Policy Brief October 2019

Affordable, Accessible Childcare

An inclusive, thriving workforce requires accessible, high-quality childcare. However, cost and availability are considerable barriers for far too many families in Indiana. This disproportionately pushes women who might otherwise work out of jobs and career paths. At the same time, our lack of public investment in childcare means that childcare workers and preschool teachers often experience financial hardship.

Families, communities, and employers would all benefit from a more robust, affordable early childcare system. Therefore, all should contribute. We recommend larger investments in CCDF and through the tax system, as well as better use of existing funding streams, to support this aim.

Childcare is Not Affordable or Accessible for Many Hoosier Families

The U.S. Department of Health and Human Services considers affordable childcare to be care that consumes no more than 7% of a family's income.[i] Table 1 shows the annual income families would need to earn to make childcare "affordable" in Indiana. Few families in Indiana meet the bar, especially early in their working lives when they are more likely to have young children. Overall, only 8.6% of households in Indiana earned more than $150,000 per year in 2018.[ii]

TABLE 1. Childcare Affordability

Type of Care	Estimated Yearly Cost	Estimated Household Income Needed for Childcare to be Affordable
Infant care	$11,795	$168,500
Toddler Care	$10,708	$152,971
Preschool-age	$8,315	$118,786

Source: Author's Calculation Based on Early Learning Advisory Committee Data, 2019

Meanwhile, more than half of Hoosiers live in a child care desert. A child care desert is any census tract with more than 50 children under age 5 that contains either no child care providers or so few options that there are more than three times as many children as licensed child care slots. Supply is especially low in rural areas – 72% of rural families live in areas without sufficient licensed childcare providers.[iii]

Even in areas with childcare, second and third shift care can be difficult to find. At the same time, occupations requiring nonstandard schedules are projected to see the largest growth in the near future, making the need for such care even more widespread.[iv] In Indiana, only 22 percent of the licensed child care programs participating in Paths to QUALITY offer child care during nonstandard hours.[v] Meanwhile, nearly half – 43 percent – of children under 18 in the U.S. have at least one parent who works non-standard hours.[vi]

Lack of affordable, reliable childcare affects our workforce and our economy. Childcare-related absenteeism and turnover cost Indiana an estimated $1.1 billion per year in economic activity.[vii] Women are more likely than men to be pushed out of or opt out of the workforce as a result of the cost and accessibility of childcare. Conversely, affordable childcare has been shown to increase women's participation in the labor force, the number of hours they work, and their family's income.[viii]

Workers & Care Quality Suffer Due to Insufficient Public Investment

While parents struggle to afford childcare, the staff members in childcare centers and preschools are often financially strained as well. In Indiana, the median hourly wage for Indiana's 6510 preschool teachers is $12.13/hour, while Indiana's 8100 childcare workers typically earn $9.75/hour. As Table 2 shows, Indiana has relatively low wages for childcare workers compared to its peers in the Midwest. Teachers of infants and toddlers see the greatest wage differences when compared to traditional teachers, and this disproportionately affects African American workers.[ix]

TABLE 2. Wages for Childcare Workers & Preschool Teachers

	Indiana	**Ohio**	**Michigan**	**Kentucky**	**Illinois**
Childcare Workers	$9.75	$10.01	$10.65	$9.54	$10.76
Preschool Teachers	$12.13	$12.63	$15.09	$13.92	$13.99

Source: Bureau of Labor Statistics OES Data, 2018

This means that at a time when strong, stable relationships are an important feature of a quality educational program, teachers can be expected to turn over on a regular basis. In fact, estimates suggest that 30% of a childcare's staff can be expected to turn over annually.[x] Meanwhile, between 2014 and 2016, more than one-half (53 percent) of child care workers, compared to 21 percent of the U.S. workforce as a whole, were part of families enrolled in at least one of the following programs: the Federal Earned Income Tax Credit (EITC); Medicaid and the Children's Health Insurance Program (CHIP); Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF).[xi] In other words, these families struggle to meet their own needs even as they are expected to provide stable, nurturing support to young learners.

Existing Supports are Positive, but Inadequate

While programs and tax credits designed to mitigate the cost of childcare exist, they are inadequate to meet the needs of many families.

Child Care and Development Fund. The Child Care and Development Fund (CCDF), enacted by Congress in 1990, is the largest source of funding to subsidize childcare, but eligibility guidelines and limited funding mean it does not serve all children – in fact, it is far from even serving all of the children whose families meet the eligibility requirements.[xii] In Indiana, CCDF vouchers currently support 21,483 families and 41,012 children. However, 28% of these families have copayments that average 9% of their income, and nearly half of families – 48.4% – have overages averaging 3.4% of their income. Meanwhile, 2,249 families and 3,570 children were on the waiting list for care at the end of September 2019.[xiii]

Federal Child and Dependent Care Tax Credit. At the federal level, the Child and Dependent Care Tax Credit provides some relief to families who bear these costs. However, parents can only claim up to $3000 in costs for one child or $6000 for two children, and they only receive a percentage of these costs as a credit. Table 3 shows several examples of the tax credit amounts families would receive based on their income and expenditures.

TABLE 3. Federal Child and Dependent Care Tax Credit Examples

Family Scenario	Child Care Expenses	Tax Credit Amount
Single parent earning $14,500 AGI	$12,000 for one child	$1050
Single parent earning $14,500 AGI	$7,000 for two children	$2100
Two parents earning $35,000 AGI	$12,000 for three children	$1440
Two parents earning $100,000+ AGI	$12,000 for one child	$600
Single parent, $25,000 AGI	$2,500 for one child	$725

Source: Author's Calculations Based on IRS Form 2441

Employer-based childcare programs and incentives. Some employers directly provide or subsidize childcare for their workforce. Dependent care reimbursement accounts, for example, allow employees to set aside pre-tax income up to a cap to pay for childcare, eldercare, or care for a disabled dependent. Some employers contribute to these accounts as well. Table 4 shows access to these benefits.

TABLE 4. U.S. Workers Access to Employer-based Childcare Supports, March 2019

Worker Characteristics	Childcare Benefits[xiv]
All U.S. Workers	11%
East North Central Midwest	9%
Union	16%
Non-Union	10%
Lowest Wage Quartile	4%
Highest Wage Quartile	20%
Small Business (1-99 Workers)	5%
Large Business (500+ Workers)	24%

Source: Bureau of Labor Statistics, 2019

Because tax-deferred accounts offer a small savings to families, unless an employer is directly providing and largely subsidizing the care, these benefits can lessen the burden of unaffordable childcare but are not enough to make care more affordable or more widely available.

Aside from subsidizing care, employers, particularly in the service sector, could help with childcare access and costs by trying to give employees more regular schedules or at least more notice of their schedule. Irregular work hours and just-in-time scheduling can lead to situations where workers must pay a premium for lesser quality care because of short notice. Additionally, most high quality care requires families to pay for a certain amount of time consistently, whether they use the care or not, leaving workers to pay for care despite being sent home early or on-call.

Policy Recommendations

To better meet the needs of working parents and guardians, children, and childcare providers:

Increase CCDF funding. While Congress has increased investment in the Child Care and Development Block Grant in recent years, waiting lists and overages suggest we still have a long way to go to meet the needs of eligible families. The state can and should take steps to bolster CCDF as well. Federal policy allows Indiana to transfer up to 30% of our Temporary Assistance for Needy Families block grant to the Child Care and Development Fund (CCDF) program. In recent years, Indiana has transferred the maximum amount and should continue to do so. Indiana should also bolster its investment in preschool and supplement the CCDF program to help clear the waiting list.

Create a child tax credit and/or child and dependent care tax credit. More than half of states offer a state-level child tax credit or child and dependent care tax credit to help offset the costs of care for families who qualify for CCDF but pay overages, or for families who do not qualify. Indiana lacks any such support for working families. Providing a refundable tax credit would offer much-needed relief to working Hoosier families.

Increase reimbursement rates for second and third-shift care. Supplying second- and third-shift care can present unique challenges that few providers are willing to undertake. Increasing reimbursement rates to providers who offer this care may incentivize new second- and third-shift providers to enter the marketplace or encourage existing providers to expand their hours.[xv]

Childcare infrastructure grants. Indiana should offer grants to cover start-up costs and/or bring local business leaders, community organizations, and families to the table to develop creative solutions in childcare deserts. Encouraging and building the infrastructure to enable second- and third-shift providers to share best practices might also increase the provision of this type of care.

Implement a paid family and medical leave program. High-quality infant care is the most expensive form of childcare. In other countries and several states, paid family leave allows parents to provide the first several months of care themselves, especially if parents are able to stack their time off. A paid family and medical leave program could be sustainably funded through small payroll deductions to a fund that covers the cost of leave.

Fair scheduling. When parents or guardians cannot control or predict their schedule in advance, the uncertainty can make it difficult for child care providers as well. Providing advance notice of schedules, allowing employees to request days and times without penalty, and providing premium pay for last-minute changes or sending workers home early are a few of the strategies that would allow workers to better align their work schedule with childcare.

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[xiii] Indiana Family and Social Services Administration, CCDF Overview (2019), accessed October 16, 2019 from https://www.in.gov/fssa/files/CCDFOverview.pdf

[xiv] A workplace program offers full or partial cost of care, on or off site.

[xv] D. Dobbins, K. Lange, C. Gardey, J. Bump, & J. Stewart, It's about time! Parents who work nonstandard hours face child care challenges (2019).