



Child Care is Essential to the Development of a Skilled Workforce & a Competitive Indiana

Indiana works best when Hoosiers can take full advantage of our top-notch education and training options and promising career pathways, meeting employers' demands for a skilled workforce. For the more than 714,000 Hoosier households with children, this requires an accessible, affordable child care system.

Employers in Indiana Need a Skilled Workforce

Employers are looking for skilled workers to fill their open positions. On the Indiana Chamber of Commerce's 2022 annual employer workforce survey, 83% of respondents reported [struggling to meet talent needs](#), with 48% of applicants for open positions missing crucial skills and qualifications. In fact, 74% of Hoosier firms left positions open due to a lack of qualified applicants - an all-time high. Meanwhile, the need for talent is only likely to increase. The [fastest-growing occupations](#) in Indiana include wind turbine techs, software developers, and health care professionals. There is currently high demand for managers in construction, medicine, and general operations as well as accountants, physicians, electricians and plumbers - positions that require postsecondary education and training. At the same time, digital skills are increasingly necessary, with [89% of occupations](#) in Indiana likely or definitely requiring digital skills. Education and training are musts if we want to remain competitive and support Hoosiers in securing family-sustaining jobs.

Skills Training is a Pathway to Good Jobs, Financial Stability, & Child Well-Being

Meanwhile, many low-income Hoosiers are actively looking to land family-sustaining jobs. On the Indiana Community Action Agencies' most recent needs assessment survey, low-income Hoosiers identified '[access to good jobs with higher wages and benefits](#)' as *the* top community need in Indiana. As the [Indiana Self-Sufficiency Standard Calculator](#) shows, parents often need higher hourly wages than some of the most common occupations in Indiana - like food service and cashiers - provide. Higher education [pays](#), and Hoosiers with multiple and/or specialized digital skills [can earn significantly higher wages](#). Those with postsecondary degrees and credentials are also less likely to receive public assistance in the future and able to [contribute more to the economy](#) through taxes and spending. Importantly, the education and higher wages

parents receive also benefits their children and increases the likelihood those same children will [seek higher education](#) and receive higher earnings themselves.

Child Care is Necessary for Hoosiers to Access Education/Skills Training

Modern economies require [multiple opportunities to train and retrain](#) over a career or lifetime. In order for Hoosiers to respond to evolving workforce demands and gain the skills needed for employment, they need to be able to attend school or receive postsecondary training, yet it is increasingly difficult for parents to afford both child care and additional schooling or training. In Indiana, [an estimated 22% of all undergraduate students](#) - 82,288 individuals - are raising children and nearly 40,000 are single mothers. It costs student parents with low incomes [two to five times more](#) to attend a public college than other low-income students. Although generous sources of support are available in Indiana, a year of child care can require an additional \$9,000-\$10,000 over and above tuition costs - without taking into account expenses such as food, housing, transportation, and other necessities. Further, a single mother in Indiana with one infant, for example, spends [40% of her income](#) on care, making it extremely challenging to both afford child care and attain additional training/schooling. On the Indiana Community Action Poverty Institute's most recent needs assessment, [needing to care for a child](#) was the most commonly cited reason for failing to complete a degree or credential. These barriers are part of why the success rate of single mothers pursuing education is troublingly low, with [just 28% of single mothers graduating with a degree or certificate within 6 years of enrollment](#). Access to child care has been shown to [improve student parents' ability to graduate](#) and investments in child care for student parents could yield tremendous benefits: [a cost-benefit analysis](#) of covering child care for single mother students in Indiana suggests the investment would result in a return of 261% or \$2.61 for every dollar spent. However, only [10% of Hoosier CCDF voucher holders used the voucher for education](#), slightly below the national average of 12%.

Lack of Affordable, Accessible, High-Quality Child Care Also Pushes Skilled Workers to the Sidelines

While not all families choose to work while raising children, some Hoosiers must work and others want to work. When child care is too expensive, difficult to access, or of low quality, families face incredibly difficult decisions about how and when to engage in the workforce. In other words, limited availability and affordability are [a deterrent to workforce participation](#). In Indiana alone, [27.1% of females](#) aged 25 to 54 with children under 5 indicated that they are not looking for work because they 'can't arrange child care'. Workers - [women especially](#) - are more likely to be employed, [stay employed](#), and hold better jobs when child care is more affordable, available, and high quality. While the 2022 employment rate of women in Indiana is relatively high - 55.6% - it still [lags significantly behind](#) the employment rate of men (68.1%) - or [75.7% to 88.2%](#) if you are comparing prime-age employment of women to men. [COVID-19 disruptions to child care](#) underscored the importance of child care to Hoosiers' ability to work: child care disruptions resulted in employees cutting hours, taking paid or unpaid time off, leaving the workforce, or ceasing job search activities.

The U.S. Department of Health and Human Services considers ‘affordable’ child care to be care that consumes no more than 7% of a family’s income. In fact, they are currently proposing to cap families’ copayments at 7% of income for families participating in the Child Care and Development Block Grant (CCDBG) subsidy program, as outlined in their most recent [Notice of Proposed Rulemaking \(NPRM\)](#). In 2021, parents were spending 11.8% of their income on child care, but it has increased to 12.4% since then as 38% of programs have [increased their rates](#), with an average increase over \$20.00 a week. This is especially challenging for families with low incomes whose out of pocket costs often consume closer to 30% of their income.

To be affordable, Hoosiers would need to earn:

	Average Yearly Cost of Care	Estimated Household Income Needed for Child care to be Affordable	% of the Federal Poverty Level for a Family of 3
Infant	\$9,833	\$140,471	565% FPL
Toddler	\$9,235	\$131,929	530% FPL
Preschool (age 3)	\$8,244	\$117,771	474% FPL

The Need for Skilled Child Care Providers

A state that works, then, must have a skilled and stable child care workforce. Unfortunately, high turnover and difficulty recruiting child care workers are especially acute issues in a competitive work environment, because providers find it difficult to raise wages without passing costs on to families. This child care provider crisis is urgent. Child care providers are essential to ensuring child care centers and home-based care are able to stay open and operational in order to serve children. In Indiana, child care workers have a lower median hourly wage than [dishwashers](#), [animal caretakers](#), [cashiers](#), and [parking attendants](#). With fewer staff, there will be fewer seats available in order to keep a sufficient adult-to-child-ratio. Indiana consistently reports an average of more than [3,000 open early care and teaching positions](#) per month. This is further complicated by expiring child care relief resources (primarily through the American Rescue Plan Act or ARPA) that provided significant support for child care providers during the pandemic.

Quality Child Care Builds the Skills of the Next Generation

Investments in Indiana’s child care system are not only a mechanism to solve immediate workforce needs, they also have the potential to [build the skills of our future workers and leaders](#). Reliable child care provides stability and consistency for children and families while parents and caregivers are working. Quality child care lays the foundation for future [success and earnings](#), while afterschool and summer programs can also expose youth to [future career options](#) and enhance in-school learning.

Recommendations

Invest, invest, invest. A robust and well-functioning child care system has the potential to build Indiana's skilled workforce, connecting more Hoosier parents with quality employment opportunities and meeting employers' demands for talent. This investment is more important than ever as states face a steep drop off in federal child care investment starting September 30th of this year. For Indiana, this means over 1,000 programs could close and around [48,701 children could lose child care](#).

Invest in student parents: Skilling up Indiana's workforce will require investments in child care for Hoosier student parents.

- Fund [campus navigators](#) to connect student parents to resources like CCDF
- Support the establishment of [campus child care centers or child care-campus partnerships](#) and the prioritization of students for slots
- Establish a state-level [student parent child care grant](#) program or prioritize/set aside funds for student parents in CCDBG, including student parents in Adult Basic Education and ELL
- Increase financial assistance for student parents to enable them to afford child care

Invest in providers and the child care workforce:

- Create incentives that encourage providers to enter the marketplace or add seats, such as a direct per-seat incentive for licensed providers
- Subsidize child care providers to enable them to pay higher wages in order to support and retain providers and limit [turnover](#)
- Invest more state dollars in CCDF, increase the CCDF voucher rates, and make it easier for providers to draw down the full amount (e.g. reduce attendance requirements)
- Create more [contract-based subsidy payments](#) for providers so they can stabilize supply
- Provide [tax credits to credentialed child care workers](#) who demonstrate work history
- Make child care workers automatically eligible for child care assistance

Invest in families and our future generations:

- Provide a child and dependent care tax credit (29 states) - Available evidence suggests this is not only a relief to parents and incentive to work, it also boosts [child care provider wages](#)
- Provide a child tax credit (12 states) - A more flexible alternative, state-level child tax credits recognize and account for the increased costs associated with welcoming and taking care of a child
- Increase CCDF eligibility - Eligibility for Indiana's school voucher program is now 740% of the Federal Poverty Level, while CCDF remains limited to 150% FPL

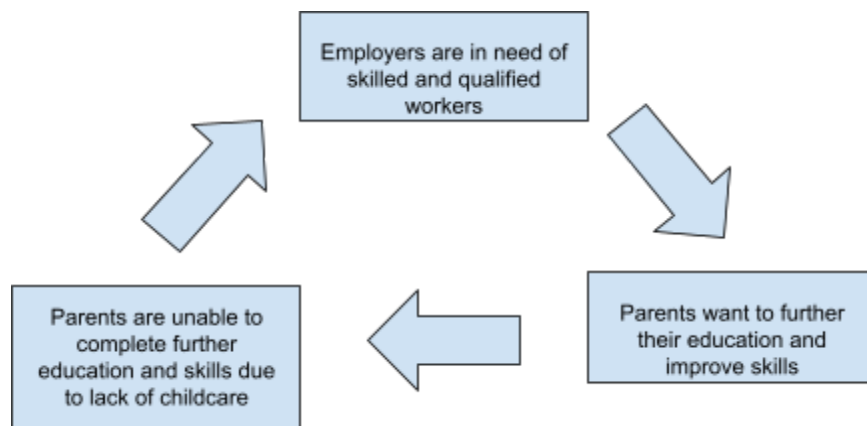
- Make access to CCDF easier for parents by implementing a [presumptive eligibility policy](#) and [simplifying the application and eligibility determination process](#)
- Maintain [high standards](#) for health and safety - our children are worth it

Invest in Indiana’s employers:

- Measure the demand for the employer childcare expenditure tax credit passed by the Indiana General Assembly during the 2023 Legislative Session (HEA 1001). If there is high demand, propose legislation to include expenditures made for ongoing costs at employer-sponsored sites as eligible expenditures for the credit.
- Direct financial resources to employers and ensure that state resources expended lead directly to improved capacity at employer-sponsored childcare sites, by tying any financial incentives for employers to metrics that measure childcare capacity.

Conclusion

In order to compete, fulfill employers’ needs for skilled workers, and put more families and children on a path to financial well-being, we must invest in and find a way to improve our current child care system.



An improved child care system is an investment in a state that works. When Hoosiers can respond to dynamic and ever-changing job markets by seeking out training and attachment to the workforce, they can better support their families and contribute to a thriving economy.

This testimony was developed with contributions and/or feedback from Erin Macey and Miranda Bishop, Indiana Community Action Poverty Institute, Sam Snideman, United Way of Central Indiana, Sam Charron, Indiana Manufacturers Association, Marilyn Pitzulo, Indiana Department of Workforce Development, Jason Bearce, Indiana Chamber of Commerce, Nekoma Bercham, Southeast Community Services, Josh Garrison, Indiana Commission on Higher Education, Mary Jane Michalak, Ivy Tech Community College, Stephanie Schmidt, Center for Law and Social Policy, and Lindsey Reichlin Cruse, National Skills Coalition. It is endorsed by Invest Hamilton County, Southern Indiana Works, Southwest

Indiana Workforce Board, Feeding Indiana's Hungry, Labor Institute For Training, the Indiana Manufacturers Association, Southeast Community Services, EmployIndy, Indy Reads, United Way of Central Indiana, and the Indiana Community Action Poverty Institute.

About the Indiana Skills2Compete Coalition

Since 2010, the [Indiana Skills2Compete Coalition](#) has convened a bipartisan group of state legislators as well as higher education, business, labor, and community leaders with the aim of developing a skilled workforce and serving as a resource for policymakers working toward that end. We use research on best practices to promote public policies that create education and training opportunities in alignment with the needs of employers, offering more Hoosiers an opportunity to secure high-wage, family-sustaining jobs. With guidance from the [National Skills Coalition](#), Skills2Compete Coalitions across the nation have had tangible impact on changing the tone of policy discussions in their respective states while cultivating a host of new allies in support of an expanded skills agenda.