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Kids, Care, and COVID: How the COVID-19 Pandemic Highlighted the Problems in Childcare—And the Solutions

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KEY FINDINGS

ACCESSIBLE AND AFFORDABLE CHILDCARE HAS BEEN A GROWING PROBLEM FOR DECADES, BUT **THE PANDEMIC HIGHLIGHTED THE ISSUE**.

DURING THE PANDEMIC, **MANY STATES RELAXED OR SUSPENDED CHILDCARE REGULATIONS** TO INCREASE AFFORDABLE OPTIONS FOR PARENTS.

STATES CAN MAKE CHILDCARE MORE AFFORDABLE BY MAKING THEIR STAFF-TO-CHILD RATIOS MORE FLEXIBLE, ELIMINATING GROUP SIZE LIMITS, REDUCING THE BURDEN OF EDUCATIONAL REQUIREMENTS, AND BRINGING MORE WORKERS INTO THE LABOR FORCE.

THE BOTTOM LINE:

LAWMAKERS SHOULD LEARN THE LESSONS FROM EFFORTS TO MAKE CHILDCARE MORE AFFORDABLE DURING THE COVID-19 PANDEMIC BY REDUCING UNNECESSARY REGULATIONS.

Background

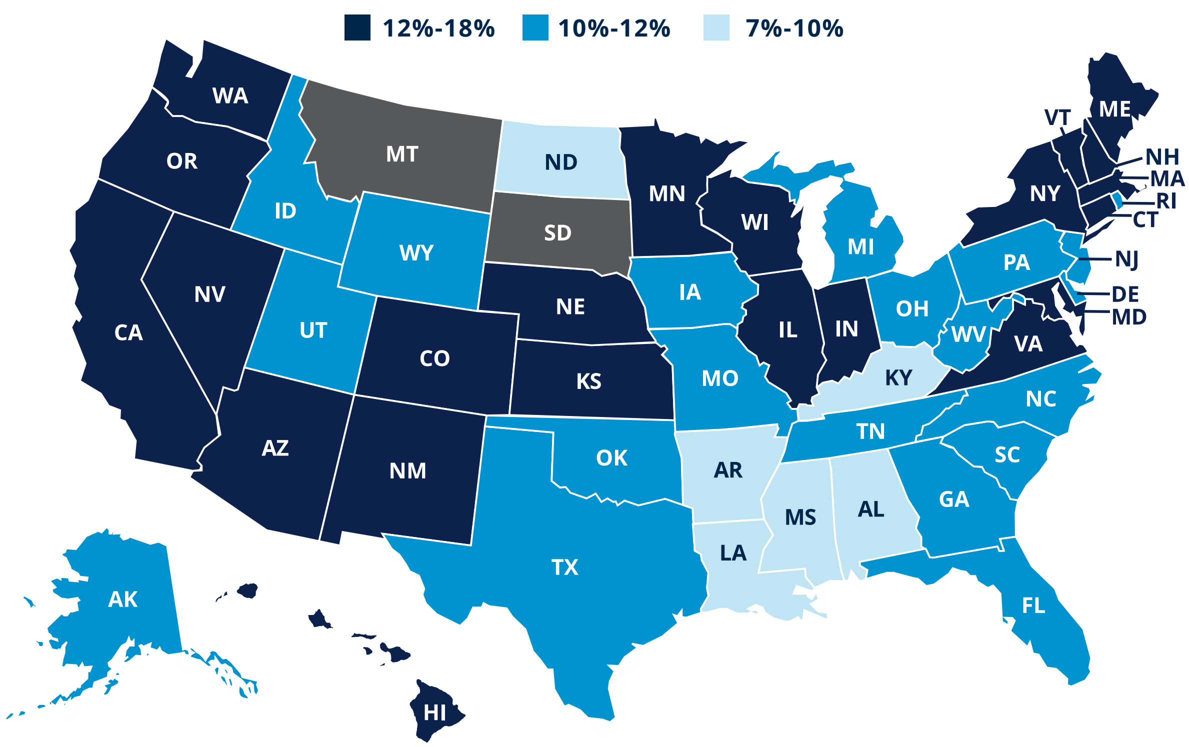
As more and more women have moved into the workforce since the 1960s, policymakers have responded to increased demand for childcare with new programs and more spending.[1] As part of the Great Society proposals, the Head Start program was created in 1965 to subsidize childcare for low-income Americans.[2] In 1994, the federal government developed the Early Head Start program that subsidizes childcare for low-income parents of children from birth to age three.[3]

Additionally, states receive federal funds through the Social Services Block Grant (since 1981), the Childcare Development Block Grant (since 1990), and the Temporary Assistance for Needy Families block grant (since 1996) to subsidize childcare costs for certain low-income families.[4-5]

Despite decades of increased government spending, or, perhaps, because of it, the cost of childcare has steadily increased, even adjusting for inflation.[6] And the problem continues to worsen. The Treasury Department estimates that the average family with children under five years old spends 13 percent of their income on childcare.[7]

A recent report found that families with two incomes spend about 10 percent of their income on childcare while families with only one income spend about 32 percent of their income on childcare.[8] In all, because childcare is only considered "affordable" if families spend less than eight percent of their income on it, the average family's childcare is unaffordable.[9]

STATES WITH COST OF CHILDCARE AS PERCENT OF HOUSEHOLD INCOME BEFORE COVID-19



Source: ChildCare Aware of America | See page 9 for full appendix

Government intervention is not limited to spending. Childcare is one of the most highly regulated markets in America. Each state maintains rules such as minimum staff-to-child ratios, group size limits, and educational requirements for childcare workers, which can restrict the supply of childcare and drive up costs.

CHILDCARE IS ONE OF THE MOST HIGHLY REGULATED MARKETS IN AMERICA.

COVID-19 and the childcare crisis

The COVID-19 pandemic shaped political debate in a number of ways. But the lack of available and affordable childcare ranks among the issues most vividly highlighted by the pandemic.

Demand for childcare increased as many parents' work schedules were disrupted while supply of care decreased with so many childcare workers dropping out of the labor force.[10]

Media outlets and commentators across the political spectrum started calling the problem a "childcare crisis"—and for good reason.[11-14] Stories abound about parents across America who spent years on waiting lists only to settle for half-measure solutions.[15-18]

With increased urgency among voters, policymakers made increased access to childcare a priority among their emergency orders during the pandemic. Several governors issued executive orders to relax or eliminate regulations that artificially restrict the supply of childcare. The action was bipartisan, with Democratic governors in Delaware, North Carolina, and Pennsylvania, and Republican governors in Indiana, Maryland, and Tennessee issuing orders.[19-24]

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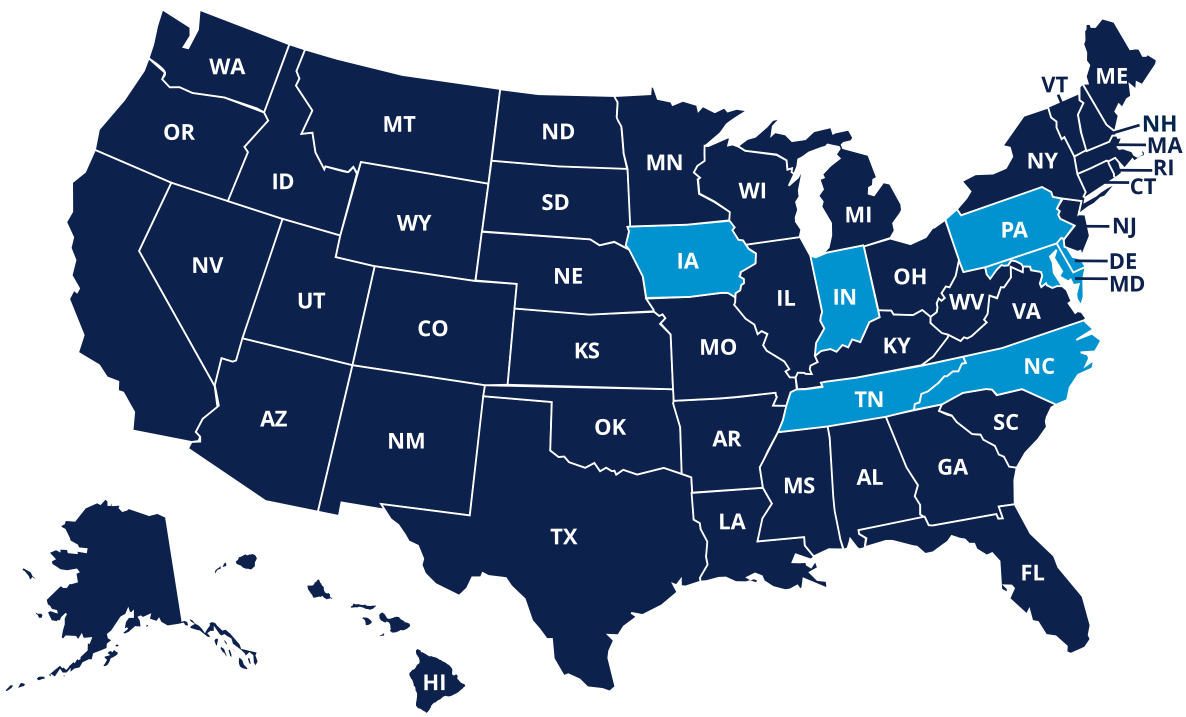
These orders left little room for guessing about the impact of regulations on accessible childcare. For example, Governor Roy Cooper's order explained that childcare regulations need to be suspended to expand capacity.[25] And the scope of regulatory suspensions was broad. For example, Governor Bill Lee allowed for the waiver of licensure requirements, extended current licenses, suspended permit reviews, and more.[26]

Iowa took a multi-pronged approach that crossed branches of government and created more permanent change. Governor Kim Reynolds created a Childcare Task Force to study the issue and present solutions.[27] The task force recommended reexamining the state's minimum staff-to-child ratio requirements, resulting in the legislature passing a bill to make the state's ratios more flexible so fewer workers could watch more children.[28-29]

STATES THAT RELAXED CHILDCARE REGS DURING COVID-19



Proven solutions

The solutions some policymakers reached for during the pandemic were always available. The pandemic merely provided new focus on a growing problem. But the most accessible solution—less onerous and more flexible regulation—was not new, as studies have long shown that regulations play a major role in driving up the cost of childcare.[30-31] In 2015, a Mercatus Center report concluded that "maximum child-staff ratios, group size limits, and training requirements significantly increase the cost of child care."[32]

To make childcare more affordable, lawmakers should make their staff-to-child ratios more flexible, eliminate group size limits, reduce the burden of educational requirements, and bring more workers into the labor force.

MAKE STAFF-TO-CHILD RATIOS MORE FLEXIBLE AND ELIMINATE GROUP SIZE LIMITS

Staff-to-child ratios limit how many children a childcare worker can supervise.[33] States usually set the strictest ratios for infants and more relaxed ratios for older children. Group size limits, on the other hand, are a cap on the total number of children in an age group that a center can have—even if the provider is meeting staff-to-child ratio requirements.[34]

States set their own ratios and size limits, and though national guidelines exist, they are merely recommendations.[35] States employ a variety of ratios, and many states have no group size limits for any age groups, including 12 states with no group size limit for infants.[36] In these states, parents can still choose childcare options with more restrictive ratios and size limits. But parents have more freedom to make decisions for other reasons—such as teacher quality, proximity to home or work, and personal relationships—because of increased availability and more affordable options.

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Idaho adopted a different approach. In 2011, Idaho replaced the traditional ratio and size limit regime with a flexible points-based system in which children are assigned a point-value depending on their age.[37] Childcare centers are limited to a total number of points.[38] The cost of childcare for infants in Idaho—an average of 11.8 percent of the state's median income—is among the very lowest in the western United States.[39]

A closer look at Kansas—*Strict childcare ratios and group size limits drive up the cost of care*

Kansas imposes a staff-to-child ratio of 1:3 for infants (one staff member for every three infants) and a group size limit of nine infants.[40] In other words, a childcare provider with two employees could not accept more than six children, even if both the provider and the parents of a seventh child wanted to enroll the child. And if that provider hired additional staff to keep up with demand and maintain compliance with the staff-to-child ratio mandates, the group size limit for infants in Kansas is nine.[41]

This means that a childcare center in Kansas cannot enroll more than nine infants per license, no matter how many workers it employs.

Like most states, Kansas's ratios and size limits relax gradually for older children.[42] Kansas imposes special ratios and size limits on providers that supervise children in mixed-age groupings.[43]

KANSAS'S OVERLY STRICT STAFF-TO-CHILD RATIOS AND GROUP SIZE LIMITS IN CHILDCARE CENTERS

AGE OF CHILDREN	MINIMUM STAFF/ CHILD RATIO	MAXIUM # OF CHILDREN PER UNIT
Infants (2 weeks–2 months)	1–3	9
Infants–6 years	1–4 (max. 2 infants)	8 (max. 4 infants)
Toddlers (12 months–2.5 years if walking alone)	1–5	10
2 years–school age	1–7	14
2.5 years–school age	1–10	20
3 years–school age	1–12	24
Kindergarten enrollees	1–14	28
School age	1–16	32

Source: Kansas Department of Health and Environment, Division of Public Health

Studies have repeatedly shown the relationship between the cost of childcare and regulation, with more flexible staff-to-child ratios resulting in lower costs.[44-45] Because Kansas's ratios and size limits are among the strictest in the nation, it is no surprise that childcare in Kansas is also among the most expensive in the nation—higher than every neighboring state except Colorado.[46] As a percentage of the state's median income, childcare in Kansas is as expensive as childcare in New York.[47]

It's clear: States can reduce the cost of childcare by reducing unnecessary regulations like strict ratios and size limits.

REDUCE THE BURDEN OF EDUCATIONAL REQUIREMENTS

Some states have very high and specific educational requirements. For example, Rhode Island requires teachers at childcare centers to have a bachelor's degree in early childhood education or a related field.[48] Unsurprisingly, these requirements increase costs for parents. Even the more modest requirement of a high school diploma can increase the cost of care by more than 20 percent.[49] It is common sense: Requiring employers to hire workers with more extensive—and expensive—education limits employers to workers who demand higher wages and costs are passed on.

In the absence of such regulation, some parents may still prefer and pay a premium for childcare workers with specific credentials. But state educational requirements impose those preferences and premiums on parents at all income levels. Some parents may find it necessary—or even preferable—to pay for childcare workers with less formal education but more experience in other fields. These requirements can drive parents—particularly low-income parents—out of the market for center-based care and into lower-quality childcare arrangements.[50]

States like Connecticut, Idaho, Montana, and Oregon do not require any childcare workers, including center directors, to even have a high school diploma.[51] Seventeen more states may require some level of education for center directors but do not require teachers to have a high school diploma.[52]

If these diverse states can open up a high-demand market to more workers who are ready and willing to work, other states can and should too.

The 800-pound gorilla in the childcare market

A broader trend in the labor market has had a major impact on the childcare market—the long-term decline in labor force participation punctuated by an acute worker shortage.[53-54] The Federal Reserve Bank of St. Louis notes that because of "the nature of the work, labor costs are the key driver of costs for childcare centers."[55] The childcare industry was particularly hard hit by worker shortages during the pandemic.[56] This caused a dramatic rise in wages—and increased costs for employers.[57]

The lack of workers in the childcare market only further fuels the lack of workers in the broader economy. Access to childcare is an important factor for whether mothers stay in the workforce.[58] And, because more than 90 percent of childcare workers are women, causation flows in both directions for mothers: As more childcare workers leave the market, more women who work in other fields must leave the workforce to care for children more affordably.[59]

To this end, reforms that increase workforce participation should have a positive impact on the availability and affordability of childcare.

THE BOTTOM LINE: Lawmakers should learn the lessons from efforts to make childcare more affordable during the COVID-19 pandemic by reducing unnecessary regulations.

Childcare is a growing problem with increasing political power. The COVID-19 pandemic brought even greater attention to it—and highlighted solutions. States can take simple steps to increase access to affordable childcare by making their staff-to-child ratios more flexible, eliminating group size limits, reducing the burden of educational requirements, and bringing more workers into the labor force.

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APPENDIX: STATES WITH COST OF CHILDCARE AS PERCENT OF HOUSEHOLD INCOME BEFORE COVID-19

STATE	ANNUAL PRICE OF INFANT CHILD CARE	PERCENT MEDIAN INCOME
Alabama	$7,280	9.10%
Alaska	$11,832	11.70%
Arizona	$10,822	13.40%
Arkansas	$6,443	8.90%
California	$16,452	17.50%
Colorado	$15,600	16%
Connecticut	$15,600	12.70%
Delaware	$11,349	11.20%
Florida	$9,312	11.70%
Georgia	$8,729	10.40%
Hawaii	$14.10	14.30%
Idaho	$8,636	11.80%
Illinois	$13,762	14%
Indiana	$12,390	14.80%
Iowa	$10,743	11.80%
Kansas	$12,584	14.60%
Kentucky	$7,440	9.40%
Louisiana	$8,580	9.50%
Maine	$14,248	16.50%
Maryland	$15,403	12.60%
Massachusetts	$20,880	16.40%
Michigan	$10,287	11.50%
Minnesota	$16,120	15.30%
Mississippi	$5,760	7.60%
Missouri	$9,880	11.60%

STATE	ANNUAL PRICE OF INFANT CHILD CARE	PERCENT MEDIAN INCOME
Montana	NA	NA
Nebraska	$12,272	13.80%
Nevada	$11,107	14.20%
New Hampshire	$13,044	12%
New Jersey	$12,480	10.10%
New Mexico	$9,135	12.50%
New York	$15,028	14.70%
North Carolina	$9,254	11.20%
North Dakota	$9,182	9.30%
Ohio	$10,009	11%
Oklahoma	$8,940	11.70%
Oregon	$13,518	15.70%
Pennsylvania	$11,560	11.90%
Rhode Island	$10,955	10.70%
South Carolina	$9,100	11.20%
South Dakota	NA	NA
Tennessee	$9,017	11.50%
Texas	$9,864	11.60%
Utah	$10,002	12%
Virginia	$14,560	13.70%
Washington	$14,844	15.30%
West Virginia	$8,029	10.60%
Wisconsin	$12,552	13.40%
Wyoming	$9,100	10.10%

Source: ChildCare Aware of America

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