time and mental health.

But these sacrifices also bring a cost: in opportunities foregone, stress intensified, a bottled-up primal scream that was finally released during the pandemic as these issues can to a head.

These mothers know that without bold and urgent action, we are setting them—and the families who depend on them—up for a lifetime of economic insecurity and stress.

The first years of a child's life are critical to their long-term development

As parents desperately seek child care slots, we risk not only undermining parental employment and economic growth but also children's long-term development.

The science is clear: developmental disparities take root well before children are five years old, and families' economic instability and stress – which have intensified during the pandemic – are associated with adverse outcomes in terms of health and educational achievement.[xxxi]

Luckily, the inverse is also true. When we invest in children starting at birth, it yields long-term positive outcomes for health, education, and employment.[xxxii] Since children under five years old are the most diverse generation in American history, investing in high-quality, affordable child care and early learning also advances racial equity.[xxxiii]

Investing in higher wages and benefits for child care providers leads to higher quality care for children since attracting and retaining caring, consistent providers supports healthy child development. Quality child care programs have been associated with positive health benefits, including higher immunization rates, screening and identification rates; improved mental health; and reduced smoking.[xxxiv] In addition, child care plays a vital role in supporting parental employment, which matters for children because family economic security positively impacts children's healthy development. Stabilizing the child care sector and rebuilding a more equitable system is a crucial investment in our youngest children.

What does an equitable child care system look like?

- <u>Ensuring no family pays more than seven percent of their income on child care.</u> The U.S. Department of Health and Human Services (HHS) recommends that child care be considered affordable if family out-of-pocket costs are equivalent to 7 percent or less of total household income.[xxxv]
- <u>Paying child care providers like similarly qualified elementary school teachers.</u> From birth to age 3, children's brains are making more than a million neural connections per second, influenced greatly by their interactions with their caregivers.[xxxvi] Child care workers should be fairly compensated for the valuable and complex work of supporting this development.

- Building the supply of available child care so every family can find the child care that meets their unique needs. A family's zip code should not determine their available child care options.

There are current proposals in Congress that would help us achieve the equitable child care system I just described, covering children from birth until they are age 13. We thank Chair Warren for her leadership in introducing strong pieces of legislation, including the Universal Child Care and Early Learning Act, which focuses on increasing compensation for providers, limiting family co-pays to seven percent of family income, and building the supply of care. A complementary bill was recently introduced by Senator Wyden with Chair Warren that invests in rebuilding child care infrastructure and provides additional mandatory funding. We are also supportive of Senator Murray's Child Care for Working Families Act which also has these principles. **We estimate the need at $700 billion over 10 years to build this system**.

Such a bold and robust investment would create 2.3 million good-paying jobs[xxxvii] - a combination of jobs with better compensation for early educators and a necessary support for parents' workforce participation.

The investment would also enable parents - especially mothers - to participate in the labor force and have greater financial security

NWLC has a new study out together with Columbia University's Center on Poverty and Social Policy that shows that public investments to guarantee high-quality, affordable child care for all would increase the number of women with young children working full-time by about 17 percent and by about 31 percent for women without any college degree.[xxxviii] Women with less than a college degree and lower incomes would experience the most significant relative economic gains, mostly from being able to enter the workforce.[xxxix] Additionally, Black and Latinx women, who already face compounding labor market discrimination, lower wages, and more difficulty finding child care, would experience larger percent increases in their incomes.[xl] A strong investment in child care is good for the economy as a whole.

Child care programs can attract the workers they need so working parents can find and rely on the care they need

Child care programs cannot compete for workers like other sectors of our economy and need federal support to attract and retain the workforce. A recent study on teacher turnover in early childhood using statewide data in Louisiana showed that even pre-pandemic more than one third of teachers leave their program one year to the next, and of those, the considerable majority are not teaching in another program the following year.[xli] However, positions in the K-12 system where teachers receive better wages and benefits, have only a 16 percent turnover rate, and of those, half are merely changing schools rather than leaving the profession entirely.[xlii] We must invest in raising providers' wages to build the supply of child care for working parents.

The investment will advance gender and racial equity:

The disproportionately Black, Latinx, Indigenous, Asian American and Pacific Islander, and immigrant women who work in child care and early education deserve better jobs and working conditions.

Our nation's children, nearly half of whom are children of color, deserve investments in their care and education from birth to age 13.[xliii]

Mothers deserve child care they can depend on.[xliv] Access to high-quality, affordable child care is especially important for Black mothers who are more likely than other mothers to be in the workforce and to be their family 's primary breadwinner.

Overall, these investments would transform women's earning capabilities and retirement security.

Over the entire life course, access to affordable care could increase the lifetime earnings for women with two children by about $94,000, which would lead to an increase of about $20,000 in private savings and an additional $10,000 in Social Security benefits. It would also boost the collective lifetime earnings of a cohort of 1.3 million women by $130 billion. By retirement age, access to affordable, high-quality child care would mean that women with two children would have about $160 per month in additional cash flow from increased private savings and Social Security benefits. This policy would also advance racial equity and help close racial earnings and wealth gaps. Black and Latinx women see additional lifetime Social Security benefits of $13,000 and $12,000, respectively (compared to $8,000 for white women).[xlv]

Conclusion

Child care is infrastructure. It connects workers and jobs. It makes all other work possible. It supports the positive growth and development of our nation's children. Without a child care system that works for every family, our economy will suffer in the short and long term. Therefore, it must be a key facet of our national economic infrastructure.

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