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THE ROLE OF CHILDCARE IN AN EQUITABLE POSTPANDEMIC ECONOMY

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC POLICY

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

FIRST SESSION

ON

EXAMINING CHILDCARE AS A CRITICAL PART OF HOW OUR ECONOMIC RECOVERY PLAYS OUT AND WHAT OUR ECONOMY WILL LOOK LIKE GOING FORWARD

JUNE 23, 2021

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C O N T E N T S

THURSDAY, JUNE 23, 2021

THE ROLE OF CHILDCARE IN AN EQUITABLE POSTPANDEMIC ECONOMY

THURSDAY, JUNE 23, 2021

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON ECONOMIC POLICY,
Washington, DC.

The Committee met at 2:32 p.m., via Webex and in room SD–538, Dirksen Senate Office Building, Hon. Elizabeth Warren, Chair of the Subcommittee, presiding.

OPENING STATEMENT OF CHAIR ELIZABETH WARREN

Chair WARREN. Good afternoon, everyone.

I want to welcome my colleagues and all of our witnesses to this hearing of the Banking Committee's Economic Policy Subcommittee.

I want to thank Senator Kennedy for working with me and my staff to make this a successful hearing.

I believe that this may be the first hearing about childcare in the history of the Banking Committee. But really, this should not be surprising. We are here to talk about our economy and economic recovery, and childcare is a critical part of how our economic recovery plays out and what our economy will look like going forward.

As we look ahead to our postpandemic economy, childcare is essential for helping parents get back to work. A national survey found that nearly 20 percent of working parents left the workforce or reduced their hours solely due to a lack of childcare. And 26 percent of women who became unemployed during the pandemic attributed this to a lack of childcare.

In order for parents to return to work, they need safe, reliable and affordable childcare. Without it, many parents will find that they are struggling to interview for jobs, let alone to hold down a job or advance their careers. A strong economic recovery depends on solving this problem.

High-quality childcare and early learning is about parents' jobs. But it is also about early learning for children. A mountain of evidence shows that high-quality early learning supports important brain development, helps children get ready for school, and leads to higher earnings and better outcomes throughout a child's life. For every dollar we invest in high-quality early childhood programs study after study shows that we get a return of somewhere between $4 and $9 back on down the line.

New research has found that spending on programs that support children's health and well-being reduce medical costs, improve college attendance, and lead to higher earnings and higher tax payments. In other words, these programs pay for themselves by the time the children become adults. This is not just a nice thing to do. It is a smart investment that will yield returns for our country's future.

And finally, we need to address the fact that childcare providers are seriously underpaid. Today, childcare workers earn an average of just $12 an hour. Childcare providers are some of our Nation's most important early teachers but our Nation has undervalued the work they do for far too long.

Ninety-five percent of childcare providers are women and they are disproportionately women of color. Ensuring that childcare jobs are good jobs, with fair pay and benefits, and that jobs that will support families while doing this essential work, will permit childcare workers to stay in the field, to buildup expertise, and to improve the care they offer to our children.

For generations, we have told parents that when it comes to finding quality, affordable childcare they are on their own. That is bad for parents, bad for babies, and bad for childcare workers. There is a reason that childcare was front and center in President Biden's American Families Plan. This is critical infrastructure that makes all other work possible.

I am very concerned about the bipartisan framework released last week that did not include a word, not one word, about childcare. An infrastructure plan that does not include childcare does not address the challenges facing families in Massachusetts or anywhere else around the country.

Now is not the time to abandon what President Biden has proposed. Now is the time to expand it.

I am fighting for a $700 billion Federal investment to make sure that every single family who needs it can find safe, affordable childcare. That is good for parents, it is good for children, it is good for providers, and it is good for our whole economy.

So that is why we are here today, to understand the problem and to figure out how to address the challenges facing families and build a stronger economy that works for all of us.

Our first witness, Fatima Goss Graves, is the President and CEO of the National Women's Law Center, where she has spent her career fighting to advance opportunities for women and girls.

Next, we will hear from Dr. Betsey Stevenson, a Professor of Public Policy and Economics at the University of Michigan. Dr. Stevenson has served on the Council of Economic Advisors as an advisor on social policy and labor market issues and as Chief Economist at the Department of Labor.

We are lucky to be joined today by Bernadette Ngoh, a founder of Trusted Care, a family childcare program in West Haven, Connecticut. As a family childcare provider, Ms. Ngoh operates her program 24 hours a day—think about that—and is committed to quality, equity, accessability, and community support.

After Ms. Ngoh, we will hear from Abby McCloskey, the Founder and Principal of McCloskey Policy, LLC, a research and consulting firm serving businesses and political leaders across the country.

And finally, we are joined by Rachel Greszler, a Research Fellow at The Heritage Foundation, whose work focuses on retirement and labor policies as well as workplace and family issues.

The pandemic has exposed the challenges that have faced working families and childcare providers for decades. We have an historic opportunity right now to make sure that every family that needs it can find and afford childcare, and that every childcare provider earns a living wage with good benefits.

So I want to thank all of our witnesses for joining us today. I look forward to hearing your testimony.

There is going to be a vote at three o'clock. I am going to step out during that vote and Senator Smith is going to take over the gavel and run the hearing while I vote.

And with that, I would like to start with Ms. Goss Graves and recognize you for 5 minutes for your testimony, please.

STATEMENT OF FATIMA GOSS GRAVES, PRESIDENT AND CEO, NATIONAL WOMEN'S LAW CENTER

Ms. GOSS GRAVES. Well good afternoon, Chair Warren and Ranking Member Kennedy and all of the distinguished members of the Subcommittee.

My name is Fatima Goss Graves, and I am President and CEO at the National Women's Law Center. For both Chair Warren and Senator Smith, we are so grateful for your leadership on childcare. And we are grateful to Congress for the American Rescue Plan and the 2020 COVID relief packages which together provided a $50 billion amount in relief funding that saved the childcare sector from collapse. But we can make no mistake, the investment in childcare cannot end there.

For the childcare and early learning sector, the pandemic has really laid bare and really exacerbated deep inequities in our childcare system that have long been baked-in, that families are required to pay sums that are unaffordable, that early educators are being paid poverty-level wages, and too many communities across the country are faced with situations where there are not enough childcare workers and there are insufficient facilities to support the demand.

Since the start of the pandemic, the decline in mother's labor force participation have been nearly double that of fathers. Research shows that COVID has led mothers of young children in particular to reduce their work hours by as many as four to five times more than fathers.

And while these numbers are cause for alarm, what is actually more surprising, I think, is we are not seeing an even larger reduction in labor force participation yet. And that is because throughout history mothers have found workarounds. Workarounds by accepting jobs that pay lower wages. Workarounds by putting off educational opportunities, opportunities to grow in their careers and to provide for their family, foregoing other necessities for their families and for themselves because the cost of childcare eats up a third or more of their income, all while working themselves to the bone to care for their families.

And as parents are desperately seeking childcare in this moment, we risk not only undermining employment, undermining economic growth in this country, but also undermining children's long-term development.

When we invest in children starting at birth it yields long-term positive outcomes for their health, for their education options, for their employment options. And from birth to age three, we know that children's brains are making more than 1 million neural connections per second. And that is influenced greatly by caregivers.

So what we need is universal and reliable and affordable high-quality childcare so that all parents, but also the mostly women and women in color in particular who have been barely hanging on in this pandemic can get and can keep jobs, and that the workers, the mostly women workforce, the mostly women of color workforce, can do the critical work of care that we all value so much for pay that actually matches that work.

We are seeking and think we need a $700 billion investment in directly spending to ensure that we can meet this moment. Meet a moment that no family would pay more than 7 percent of their income, so that childcare providers can be paid on parity with kindergarten teachers, and that there can be more childcare slots available for families in this country, and that we can get 2.3 million good paying jobs nearly all of which would be held likely by women.

And this investment will also enable parents, and especially mothers, to participate in the labor force and have greater financial security.

We have a new study out with Columbia University that shows that increasing the number of women with young children working full time, increasing this investment would increase the number of women with young children working full time by 17 percent. And for women without a college degree, it is 31 percent.

So I will just conclude with just a couple of final thoughts, and that is pre-COVID our status quo was unsustainable. We knew that. It was unsustainable. It left families behind. It left women workers in a bind. We can do the work that demonstrates that childcare is infrastructure in this country.

Thank you so much for having me and I look forward to any questions.

Senator WARREN. Thank you very much, Ms. Goss Graves. That is very helpful.

Dr. Stevenson is joining us by Webex. You are recognized for 5 minutes.

[Pause.]

Chair WARREN. There is that long pause. Dr. Stevenson, are you there?

STATEMENT OF BETSEY STEVENSON, PROFESSOR OF PUBLIC POLICY AND ECONOMICS, GERALD R. FORD SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MICHIGAN

Ms. STEVENSON. I am. Thank you, very much.

Thank you for the invitation to speak today about childcare. I an economist who has spent much of the past three decades trying to better understand women's employment, American families, and the porous boundaries between our personal lives and our work lives. These porous boundaries were completely shredded during the pandemic as tens of millions of people began to work from home for the first time along with their children who lost access to in-person school and childcare.

My research has shown that policy choices shape the constraints that people face and therefore their employment and family decisions. The choices you make now about childcare will shape the U.S. macroeconomy for decades to come by influencing who returns to work, what types of jobs parents take, and what kinds of promotion paths parents are able to access.

It is not just women, men's employment choices are also shaped by access to childcare. In 2014, a survey found that 49 percent of parents said that at some point they had passed up a job because it conflicted with family obligations.

In a recent survey that I have been running just over the past month in conjunction with RIWI, we found that childcare responsibilities during the COVID–19 crisis impacted the employment of 59 percent of parents. Only 41 percent of parents said childcare had not affected their job.

Many cut their work hours, turned down promotions, changed jobs for more flexibility, paused training or education, or quit jobs entirely. These impacts were reported by men and women almost in equal number, a fact that reflects the shift toward greater, although not complete, equality in the home.

Let me emphasize that the pandemic did highlight that women continue to bear disproportionate responsibility for care giving within families and the COVID crisis impacted women more than men in many ways.

The first factor was the nature of the recession itself. This was our very first ever service sector driven recession. Between February 2020 and May 2020, women lost 13 million jobs compared to 9 million jobs lost by men. However, over the last several months of recovery the gap has been reversing as jobs for women have been expanded faster than those by men. This is important because it points to the role that women are playing in the economy and how essential they are.

The second factor was, of course, the closing of schools and childcare. More than two-thirds of children live in households in which all parents work. The pandemic made salient the many roles that schools play. K–12 education is typically thought of as a source of education for children and an investment in the next generation. It is. It is also a source of childcare for many families who are able to work for pay during the roughly 6 hours that their children are being taught and cared for by professional educators provided for through their tax dollars.

Childcare for younger children serves a very similar dual purpose. Early childhood educators can improve outcomes for children by engaging in developmentally appropriate curriculum-based activities. They also provide crucial care for children in households in which all parents work.

The third factor is related to changes in family life. And I really want to highlight this because it is often overlooked. Mothers of young children were more likely to be in the labor force at the time of the pandemic than in any time in the past. In 2019, mothers of children 6 years old and younger had the highest labor force participation from any period in history.

These challenges that women faced highlight our failure to adapt childcare, workplace flexibility, and workplace parental leave policies as women have entered the workforce and gained experience, training, and education that has made them an essential part of the economy. Women are no longer the secondary earners as economists used to refer to them, able to step back from work whenever the household demanded it. Today, more than 40 percent of mothers are the primary earner for their family, earning at least half of total household income.

I want to highlight in my last few minutes just really the important role that childcare plays. Childcare and education has more in common to the banking system then you may suspect. It is the backbone of our future economy because it invests in and develops our human capital. While women have done this labor for no or little pay, do not underestimate its value. Human talent to these investments and its ultimately human ingenuity that fuels our economic growth.

Early childhood education does three things: it provides childcare that allows parents to work, thereby raising household income. It develops skills in children that lead to higher lifetime earnings. And it supports the equal investments in children necessary for a competitive market economy to reach its potential.

Thank you.

Chair WARREN. Thank very much, Dr. Stevenson. I appreciate your being here.

And now, Ms. Ngoh, you are recognized for 5 minutes for your testimony.

STATEMENT OF BERNADETTE NGOH, FOUNDER, TRUSTED CARE FAMILY DAY CARE HOME

Ms. NGOH. Thank you for the opportunity to speak to you today.

I am Bernadette Akum Ngoh. I own a childcare program in Connecticut. My program runs 24 hours to take care of the varied needs of workers, parents.

I was raised in Cameroon by a single mom who had little education but wanted me to go to school, wanted me to learn. And that helped me along the line to acquire education.

I did go to school, just like we are looking forward to our kids to go to school. I earned a degree in law, I earned a degree and postgraduate diploma in women's law. I earned a degree in counseling and an MBA.

What does this tell me? That early childhood education is very important today, tomorrow, and forever. If we have to change our economy, we have to invest in early childhood education.

Before 2010, I used to be an Adjunct Professor at the University of Bridgeport here in Connecticut. I had the opportunity to teach older kids. But when I had my own kids, I had to switch lanes and decided to teach young kids. I saw something that needs to be done.

If we do not invest, if we do not bank in our kids, then we are creating a problem down the line. Entrusting our kids with what they need for the future is like doing something we call prevention is better than cure. Everything that the kids need at this age is very helpful because it will take down the costs of every other thing that when we grow older we will need.

So investing in early childhood, to me, is very, very crucial.

I want to emphasize one thing, that early childhood education, daycare in particular, helps everybody. The multiplier effect of me keeping that child and the mom going out there to work will have a longer lasting benefit to the economy as a whole. It is very important for us to realize that.

The impact of early childhood does not only end with the kid that we are taking care of, the parents, but it also affects the general economy. If I do not take care of the kids, you will not be there working.

The Senators would not be doing their job. The doctors would not be doing their job. So the effect of that has a multiplier effect everywhere within our economy now and in the future.

Before the pandemic hit, it was tough being a daycare provider. The pandemic hit us so hard. Unfortunately, we were quarantined twice. How did that affect our program? We had to close down. How did that affect other workers? They were unable to go out and work for several—for about 2 weeks, if not more, because of what was going on.

I am submitting that daycare is very, very important. Our country has a childcare problem that needs to be resolved. If we do not pay attention to the crisis that childcare is facing, that problem is going to multiply down the line. If we are growing the next generations of presidents, CEOs, engineers, and doctors, we need to give them what they need at this age because this age is the time that we build the foundation.

If we fail to build the foundation properly, then what we are leaving out there will be disastrous. It is easier to repair the structure up there and it is very difficult and costly to repair the foundation. Childcare, education, we build the foundation. We build the brains of the kids that we care for and we need to be reward as such.

We do not only build the brains of the kids that we take care of, we do much more than that. We listen to their parents when they share their challenges back at home, when they share their challenges back at work. We have all of this going on within our daycare program and the remunerations we get are far less than what we put out there in terms of services, in terms of the quality, and our skills.

So I am proposing that we pass this bill to be able to fund childcare programs.

Thank you.

Senator WARREN. Thank you, Ms. Ngoh. I very much appreciate your being here.

Ms. Greszler, you are now recognized by Webex for 5 minutes.

STATEMENT OF RACHEL GRESZLER, RESEARCH FELLOW IN ECONOMICS, BUDGET AND ENTITLEMENTS, THE HERITAGE FOUNDATION

Ms. GRESZLER. Good afternoon, and thank you for the opportunity to be here today.

As a wife and a mom of six young kids ranging in age from 3 to 12, I have spent the last 13 years navigating the same thing that millions of parents have done and facing the decisions to determine what work and childcare is best for them.

If there is one thing that I have learned, it is that there is no single work-family balance nor childcare setting that is best for everyone. These decisions are not easy and I know I continually question whether we are doing the right thing. Only through the ability to carve my own pathway and achieve a flexible balance have I become more comfortable and confident in the choices that we have made.

Families need to be free to pursue what is best for them and not what politicians, Government programs, or societal norms tell them to do. I am actually optimistic that the changes brought on by the pandemic could benefit families through more flexible and accommodating work options.

Women have already overcome what were initially disproportionate employment impacts and a recent study actually found that childcare struggles is no longer weighing on employment declines. That means that heavily subsidized childcare and universal pre-K will not solve the current employment problems. But they would push more parents into the workforce. And that is one of their goals, to prevent parents from having to give up income in order to stay home with kids.

Allegedly, Government programs are great for kids, producing seven for one returns. But are politicians really telling me that my children's future value to society will be multitudes higher if other people pay for my children to attend full-time Government directed childcare and if I or my husband give up some income to stay home with them, or if we choose any other combination of non-Government childcare?

It is wrong to discount the enormous value of parents investing time in their children. And moreover, there is actually zero evidence that large scale Government programs could mimic the high returns of tiny boutique programs that serve disadvantaged children a half century ago.

Present day programs like Head Start and Tennessee's voluntary pre-K program have provided little or no lasting gains and they have had some consequences. Moreover, only 18 percent of families prefer to have both parents working and their kids attending paid childcare. And those families are disproportionately wealthy and affluent.

Nudging families away from their preferences could backfire, as Quebec $5 per day subsidized childcare program showed. It did increase work among young moms and it shifted a lot of kids from family care to Government care. But researchers found striking evidence that children's health and behaviors were worse off. They had higher crime rates as teenagers, and families experienced more hostility and less consistent parenting.

There is also the reality that Government childcare will drive up costs and limit choices. Requirements like extremely low child-to-teacher ratios and college degrees for childcare providers are a big reason behind D.C. $43,000 price tag for two kids attending childcare.

Small family and religious providers are usually less expensive and more flexible but Government subsidies and directives could actually crowd them out. Already, onerous Government regulations contributed to a 52 percent decline in the number of small family providers since 2005.

And while childcare is inherently expensive, there are ways that policymakers can help families obtain the care they need at a cost they can afford. My written testimony provides more details but some helpful actions include letting families keep more of their own money. Reducing regulations that do not contribute to improved quality and safety. Giving parents more choices with the public childcare programs that are out there. Eliminating barriers to employer-provided childcare. Letting workers choose to be independent workers. And enabling more flexible childcare settings.

For example, Head Start costs as much as full-time childcare but often only provides half as many hours. Families should be able to take that money to a provider that works better for them.

If I watch my friend's kids one afternoon per week, I should not have to convert my home into a licensed childcare facility. If a couple of moms want to form a co-op, they should not have to become employees and employers of one another.

And daycare should not have to throw out expensive materials when a simple duct tape fix would do the trick. But apparently duct tape harbors germs so it is not allowed.

Caring for children is something that humans have done since the dawn of time. And childcare is not unique to COVID–19 or even to 21st century America. But as more Americans desire increasingly flexible work, easing childcare restrictions could help more families meet their desires.

The solution to a more equitable economy is to empower parents instead of politicians to make the choices that are best for them.

Thank you.

Senator SMITH [presiding]. Thank you very much, and we will now hear from Ms. Abby McCloskey, who will be joining us via Webex.

STATEMENT OF ABBY M. MCCLOSKEY, FOUNDER AND PRINCIPAL, MCCLOSKEY POLICY LLC

Ms. MCCLOSKEY. Thank you, Senator.

Chair Warren, Ranking Member Kennedy, and members of the Committee, thank you for the opportunity to testify today.

The nature of work and family has changed significantly in recent decades. The majority of parents of young children are now in the labor force, and mothers are the primary breadwinner in 40 percent of families. This has created tensions around work and care that both the Government and markets have failed to adequately address.

Most recently, the COVID–19 pandemic revealed just how intertwined care is with the economy, providing a unique opportunity to rethink the childcare landscape. As policymakers weigh new reforms, I would like to put forward five principles to target our childcare investment.

Number one, the benefits of early childhood programs are most pronounced for disadvantaged families. We should focus our efforts here. Nobel Prize winning economist James Heckman has found a 7 to 13 percent annual return on early childhood development programs for disadvantaged children. Moreover, the children of those who attended such programs also have exhibited improved economic outcomes. This suggests that targeted investment in early childhood care could improve intergenerational upward mobility for at-risk communities.

In contrast, research on broader programs such as universal childcare and universal pre-K is mixed, with some studies showing positive effects and other showing fading or negative ones. More research is needed before justifying universal programs.

Number two, we should increase parents' choices for care providers. Childcare needs and values vary widely. As such, policymakers should seek to create more options for care, rather than one-size-fits-all public programs. This could be done through the existing Child and Dependent Care Tax Credit which, in essence, is a school choice program for early childhood care. Parents can use the credit to send their children to center-based care, in-home care, a church program, preschool, a language program, all of which could be full-time, part-time, or something in between.

This would allow for proliferation of different kinds of care providers in response to what parents want instead of in response to what Washington wants. Making the credit refundable would benefit low-income households for whom childcare is a barrier to work and high-quality care options are most out of reach.

Number three, we need to account for existing programs and make sure that new spending is paid for. The Federal debt is at historic levels and that is before any infrastructure package. We must be judicious with our spending priorities and pay-fors. We are not starting from scratch in the childcare space. New programs should seek to rationalize existing landscape of Government programs and subsidies to reduce waste and overlap.

Additionally, new programs should be accompanied by a review of existing spending instead of relying wholly on higher taxes. This spending review should be comprehensive and not limited to existing childcare programs. This is because in the next decade, Federal spending on adults over the age of 65 will grow to more than half of all spending, while the share of spending on children will shrink to 7 percent.

Number four, we should make it easier for parents to spend time with infants. While much of the discussion on childcare focuses on care outside the home, care inside the home from parents if vitally important. Yet, the status quo makes it very difficult for parents to spend this critical time with their children even in the early weeks of life. One study has found that one in four women return to work within 2 weeks of giving birth.

A Federal paid parental leave policy would change this and is associated with reduced rates of neonatal fatalities, increased involvement from fathers, and higher wages and reduced reliance on welfare for mothers. Unlike broader paid leave packages, its cost is modest and contained. Boosting wages for parents through economic growth and Earned Income Tax Credit also would provide more flexibility to be at home if that is what they chose to do.

Number five, we should seek to bring down the costs of care. One contributor to high childcare costs is the decline in the supply of providers and, in particular, in-home providers. This is, in part, due to burdensome regulation. A care package should include Federal incentives for States to review and streamline their childcare regulations wherever possible. We should seek to increase the number of care providers and opportunities for their career advancement in a way that is sustainable.

For example, multiple States have begun to implement apprenticeship programs for early childhood educators, providing them for opportunities for increased skills and higher pay. These efforts have been supported by the Trump White House, by the Center for American Program, and by the Bipartisan Policy Center. We should seek to expand these efforts.

Having worked with leaders across the political spectrum in my career, I am convinced that there are targeted reforms that would deliver significant benefits for American families and to the economy.

Thank you for the opportunity to testify and I look forward to our discussion.

Senator SMITH. Thank you, very much.

I want to thank all of our panelists for your testimony and I am going to now recognize myself for 5 minutes of questioning while Senator Warren is voting.

So I start from the place that childcare is a family and an economic imperative. And I think that today's hearing is so important, and I thank my great colleague Chair Warren for holding it. Because I do not think our economy will work, nor will it return to normal, if we do not have safe, high-quality childcare and early education options. And I think that we know that high-quality early education closes opportunity gaps for children. This is what we know.

This is, of course, as several of you have pointed out, this is about equity for children and families.

I have learned from speaking with childcare providers and early education providers across the gamut in Minnesota that the whole business model for childcare and early learning in our country is just not working. It is not working for families, for businesses, for providers themselves who often describe this work as a labor of love and certainly not the place where they are making a lot of money. And it is not working for the vast majority of the providers themselves who, as has been pointed out, are most often women and women of color.

So let me just ask a couple of questions on this topic. I am going to start with Ms. Goss Graves, if I may. You mentioned, in your testimony, that childcare is infrastructure. And this, of course, the word infrastructure has been thrown around a lot over the last couple of months here in Washington. I have joined Chair Warren and several of my colleagues in urging big investments in childcare because I agree that childcare is the work that makes all other work possible.

But could you just say a little bit more, Ms. Goss Graves, about what does it mean to you when you say that childcare is infrastructure? And what do you say to those who say that infrastructure is really just about roads and bridges and broadband? Not that that is not important, too.

Ms. GOSS GRAVES. I actually think when you think about roads infrastructure, broadband, you understand why childcare is infrastructure. Childcare is the care and the work that makes all other work possible. It is something that connects families with jobs. And it is the work that ensures that entire sectors can actually work.

And one of the reasons it was so fragile going into the pandemic and we watched it basically collapse is because we have been treating it too much like an individual problem. But if we actually invest over the long term like it is infrastructure, like it is a public good foundational for our economy and our families, then we have an opportunity for something very difficult going forward.

Senator SMITH. I think the infrastructure word sometimes sounds kind of hard and impersonal but it gets, in my mind, exactly at what you are talking about which is the fundamental pieces that we need in place for families to work, for businesses to work, for our economy to work.

And I will tell you, this is what I hear also from business owners in Minnesota, especially in many rural parts of my State, where there is such a shortage of childcare and therefore a real challenge with fathers and mothers being able to work. And to be clear, they work because they have to work, because that is how they pay the bills.

Let me ask a question, if I could, of Professor Stevenson. In February of 2021, the Minneapolis Fed reported that labor force participation among moms of young children had dropped 11 percent due to the pandemic. And what the Fed found was that early on moms and dads left the workforce to care for their kids at home at roughly equal levels. But while nearly all dads went back to work, too often moms were not able to.

So Dr. Stevenson, could I ask you what does it mean for our economy and for our society in general when women are pushed out of the labor force because of a lack of access to childcare?

Ms. STEVENSON. Yes, thank you for that question.

We know that a lot of women were pushed to make a choice that is different than what they would have made because they did not have any other options.

Women have been getting more education than men and have closed experience gaps with men. What this means is that they are fundamental to our economy. They are some of our most experienced, talented workers. And when they stay home, we lose that. They lose the opportunity to have their career continue to develop.

One of my biggest concerns is that even as their children grow, we will have a hard time reintegrating women back into the labor force.

If you look since the last recession, the 2008 recession, two-thirds of the job growth went to women. So women have been driving— if you think back to that, what we called sort of the miracle 10 years of growth where month-after-month employers tired to hire more people, and we though ultimately they are going to run out of people, right? That is why the Fed started to pull back to early. But women responded to the call and they entered the labor force at higher rates.

The Kansas City Fed also found that women led the resurgence in prime age labor force that occurred between 2015 and 2019. So if you think about where we were in 2019, if we had women stay back, if they had not led that growth, we would not have had much of the growth we had between 2015 and 2019.

To put that in perspective, what a lot of people talk about, was it the tax cuts? Was it regulation? What helped us grow between 2010 and 2019? It was women.

Senator SMITH. Thank you very much.

I am over my time but I am going to ask one more question to give Senator Warnock a chance to get settled in before I turn to him.

I would like to ask a question of Ms. Ngoh, if I may.

I really appreciate you sharing your experience. I so value hearing from people are doing the work on the ground, as you are. And I am so amazed how you can organize your effort for 24 hours a day. That is incredible.

I have introduced legislation called the Child Care Supply Improvement Act, which is specifically designed to help smaller childcare providers. I am very excited about this legislation and I am glad to have the support of Senators Warren and Wyden and Brown and Casey.

What the bill would do is to permanently increase annual funding for the Child Care Entitlement to States to $10 billion and also invest $5 billion per year to help improve childcare supply and quality and affordability.

So Ms. Ngoh, could you just take a minute to tell us, before I turn to Senator Warnock, when you were starting up your organization, what obstacles did you face getting started? And how can we help people like you, who are interested in doing this work, how can we help you better get started?

Ms. NGOH. When I was starting my business, I faced a lot of obstacles, not limited to what I am going to say. No trainings, I needed trainings to be more able to reach out to meet the needs of the kids. I needed equipment. I needed help with licensing. How can I get licensed? And how can I get support for that to be done? I needed some type of grants to be able to buy some of the basic tools and equipment and toys that I need for my daycare.

I needed help with trying to make my premises helpful? For example, if I had lead in the house, I was told they had to come and check if you had lead in the house. And that is so much money for that to be done.

You want to be sure that plumbing is good, lighting is good. You want to be sure that everything that regulation requires, you meet it. If you do not meet the standards stated by licensing, then you cannot start your daycare program. What we will need is funding to help us with that.

So those obstacles were there, but I see great improvement with all these programs. Thank you.

Senator SMITH. Thank you so much, I so appreciate it.

I am going to hand the gavel back to Senator Warren so I can go vote, and I believe Senator Warnock might be next.

Chair WARREN [presiding]. Thank you, very much.

Thank you, Senator Smith. I appreciate your taking over the duties of the presiding officer.

Senator Warnock, you are recognized to ask your questions.

Senator WARNOCK. Thank you so much, Chair Warren, for organizing this conversation about childcare and equitable postpandemic economies.

Even both the coronavirus pandemic, the childcare industry faced unique challenges. Childcare was not affordable for many families. At the same time, childcare workers were underpaid.

In 2020, childcare work ranked among the bottom 2 percent by salary before the pandemic, with educators with all of their training making just over $12 an hour. In Georgia, workers in unsubsidized centers earned an average of $10.14 an hour. People who were taking care of our children and educating them.

These challenges disproportionately affect women, particularly Black and Brown women, who make up the bulk of the childcare workforce. During the pandemic, childcare providers faced record low enrollment, forcing providers to reduce costs by paying even lower wages or laying off the staff.

Ms. Graves, can you talk about the importance of paying early educators, who are educating our children during that critical time of brain development, a livable wage and the impact that this will have on our ability to fill these critical jobs with well-qualified people?

Ms. GOSS GRAVES. So thank you, Senator Warnock, for that question.

I think it is one of our Nation's travesties, the wages that childcare workers are paid. And what it means is that we are fixing the problem of childcare by basically making a largely Black and Brown women workforce bear the brunt and the cost of it.

The solution really is to pay them parity to what we already pay elementary kindergarten teachers. So we already know and have an understanding of what it looks like to pay them fairly. And we are all hurting from it. It is not just the workers and their families. We are all hurting from it because it means that that workforce is less stable. And as there is a surge of people trying to return to work and needing more childcare, they are struggling to have enough workers who are willing to work there for poverty wages when there may be an opportunity to work for a few dollars an hour more somewhere else.

Senator WARNOCK. Right.

And Ms. Ngoh, in your experience as an unsubsidized childcare provider, what would Federal investments in childcare do for your center? How would that improve the service you offer to children? The kind of talent you are able to attract? And the support you can provide for these families?

Ms. NGOH. Thank you so much.

Childcare is very important in our community. What I am looking at is what is childcare? And maybe, if we understand the job we do, the job I do as a childcare provider, we will be able to look at the remuneration and see and ask and solve the question is that remuneration up to what we do, what we offer?

As a family childcare provider, I am building, I am constructing the brains of kids just like infrastructure. We build. So every single day, what are we doing? We are building the brains of early kids, trying to make sure that by the time they become of age they are ready.

What do we do? We support them as they grow. We support their physical development. We support the creative development, we support their cognitive development, we support their social and emotional development.

We are building the foundation for the kids that will be here tomorrow to run our Nation. We are building the foundation for our Nation.

If we fail to build this foundation correctly, what are we going to produce? We are going to produce leaders that are not capable of doing the job tomorrow.

So like I indicated earlier, if we have funding, we will be able to do our job properly. What are we going to do? We will be able to provide them with quality education. We will be able to help them understand the things that they need to do at this age.

I watch kids that are between the ages of 6 weeks up to the ages of 10. At this time, I have a child that is 18 months old. This falls within the critical period of building the child's brain. If I fail to do what I need to do, sometimes because of lack of resources or because the parents cannot bring the kids to my daycare consistently because this week they cannot afford to pay their out-of-pocket family fees, what happens? That child gets services that are not sustainable. It does help the child. It does not help me. It does not help our economy.

If the Government subsidizes the family childcare program, if they remunerate us for our skills, they remunerate us for our time, they remunerate us for all of the things that we do, we do not only watch the kids. We also listen to their parents, what they struggle with.

If the Government can subsidize our programs, we will be able to continuously provide quality education for these young brains.

Thank you.

Senator WARNOCK. Thank you, Ms. Ngoh. I do not mean to interrupt, but I am 1 minute old and I am going to beg the Chair for 1 more minute.

You mentioned the economy, and I would like to ask Dr. Stevenson, because I hail from the State of Georgia where the average family pays 60 percent of their income to cover the cost of childcare for two children. I have two children, two small preschool children so I can think about the impact that must have on families, 60 percent of their income to cover the costs of two children.

Dr. Stevenson, if Congress invested what it should in high-quality childcare, how could this actually benefit the broader economy even for folks who do not have children? I think when people hear subsidies, they think that this is some kind of Government giveaway. But is there an argument to be made for how this would actually strengthen the economy?

Ms. STEVENSON. Thank you for that question.

Absolutely, because Government subsidies for childcare will allow more families to afford high-quality early childhood education, which is exactly what you just heard, about how it builds brains and it makes children more productive as adults.

Research has taken a look at why so few kids get access to high-quality childcare. There are a lot of different arrangements out there. But what drives people's choices? It is what they can afford.

There is research that has found that in childcare markets, quality problems reflect not parents' desire but their ability to afford it. Parents would spend more if they could. And in fact, that is exactly what we see. High income parents are spending more. They spend a lot on early childhood education, on childcare and investing in their children. And that is creating an inequality in adulthood that then is exacerbated and grows and grows.

So what we need, if we want an economy that can compete on a level playing field, that can get the most out of all our unique individual's talents, we need to invest in all of our children equally. And that is why subsidizing early childhood education will accomplish that by making sure that more children, the parents and the families of more children can afford the high-quality investments that you have been hearing about.

Senator WARNOCK. Thank you, so much. And than you, Madame Chair.

Chair WARREN. Thank you. Those were important questions. Thank you, Senator Warnock.

Senator Reed.

Senator REED. Thank you very much, Madame Chairman.

Ms. Graves, a follow on to the question with respect to better pay is broader, it is collective bargaining rights. Not just pay but the working hours, professional training, all these things. Would that improve childcare in the country, in your view?

Ms. GOSS GRAVES. There is no question that the ability to bargain, the ability to form a union and advocate collectively could be transformative for care workers more broadly. One of the really tough things about our long history of care work is that they were shut out of many important parts of our labor laws and protections.

And what you have seen in a few places is an opportunity for care workers to come together. That happened over the last year in California with great success, where they can bargain collectively for wages. So that is a thing that would also help.

But the truth of the matter is we keep coming back to the math problem, that families really cannot afford to pay more and workers should not have to take less or even maintain the very low wages they are paid.

Senator REED. Thank you.

Professor Stevenson, following on that comment by Ms. Graves, there is a market failure here. When you have families that cannot afford it, and yet the workers are significantly underpaid, the market is not working. So what do we have to do, in a couple of steps?

Ms. STEVENSON. Yes, it is absolutely a market failure. And it is very similar to the kinds of problems we have in K–12 education. If we were to ask parents to out-of-pocket pay for 100 percent of their children's education, what we would find is some parents simply would not be able to afford it. And that is—we decided long, long ago that we were going to ensure that children got education in primary school, that all children got access to education.

What we have learned since is actually those brain developments start early on. And we need to be providing that education earlier.

What an economist would say is what is the market failure? Well, it would be great if people could borrow the money they needed to make the investments and then pay it off over the course of their lifetime as they earned more as adults. That is exactly what taxes are. People should be getting invested in through tax dollars as children. And when they go to work as adults, they will pay it back in the taxes they pay out of their higher earnings from those investments.

Senator REED. Well, thank you.

By the way, thank you so much for your help on work share. When we were developing that concept, your insights were incredibly useful and again, thank you.

You may accept the encomium. I think that is the phrase.

Ms. STEVENSON. [Nodding.]

Senator REED. Let the record show nodding head.

Chair WARREN. I got the nodding head.

Senator REED. You got the nodding head. OK.

I just want to commend Ms. Ngoh for her great work. My time is expiring, but thank you very much. Thank you, Madame Chairman. Let me thank the panel, too, and I would yield back.

Chair WARREN. Thank you, Senator Reed.

Senator OSSOFF. Thank you so much, Madame Chair. Thank you for convening this hearing. Thank you for your leadership on this issue and for working families across the country.

And thank you for our panel, for joining us today and sharing your expertise.

When I was running for the U.S. Senate and when I was elected, it was very clear to me that Georgia families expected change and they expected Congress to invest in them, in working families in Georgia, in improving the quality of life, investing in prosperity for working families in Georgia.

And as soon as we got here, I was so pleased to join colleagues like the Chair and Senator Reverend Warnock to get to work. And that is why I am proud to be able to announce to the people of Georgia that because of the American Rescue Plan Act, which we passed into law, working Georgians who as a couple make $150,000 per year or less or as a single parent make $112,500 a year or less, will soon start to see $300 deposited directly into their bank accounts each month for every child they have under the age of 6 and $250 each month for every child aged 6 to 17 years of age. This expansion of the Child Tax Credit is so important.

And Ms. Graves, I would like to ask you, what will be the impact of this expanded Child Tax Credit and these monthly payments that families will see on the ability of families to take care of their kids and also to get back into the workforce?

Ms. GOSS GRAVES. So, there are many parts of the American Rescue Plan that brought me great joy, but the Child Tax Credit and that investment in our lowest income families is one that just made me really proud of this Congress and our country.

A big deal that 4 million families will be moved above the poverty line. So when we think about children in this country, that we did this in the midst of a pandemic, that responded that with that level, of course it is really exciting.

And going forward, I think we will have learned a lesson about what it means to ensure that no one falls off a cliff, that our families can be secure, and that our children in particular can grow up with that sort of safety.

Senator OSSOFF. Thank you, Ms. Graves.

And with my remaining time, I would like to humbly invite each of you, beginning with you, Ms. Greszler, to offer the one recommendation for Congress that you think is most important that perhaps we have not touched upon yet in this hearing today.

Ms. GRESZLER. I think a lot of the solution going forward, when we look at the economic reality of childcare, it is expensive but we do not want workers to be paid less. This is difficult. I would love for my kids' childcare providers to be paid $50 per hour but then I cannot afford to pay them that any more.

So it is a tough issue and there are limits to how much we can make it affordable without just simply taking money from other workers and forcing them to be the ones to pay for it. But there are ways that we can reduce the costs that are out there now.

And I see a big opportunity in being smaller providers, whether it is in a church center or a friend down the street that is at home with kids and decides to open up a childcare center or watch a few people. I think there is both added flexibility that could increase the number of providers, and also reduced regulations that could bring down the costs.

We heard from Bernadette about it goes on and on and on, but all of the things to your physical structure that have to be done, the requirements about you can spray this antibiotic when somebody is there and you cannot do this. You have to give these drinks at these hours, down to the nitty-gritty.

There do not need to be that many regulations on providers, because that just prevents them from coming into the market.

Senator OSSOFF. Thank you, Ms. Greszler.

Ms. Graves.

Ms. GOSS GRAVES. You know, our childcare system and our current law, the block grant, it builds in a lot of choice for families. Some families want family friend and neighbor care, other families want center care. That is already baked in our system.

What is not baked in is the level of investment to ensure that there is the supply we need, the workforce availability, and that families can actually afford childcare that it is high quality.

And so what I guess the thing that I am hoping to leave you all with is that we cannot miss this moment. We cannot miss this window, with the visibility that we have had over the last year of what it means to have such a fragile childcare system.

Senator OSSOFF. Thank you, Ms. Graves.

Thank you, Madame Chair. I yield.

Chair WARREN. Thank you, very much, Senator Warnock I am sorry, Senator Ossoff.

Senator OSSOFF. We look pretty similar.

Chair WARREN. It is down at that end of the dais, so it is good to see you.

I am going to ask some questions now. I get a chance to do this.

Even before the pandemic, half of all Americans lived in childcare deserts, areas where there simply are not enough licensed childcare slots to meet family needs. We all know that COVID made this worse, forcing thousands of childcare providers to close their doors.

For families, this means excruciating decisions. Do I spend an hour each day driving back and forth two towns over because that is the only place where there is an open slot? Do I depend on neighbors or relatives who have their own lives to worry about? Some parents are juggling it all themselves, hoping that the baby does not start crying while they are trying to do a job interview or do their work from home.

Lack of affordable high-quality childcare affects every aspect of our economy. And while it got a lot worse during the pandemic, it has been holding our economy back for decades.

So Dr. Stevenson, I was hoping maybe we could go through some of the data on this. What happened to women's workforce participation say from the 1970s to the 1990s, through the 1990s?

Ms. STEVENSON. So, between the 1970s and the late 1990s, women's labor force participation grew quite rapidly, going from 43 percent of women participating in 1970 to a peak of 60 percent in 1999.

Chair WARREN. OK, so let us break this apart into pieces. So we have this sharply upwards slope. Did that trend continue?

Ms. STEVENSON. That trend did not continue. In fact, it flattened out and we saw women's labor force participation growth completely stall out, decline slightly, and then decline a lot in the 2008 recession although, as I mentioned previously, we saw a real resurgence in that participation rate starting around 2015.

But it is also important to realize that male participation fell much faster than female participation.

Chair WARREN. So we have women's participation goes up sharply in the 70s, the 80s, and the 90s. It flattens in about 2000. Is that what happened in our peer countries, like Canada? Did they see that same pattern of rise and then flattening?

Ms. STEVENSON. No. In fact, the U.S. really led the world with the rapid rise in the 70s and 80s and the rest of the world started catching up. And then, the rest of the world added more sort of workplace supports for working families. They added workplace flexibility, subsidized high-quality childcare, paid parental leave. We saw female participation continue to rise in other OECD countries.

And the result has been that the U.S. went from near the top of OECD countries, in terms of female labor force participation, to really around the bottom among 22 OECD, the more developed countries.

Chair WARREN. All right. So our peer countries kept growing female labor force participation and creating more support for them, more family friendly policies, more childcare support and so on. The United States did not and we saw a flattening of women's labor force participation. What did that flattening of women's labor force participation mean for America's GDP?

Ms. STEVENSON. Well, I think the best way to see that is actually look and see what did it mean in the 1970s, 1980s, and 1990s. The U.S. prepandemic economy was roughly 15 percent larger than it would have been if women were employed at the same rate and worked the same number of hours that they did in 1970s. So then, think about we got 15 percent more GDP because of the growth in the 70s, 80s, and 90s. And then it stopped.

So there are lots of estimates over how much bigger our GDP would have been if in the 2000s and the 2010s women had continued working. Do we—you know, if you go up toward, if you think about us adding the kinds of policies that other OECD countries would have added, some estimates suggest that female labor force participation would have been about 6 percentage points higher. And if you think about something like that, that is certainly more economic growth than something like tax cuts for corporations have ever generated.

Chair WARREN. All right. And I understand that McKinsey put out a report in which they put a dollar estimate on what would have happened, how much bigger our economy would have been if female labor force participation had continued. Are you familiar with that report? Do you remember the dollar figure on that?

Ms. STEVENSON. Yes, I am. You know, McKinsey has taken a look at, first of all, the entire globe and come up with really an enormous estimate. But my understanding is their estimate for the United States is $1.5 trillion increase in GDP if we had had that kind of continued growth in female labor force participation.

Chair WARREN. And I take it, just let me ask in your expert opinion, if we had universal childcare, do you think that would have had an impact on women's labor force participation?

Ms. STEVENSON. I absolutely do. A lot of women literally pay to work. In other words, what they spend on childcare is more than what they are bringing home after taxes. The reason they pay to work is because they know if they lose their foothold in the labor force, they are going to have an even harder time getting it back. But many women look at the idea of paying to work, being away from their children, and brining home no financial benefits for their family as a result, and think this is not a sacrifice I want to make.

Chair WARREN. I really appreciate this. You know, without childcare, millions of mothers just cannot work. And holding these women out of the workforce harms them, it harms their families, but it also harms our whole economy.

This is what it means to say that childcare is infrastructure. It is part of the basic support we need so that everyone gets an opportunity to work and our economy is productive.

This is our moment to act. You raised this point earlier, Ms. Goss Graves. The President has proposed a major expansion of childcare and early childhood education. And when Congress acts on infrastructure, childcare is not going to be left behind.

So let me ask you, what size Federal investment do you believe is needed to provide quality affordable childcare to every family that needs it?

Ms. GOSS GRAVES. So, we think we need an investment of $700 billion. At that level, we can ensure that families do not have to pay more than 7 percent of their income for childcare. At that level, we can ensure that childcare providers are actually paid wages that are dignity wages, akin to kindergarten teachers. And at that level, we can increase the supply so that we do not have this challenge of the childcare deserts that are especially a problem in rural areas, and that there will be more supply in terms of facilities but actually more workforce supply.

Chair WARREN. Well, I could not agree more. Just yesterday, I sent a letter to Congressional leadership with the support of over 100 of my colleagues, calling for a $700 billion investment in childcare.

So let me ask you, Ms. Goss Graves, some in Congress have argued that we should focus just on roads and bridges and then come back to a discussion about childcare later, if ever. What would be the impact on women if we leave childcare behind in our infrastructure package?

Ms. GOSS GRAVES. I just think that we do not have that choice. We cannot let women who have lost so many jobs in this economy, who have held together their families in this economy with work that is both invisible and barely made visible and certainly underpaid in this period. People are counting on Congress to deliver on childcare.

And that is a short-term solution but it is a long-term solution, too. It goes to their long-term economic security, their ability to retire with dignity.

Chair WARREN. I really appreciate your testimony here. You know, I support investing in our roads and bridges and broadband internet. It is all important. But we have to invest in the kind of infrastructure that women need, as well.

As a young mother, I had a terrible time finding quality affordable childcare and twice I nearly quit school, I nearly lost my job because I could not manage childcare. If we do not get this time, my granddaughter is going to face the same kind of problem I faced, and that is simply wrong. We cannot let that happen. The infrastructure train is leaving the station and we cannot leave childcare behind.

So let me, if I can, I am going to do a second round of questions here.

I want to talk about another aspect of childcare that many of you have raised today, and I appreciate your raising it. We have two very different systems in our country for teaching our little ones. For five and 6-year-olds, of course, and for older kids, we have public schools. No matter where you live, no matter how much money you make, no matter whether you have a job, you can send your public schools to learn. And you can do it for free.

Now why did public schools start at the age of five or six? Well, mostly because back then nobody thought children could learn anything earlier than that. And now, of course, we know that is not true, that early childhood experiences affect whether a child is ready for first grade. But they also affect that child all the way throughout childhood and into adulthood.

For example, high-quality early childhood education is linked to better health in adulthood and reduced odds of substance abuse or arrest. Many experts point out that when we spend a nickel on our smallest learners, we save dollars down the line.

But for the littlest kids, parents are on their own. Do not have an extra $10,000 or $15,000 a year to send your child to a high-quality early childhood program? Then you get to juggle between friends and relatives, or maybe just leave your job because childcare costs more than you can earn.

Dr. Stevenson, let me ask you, do these two separate systems make sense, given what the evidence says about the benefits of high-quality early care and high-quality early education for our children?

Ms. STEVENSON. I believe if we were designing our education system today from scratch, we would absolutely be emphasizing early learning as a critical part of that education system. As you said, we did not know back when we designed our education system that so much learning happens in the first 5 years. We now know that really does form the foundation upon which people develop and grow.

But I really want to tie this back to in the last century, our economic growth was completely driven by the fact that we educated workers more than any other country in the world. We are now not educating our citizens more than any other country in the world. We are behind on early childhood education. We are also behind on universities.

And this failure to invest in people, it is ultimately going to hold our economy back.

Chair WARREN. So, I think the evidence is clear here that you are citing that high-quality care helps all of our children learn and grow. That now, in addition to Head Start, we do have a limited public program to help low-income parents get affordable care to their kids, funded primarily through the Child Care Development and Block Grant Program, CCDBG.

But our public childcare system works very, very differently from our public school system. Ms. Goss Graves, does every single parent quality for help getting childcare, regardless of their income or work status under current law?

Ms. GOSS GRAVES. Oh, I wish that were so. It is really only the lowest income families that quality. And by a family qualifying, what that means is there are many, many children who would benefit from being in an early childhood program who cannot because their parents are not eligible.

Chair WARREN. OK, so not everyone qualifies.

Let me ask you about the people who do qualify. If you are eligible for the program, can you just walk into a childcare center and sign your child up?

Ms. GOSS GRAVES. Unfortunately, it is also not that easy. There is the work that you have to do to demonstrate that you are eligible, which ends up serving as a barrier for a lot of parents. On top of that, there are waiting lists. And processing all of this can mean that parents and families, they languish on wait lists for months.

Chair WARREN. You know, we do not make parents prove that they are working or that their income is low enough to be able to send their child to first grade. We do not put those children on waiting lists to get into second grade. We understand that education is beneficial for all kinds, so we invest in it as a country.

Early care and education should be the same. We need to make it available for all of our babies, regardless of how much money their parents earn or what kind of job they have. You know, we cannot lose sight of why this matters.

Ms. Ngoh, tell me about the children in your program. How do you see them grown and learn when they are with you?

Ms. NGOH. I want to clarify something.

What I want to clarify is I was misunderstood. When I talk about regulations, the question was what obstacles were there when you wanted to start your program. And I listed some obstacles that are there.

Having regulations in childcare is very, very important. They are the basis of trust. Health and safety are very, very vital in daycare.

So I should not be mistaken to say that regulations are not required. They are required and all we need, we need to support to help us regulate those regulations.

But parents who keep their kid with us, they need to trust us and regulations build that trust because parents know that their kids are in a safe place.

Thank you for that clarification.

Chair WARREN. Thank you. Yes, go ahead.

Ms. NGOH. Let me now answer your question. The kids I have in my daycare, I have kids in my daycare now that range from the ages of 18 months to 10 years. Those kids in my daycare have different, different personalities. They have different health issues. They are at different levels of development.

I have kids that are shy. I have kids that are happy. I have kids that somehow struggle with their speech, we call them speech delayed. We have kids that are just recovering from the pandemic and they are in a trauma.

I have a kid—I will share two stories. One, I have a kid that the mom was pregnant and lost the pregnancy. And when the child was born, apparently the child lived for 1 day and died. And that child came to daycare and all I watched the child do was trying to pick toys and make them look sad. A child that used to be a happy child, you see that child struggling with feeling sadness.

I have the task, I have the job of recognizing what that child is going through and helping that child to recover, helping that child to deal with sadness.

Today, I have a parent in my daycare who is making a little bit over $475 a week. She has three kids. The first child is 14, the second is 13, and the last one is 2 years old. That parent does not drive. That parent has to push that child in a stroller to my daycare every day and then go down straight to the bus station to take a buss to go to work.

And sometimes you see that parent getting home tired. I am obliged when, like yesterday, it was raining. That parent, there was no way she is going to traipse 30 minutes under the rain to come and pick up the child. She had to call me to find out if I can help pick her up from the bus stop. I had to go pick her up from the bus stop. I had to arrange for someone to take her from my daycare to drop her and the baby. Otherwise, they would be wet to their pants under the rain.

That parent is just one of the so many different cases we go through on a day-to-day basis.

When you ask me, as a provider, as a parent, as a business owner, what is the role of childcare, I am submitting that childcare is a public service. Childcare is a public service. Childcare should be prioritized. If we do not prioritize childcare now, we are going to get down into what we call a big disaster later on.

Like I earlier on indicated, the job we do is about infrastructure, building the brains of these young kids. If we fail to build these brains correctly, it is about teaching them those small first—we call them magic words—thank you, no, I am sorry. Helping them to build their personality. Helping them to build character.

If we fail to do this, what is going to happen down the line? These kids will be will be wayward one way or the other.

What will it need to fix the situation? If we fail at this level, if we do not have the resources that we need to build our young kids so that by the time they become of age they have what it takes, character, they have the skills, they can manage their emotions, they can integrate, they have the opportunities to learn and strive and fly like every other child, down the line, we are going to have more problems.

What I say is the play they do at daycare, play to me is a factory. It is a factory where the kids learn different things. And that is just what we are doing.

I would take one more minute to say something

Chair WARREN. We are going to need to keep this short. We are a little over here.

Ms. NGOH. Just a last minute. The one thing that I want us to know is that those kids that I am watching, if I do not watch those kids, you and some of the Senators will not go to work. If I do not sit here, if daycare providers, whether they are family based, whether they are center-based, providers, if they do not do this job, you will not be able to do your own job. Other people will be affected by that.

If any morning I get up and say oh, I am feeling sick, I cannot work today, five parents will not go to work. What is the multiplier effect of those parents not going to work?

Chair WARREN. So thank you. This is really important, and the work you do is enormously valuable and important.

We now have decades of research showing how important these early childhood experiences are and the children in your care are very lucky to have you.

So we have talked about the impact of our underinvestment in childcare on our economy. We have talked about the importance of investing in high-quality early childhood education on our children and long-term on our economy.

There is just one more issue I want to talk about before we leave, and we have already alluded to it today but I want to go back to this again.

Our Nation, for decades, has underinvested in childcare and childcare workers are among those that have been hit hardest by the pandemic. As of this April, the childcare industry had lost more than 150,000 jobs. That is one in every seven jobs in the sector. Women of color have been disproportionately hurt and many providers are still struggling to get by.

As a society, we have not valued this work the way that we should. In 2020, the average pay for a childcare workers was only $12.24. That is the average. Think about how people can make more money doing the checkout at McDonald's.

So here is the first question, and I can ask this one of you, Ms. Ngoh. Do you think that $12 an hour accurately reflects the value of the work you do for children and families? I think there is going to be a one word answer here.

Ms. NGOH. The answer is no. And I want to defend my no, because when you pay me $1, what are you rewarding me for? You are equating what services that are only equal to $12. If doctors do take care of kids, they are paid so much. If teachers, if grade three teachers do take care of kids, they are paid so much. They are building brains.

I am handling the most delicate portion of that developmental goal, our children. And you think that I only deserve $12? When the same kids that I bring up to this level, I have done the most difficult job. When I do that job, I pass that child on to middle school, to pre-K school, they are paid more.

Chair WARREN. Yes.

Ms. NGOH. Is that fair? I think the answer is no.

Chair WARREN. So it is very important work. Let me just ask, can you easily raise your fees so that the hourly wage goes up?

Ms. NGOH. How can we raise our fees easily when the parents are struggling? I just narrated a story of this lady who makes $475 a week with three kids. How do I raise my fees to such a parent?

When the pandemic hit, most parents were unable to even pay their out-of-pocket family fees. Now I had a decision to do what? To cancel out-of-pocket fees, suspended collecting those fees. I had too many things in my mind. If I send away these kids, this parent that I can watch their kids for free, what will happen when they get subsidies and later on need my program and are able to pay?

So my first answer is no, it is not possible to just raise fees.

Chair WARREN. So you have given us the illustration of how the childcare market is broken. The price of providing high-quality care at fair wages is so high that many parents are simply priced out of the market. Childcare providers cannot offer more slots because they are worried the parents cannot pay, which in turn creates more shortages.

So can I just ask you, Dr. Stevenson, this looks like a market that is broken. I am going to ask you wrap up here.

What should we be thinking about to make this market work better?

Ms. STEVENSON. OK. The market is broken and it is broken because parents cannot be paying for the investments that need to happen when their children are young. These are things that should be paid for over a lifetime.

And that is exactly what our policymakers, what our system is set up to do, which is to have Congress fund these investments in children, have our Government fund K–12, have our Government fund early childhood education and childcare. And then our children will grow up to be able to be more productive, to earn more, to allow us to produce more. And that will actually make it so that we can raise more in revenue, more than enough to cover the cost of this.

So it is incredibly important that we provide that subsidy and we take that burden off of parents, who desperately want to see their children invested in.

Chair WARREN. Well, thank you, Dr. Stevenson. And thank you all who have been here today.

I think you are exactly right. We do not ask parents to pay the full cost of first grade for their 6 or 7-year-old and we should not ask parents to pay the full cost of educating and caring for a 2-year-old either. And this is exactly why I am fighting for a $700 billion investment in childcare.

After parents, childcare providers are some of children's most important teachers. We need to transform our childcare system to recognize the skill and the value of care workers. Expanding quality care would mean that providers can offer fair pay and benefits, and it would make it easier for families to be able to find quality care.

We have this opportunity. This is our moment. We are rebuilding America's infrastructure. And a core part of that is making sure that we make the investment in our next generation, in our children. We do that and that lets mothers go back to work, and fathers go back to work now. That helps our economy and it helps our youngest Americans.

We have to make sure that when we rebuild infrastructure in this country that we create good middle-class jobs and that childcare providers are not left behind.

So I want to thank all of our witnesses who are here today. I appreciate your providing testimony.

For any Senators who wish to submit questions for the record, those questions are due 1 week from today. That is Wednesday, June 30th.

For our witnesses, you have 45 days to respond to any questions.

And again, thank you all. I appreciate your being here. We have a chance to do something important.

Thank you.

This hearing is adjourned.

[Whereupon, at 4:02 p.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF FATIMA GOSS GRAVES

PRESIDENT AND CEO, NATIONAL WOMEN'S LAW CENTER

JUNE 23, 2021

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 childcare crisis our Nation currently faces, and the investment and policies needed to rebuild this critical foundation of our society and economy equitably.

America's Childcare Crisis

I want to begin by thanking lawmakers for their leadership on the care economy and focusing on childcare 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 childcare and early learning and helped save the childcare sector from collapse.

But make no mistake, the investment in childcare 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 childcare and early learning sector, the pandemic has laid bare and exacerbated the deep inequities of a childcare 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 childcare demands. Since the start of the pandemic, one in eight childcare jobs has disappeared, [1] women have lost a net 4.2 million jobs,[2] and 1.79 million women have left the workforce entirely,[3] with childcare obligations likely playing a significant role. Additionally, as the country reopens, childcare programs are facing enormous and unprecedented staffing shortages, which means fewer slots and longer waiting lists. This blow to the childcare industry will affect childcare providers, parents, and children long after the health crisis has passed.

The United States has not had a comprehensive childcare 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 childcare 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 childcare crisis.

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

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

- In more than half of States, care for an infant in a childcare center costs more than in-State college tuition,[4] and in one study, over 80 percent of two-child families spent more on childcare than rent.[5] Additionally, low-income families

[1] Claire Ewing-Nelson and Julie Vogtman, National Women's Law Center, "One in Eight Child Care Jobs Have Been Lost Since the Start of the Pandemic" (June 2010), *https://nwlc.org/resources/sector-report-child-careworkers/*.

spend an average of 35 percent of their income on childcare which amounts to five times what is considered affordable.[6]

- Fewer than one in seven eligible children were served by the Child Care and Development Block Grant (CCDBG) and related Federal childcare programs.[7]
- Families—particularly in rural areas—struggled with a lack of care options. Research has found that over half of Americans live in a childcare desert, or a neighborhood with an insufficient supply of licensed childcare.[8]

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

- Childcare is one of the lowest-paid professions in the United States,[9] despite how valuable the work is, rising requirements for credentials and education and extensive research pointing to the of the early years for young children's healthy development.[10]
- Wages for providers average less than $12 per hour,[11] about half of programs do not offer health benefits, and recent data show that over half of childcare providers were enrolled in at least one public assistance or support program.[12]

These inequities disproportionately impact women and families of color.

- Virtually all childcare providers (over 90 percent) are women, and disproportionately women of color and immigrant women.[13]
- 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.[14]
- In addition, Black, Indigenous, People of Color (BIPOC) families are more likely to face more significant barriers to accessing care,[15] 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 childcare 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 childcare.

Childcare 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.[16] 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.[17] 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 childcare workforce. The potential impacts include a lack of stability for children in care and immense burdens on parents, including job loss.

As a Pennsylvania childcare program executive director pointedly noted in a local paper, if you are a childcare 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.[18] 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.[19]

Elliot Haspel, a childcare scholar, recently noted in the *Washington Post* that it is not just childcare 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.[20] According to analysis by the Center for Law and Social Policy (CLASP), only one in four children who want to be in an after-school program are currently enrolled.[21] Black and Latinx families are even more interested in participating in such programs,[22] but these programs are increasingly hard to find.

And a childcare 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 childcare 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 nontraditional hours, children with disabilities, and those living in childcare 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 childcare 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 childcare 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.[23] Fast forward to today, and 1.79 million women have left the workforce entirely since the start of the pandemic,[24] 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."[25]

Lack of access to affordable, high-quality childcare 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, childcare 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.[26] 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.[27]

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.[28] Of the women who had to stop working, over 80 percent said it was due to financial constraint.[29] The shares of women who were more likely to indicate these changes in workforce participation were higher for Black and Latinx women.[30]

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 childcare ate up a third of their income, working themselves to the bone to try and balance breadwinning and caregiving. Additional childcare 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 caresharing 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 childcare 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 5 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.[31]

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.[32] Since children under 5 years old are the most diverse generation in American history, investing in high-quality, affordable childcare and early learning also advances racial equity.[33]

Investing in higher wages and benefits for childcare providers leads to higher quality care for children since attracting and retaining caring, consistent providers supports healthy child development. Quality childcare programs have been associated with positive health benefits, including higher immunization rates, screening and identification rates; improved mental health; and reduced smoking.[34] In addition, childcare plays a vital role in supporting parental employment, which matters for children because family economic security positively impacts children's healthy development. Stabilizing the childcare sector and rebuilding a more equitable system is a crucial investment in our youngest children.

What Does an Equitable Childcare System Look Like?

- Ensuring no family pays more than 7 percent of their income on childcare. The U.S. Department of Health and Human Services (HHS) recommends that childcare be considered affordable if family out-of-pocket costs are equivalent to 7 percent or less of total household income.[35]
- Paying childcare providers like similarly qualified elementary school teachers. 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.[36] Childcare workers should be fairly compensated for the valuable and complex work of supporting this development.
- Building the supply of available childcare so every family can find the childcare that meets their unique needs. A family's zip code should not determine their available childcare options.

There are current proposals in Congress that would help us achieve the equitable childcare 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 copays to 7 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 childcare 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[37]—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 childcare 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.[38] 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.[39] Additionally, Black and Latinx women, who already face compounding labor market discrimination, lower wages, and more difficulty finding childcare, would experience larger percent increases in their incomes.[40] A strong investment in childcare is good for the economy as a whole.

Childcare programs cannot compete for workers like other sectors of our economy and need.

Childcare programs can attract the workers they need so working parents can find and rely on the care they 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 prepandemic 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.[41] 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.[42] We must invest in raising providers' wages to build the supply of childcare 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 childcare 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.[43]

Mothers deserve childcare they can depend on.[44] Access to high-quality, affordable childcare 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 childcare 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).[45]

Conclusion

Childcare 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 childcare 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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[iii] See Ewing-Nelson, supra.

[iv] Child Care Aware of America, The US and the High Price of Child Care: An Examination of a Broken System (2019), https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/.

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[xl] See Hartley, supra.
[xli] Daphna Bassok, et al., Sage Journals, New Evidence on Teacher Turnover in Early Childhood, (January 2021), https://doi.org/10.3102/0162373720985340
[xlii] National Center for Education Statistics, Teacher Turnover: Stayers, Movers, and Leavers (Nov. 2015), https://nces.ed.gov/programs/coe/indicator/slc.
[xliii] Areeba Haider, The Basic Facts About Children in Poverty (January 2021), https://www.americanprogress.org/issues/poverty/reports/2021/01/12/494506/basic-facts-children-poverty/.
[xliv] Sarah Jane Glynn, Center for American Progress, Breadwinning Mothers Continue To Be the U.S. Norm (May 2019), https://www.americanprogress.org/issues/women/reports/2019/05/10/469739/breadwinning-mothers-continue-u-s-norm/.
[xlv] See Hartley, supra.

PREPARED STATEMENT OF BETSEY STEVENSON

PROFESSOR OF PUBLIC POLICY AND ECONOMICS, GERALD R. FORD SCHOOL OF PUBLIC POLICY

JUNE 23, 2021

Chair Warren, Ranking Member Kennedy, and distinguished Members of the Subcommittee, thank you for the invitation to speak to you today about childcare. I am an economist who has spent much of the past three decades trying to better understand women's employment, families, and the porous boundaries between our personal lives and our work lives. These porous boundaries were completely shredded during the pandemic as tens of millions of people began to work from home for the first time along with their children who lost access to in-person school and childcare.

My research has shown that policy choices shape the constraints that people face and therefore their employment and family decisions. The choices you make now about childcare will shape the U.S. macroeconomy for decades to come by influencing who returns to work, what types of jobs parents take, and what kinds of promotion paths parents take. It's not just women, men's employment choices are also shaped by access to childcare. In 2014, a survey found that 49 percent of parents had passed up a job because it conflicted with family obligations. [1] The pandemic caused nearly all parents to face these kinds of choices over the past year. In a recent survey I conducted in conjunction with RIWI we found that childcare responsibilities during the COVID–19 crisis impacted the employment of 59 percent of parents. Many cut their work hours, turned down promotions, changed jobs for more flexibility, paused training or education, and some quit jobs entirely. These impacts were reported by men and women almost in equal number, a fact that reflects the shift toward greater equality in the home that has led men to increase the number of hours they spend on primary childcare and household chores over the past several decades, partially offsetting the decline in time women spend on those activities. [2] Dads are increasingly playing the role of the primary caregiver in the household: 1 in 5 fathers are the primary caregiver of preschool-age children when the mother is employed. [3] In the last 30 years, the number of families with stay-at-home dads and a working mom doubled, [4] the number of father-only families more than doubled, and in 2019 nearly a quarter of single parents with children under age 18 were father-only households. [5]

However, the pandemic highlighted the fact that women continue to bear disproportionate responsibility for care giving within families and the childcare crisis impacted women more than men in many ways.

The first factor was the nature of the recession itself. This was our first service sector driven recession. The United States is an economy dominated by the service sector. In February 2020, there were 131 million service sector job—86 percent of private sector jobs in the United States. Despite this large share of jobs, in every previous recession job loss has disproportionately occurred in the goods-producing sector. For example, in the 2009 recession, half of all jobs lost were lost in the goods-producing sector. In 2020, roughly 10 percent of the jobs lost were in the good-producing sector. Women work disproportionately in the service sector and therefore the concentration of job loss in the service sector meant that women bore more of the job loss. Between February 2020 and May 2020, women lost 13 million jobs compared to 9 million jobs lost by men. However, over the last several months of recovery the gap has reversed as jobs held by women have been expanded faster than jobs held by men.

The second factor was the closing of schools and childcare. More than two-thirds of children live in households in which all parents work. [6] The pandemic made salient the many roles that schools play. While K–12 education is typically thought of as a source of education for children and therefore investment in the next generation. It is also a source of childcare for many families who are able to work for pay during the roughly 6 hours that their children are being taught and cared for by professional educators. Childcare for younger children serves very similar functions to primary school. Early childhood educators can improve outcomes for children by

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[1] Harris Poll of 4,096 U.S. adults conducted online May 27–30, 2014. Reported in "Eleven Facts About American Families and Work", October 2014 Report of the Council of Economic Advisers *https://obamawhitehouse.archives.gov/sites/default/files/docs/eleven-facts-about-family-and-work-final.pdf.*

[2] Bianchi et al. (2006); American Time Use Survey.

[3] Survey of Income and Program Participation, 2011.

[4] Census Table MC1 from 2019 Current Population Survey.

[5] Census Table FM-1 from Current Population Surve.

[6] American Community Survey 2019 Table B23008.

engaging in developmentally appropriate curriculum-based activities. They also provide crucial care for children in households in which all parents work.

The third factor is related to changes in family life that meant more mothers were likely to be in the labor force than in the past. In 2019 mothers of children 6 years old and younger had the highest labor force participation than at any other time in the past. [7] These mothers were also older than in the past, as the average age of mothers has been rising over time. Finally, a greater share of 40-something women were mothers than in the past. The total number of children born to women by the end of their fertile years, known as completed fertility, hit a low in 2006 and has risen over the ensuing decade and a half. [8] The culmination was a large number of women with substantial work experience, whose families relied on childcare.

These challenges that women faced were not, however, unique to the recession. Instead, they highlight our failure to adapt childcare, workplace flexibility, and workplace parental leave policies as women have entered the workforce and gained experience, training, and education that has made them an essential part of the economy. Women are no longer secondary earners as economists used to refer to them-able to step back from work whenever their household demands required. Today, more than 40 percent of mothers are the primary earner for their family, earning at least half of total household income. [9]

Our transformation of our economy and our families has taken place over the past 50 years.

In 1970, 43 percent of women participated in the labor force participation, but over the next three decades women's labor force participation grew to 60 percent, hitting a peak in 1999. During this period of growth, the United States had one of the highest female labor force participation rates of any OECD country. This surge in women's paid employment was important for fueling U.S. GDP growth, accounting for nearly one-fifth of real GDP growth in the 1970s and 1980s. The U.S. prepandemic economy was roughly 15 percent larger than it would have been if women were employed at the same rate and worked the same number of hours that they did in 1970.

Yet, in the ensuing decades, the U.S. rank has fallen to near the bottom among 22 OECD countries as these countries have expanded family friendly policies including parental leave and childcare. [10]

While women's labor force participation growth stalled in the 21st century, it declined even further for men. Declining labor force participation was one of the challenges that the U.S. economy faced in the 2000s even prior to the 2008 recession, which further exacerbated that decline. However, the ongoing economic recovery led to a recovery in the labor force participation rate that accelerated in the 5 years prior to the pandemic. That recovery was fueled by women's—and mother's—increasing labor force participation. The Kansas City Federal Reserve Bank found that college-educated women in particular drove the rebound in the prime-age labor force participation rate between 2015 and 2019. [11]

Economic growth over the past several decades has been concentrated in the service sector. To put this in perspective in February 2020 the goods sector still had a million fewer jobs than it had at the start of the 2008 recession. In contrast, the service sector had a 15 million more jobs. This shift has both been fueled and helped fuel women's labor force growth. Roughly two-thirds of the job growth since the start of the 2008 recession went to women. With that job growth for all women, also came growth in employment in the childcare sector.

By December 2020 women held the majority of nonfarm payroll jobs in the United States. They held that position for January and February and, while it was undone with the pandemic, they are likely to regain that position again as we continue to recover. Already women's job growth has exceeded that among men.

Even though women will likely return to employment in numbers that allow them to regain their majority share of jobs, great growth in women's employment and better matching of parents to jobs in which they can be most productive requires a more reliable, affordable, and a higher quality childcare sector.

It's not only women's rising labor force participation that has changed, but our rising life expectancy has changed our working lives. A smaller share of adulthood

[7] BLS, Current Population Survey.

[8] *https://www.pewresearch.org/fact-tank/2021/05/07/with-a-potential-baby-bust-on-the-horizon-key-facts-about-fertility-in-the-u-s-before-the-pandemic/*

[9] *https://www.americanprogress.org/issues/women/reports/2019/05/10/469739/breadwinning-mothers-continue-u-s-norm/*

[10] Blau and Kahn, 2013 *https://www.nber.org/papers/w18702.*

[11] *https://www.kansascityfed.org/research/economic-bulletin/women-driving-recent-recovery-labor-force-participation-2019/*

is spent with young children in the home. A century ago, women having children could scarcely expect to live beyond age 50 and the typical woman had roughly four children. Not surprisingly, many women's entire adult lives were spent caring for children. In contrast, women today have a life expectancy of roughly 80 and have half as many children. As a result, women's adult lives are no longer spent primarily raising children. This is not to say that children are not an important part of most people's lives. Parents require support and flexibility, both of which will help them develop labor market skills that they will be able to use for decades. Equally, the time that parents need off to care for children is a shrinking fraction of the total amount of hours they will work over their lifetime. We can afford to give them that time.

Let me conclude by talking directly about childcare.

As the banking committee you understand the importance of a strong financial sector to a functioning U.S. economy. When the great financial crisis swept the globe in 2008, Congress, the Federal Reserve, and the U.S. Treasury took swift action. The financial system was regarded as the backbone of the economy—if it were to collapse it could take the entire economy with it. Part of the banking and financial sector's importance is that financial transactions allow us to invest in companies, new ideas, and capital equipment. That investment allows higher productivity growth and therefore ongoing economic growth.

Childcare and education has more in common to the banking system then you may suspect. It is the backbone of our future economy because it invests in and develops our human capital. While women have often done this labor for no or little pay, do not underestimate its value. Human talent is developed through these investments and its ultimately human ingenuity that fuels our economic growth.

The last several decades have brought tremendous strides in our understanding of children's learning. Infants and toddlers take in the world around them at birth, laying the foundation upon which the rest of their knowledge will be built. Researchers have established that profound advances take place in individuals' reasoning, language acquisition, and problem solving in early childhood. Children need age and developmentally appropriate play and learning from very early ages. We now know that it is not sufficient to begin a child's education at kindergarten. However, there is great inequality in access to early childhood education. Yes, parents are investing heavily in their children—both mothers and fathers are spending more time with their children than earlier cohorts did, despite fewer children living in homes with a stay-at-home parent. But early childhood education requires knowledge about child development that not all parents have and most children will spend time with other caregivers.

More than two-thirds of young children live in households in which all parents are working—either a single working parent or a two-income household. Yet high-quality childcare is hard to find and is expensive. Families of children under the age of 5 spend $250 per week on average on childcare.[12] Research looked at parents preferences and understanding of childcare to attempt to understand why so few children get access to high quality early childhood education and care. The research found that the childcare market's quality problems reflect parents' inability to afford high quality care and challenges in identifying quality among programs, but it does not reflect an unwillingness to pay for these programs.[13] The distinction between an inability to afford rather than an unwillingness to pay is important—parents would invest more in their children if they could. And that is why parents with high incomes do invest so much in their children. Lower income parents simply cannot afford the high cost of high-quality programs. The result is unequal investment in children that fundamentally erodes the ability for the level playing field necessary for a competitive market economy to thrive.

Early childhood education does three things: (1) it provides childcare that allows parents to work thereby raising household income (2) it develops skills in children that lead to higher lifetime earnings and (3) supports the equal investments in children necessary for a competitive market economy to reach its potential.[14] Research suggests that expanding early learning initiatives would create benefits to society of nearly $9 for every $1 invested, about half of which comes from higher earnings among the children who receive these investments.[15]

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[12] *https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/*

[13] Gordon, Hebst, Tekin, 2018 "Who's Minding the Kids", NBER working paper *https://www.nber.org/papers/w25335.*

[14] Havnes and Mogstad, 2011 AER *https://www.aeaweb.org/articles?id=10.1257/pol.3.2.97.*

[15] 2016 Economic Report of the President "Inequality in Early Childhood and Effective Public Policy Interventions".

I want to highlight an often-overlooked act of Congress that gave some communities in the United States high-quality low-cost childcare for a temporary period. The "Defense Housing and Community Facilities and Services Act of 1940". which was popularly known as the Lanham Act, funded childcare in communities with defense industries. All families, regardless of income, were eligible for what was high quality childcare at a low cost. Research into the childcare that was provided as a result of Congressional funding found that family bonds were strengthened, children enjoyed the childcare, that the primary goal—increasingly mother's employment—was achieved, and that children's long-term outcomes were improved. [16]

High-quality early education for all would narrow the achievement gap. Dozens of preschool programs have been rigorously examined since the 1960s. Overall, across all studies and time periods, early childhood education increases cognitive and achievement scores by 0.35 standard deviations on average, or nearly half the Black–White difference in the kindergarten achievement gap. Since higher income children are currently more likely to have access to high-quality early education, expanding access to all would narrow the achievement gap.

The Council of Economic Advisers under President Obama did some calculations using the findings of the vast body of research on preschool as one example of early childhood education. They found that if all families were able to enroll their children in preschool at the same rate as high-income families, the subsequent earnings gain that would accrue had a net present value of $4.8 billion to $16.1 billion per cohort even after subtracting the cost of the program. [17]

Finally, let me conclude by mentioning the aging population. While the past several decades have seen declining fertility rates, completed fertility has actually risen since 2006. This rise reflected the burst of fertility of women in their late 30s and 40s in the 2000s and 2010s. Children are born to mothers at increasingly older ages.

But in recent years women have reduced their fertility at all ages. This is raising concerns that completed fertility among younger Millennials will ultimately be lower than that of the previous generation. College graduates in middle-class families struggle to pay student loans, to save for the downpayment on a home, and to get a stronger foothold in the labor market. Women with less education struggle to find a job that will pay a living wage, let alone high quality early childhood education. The shift to having children at older ages reflects the desire by many people to establish their careers and achieve financial stability prior to having children. Research shows that women's careers and wages stagnate after having children, a fact that leads many women to postpone having children as long as possible. Women and couples are making decisions about having children while considering the challenges of balancing work and children, the support they will get from their employer, the difficulty in arranging trustworthy childcare, and the financial cost of having children.

In conclusion, women and parents are essential to the success of our economy. The majority of college-educated workers in the United States are women. This trend will continue since nearly 60 percent of those graduating from college today are women-meaning that in a decade an even greater share of college-educated workers will be female. It is important that policymakers concerned about the macroeconomy understand the crucial role that women are playing. But while women are crucial to the functioning of our economy, our workplace policies and Government policies have not kept up with the emergence of women as primary or co-equal household earners.

PREPARED STATEMENT OF BERNADETTE NGOH

FOUNDER, TRUSTED CARE FAMILY DAY CARE HOME

JUNE 23, 2021

Good afternoon Senators Warren, Kennedy, and Members of the Subcommittee on Economic Policy. My name is Bernadette Ngoh. I am the Owner/Director of Trusted Care Family Day Care Home, fondly called Mamu Daycare in West Haven, Connecticut. Thank you for this opportunity to speak to you today.

Trusted Care provides quality and affordable childcare services. Our mission is to provide childcare in a nurturing environment where kids play, explore, and learn

[16] Herbst (2017) "Universal Child Care, Maternal Employment, and Children's Long-Run Outcomes: Evidence From the U.S. Lanham Act of 1940", *Journal of Labor Economics* and *https://obamawhitehouse.archives.gov/blog/2015/01/22/experiment-universal-child-care-united-states-lessons-lanham-act.*

[17] *https://obamawhitehouse.archives.gov/sites/default/files/docs/early—childhood-report-update-final-non-embargo.pdf*

at their pace with fervent guidance. This gives parents opportunities to work, attend school or participate in other functions with peace of mind, knowing that their children are Home at Mamu Daycare. We are State-licensed and working toward national accreditation.

I was raised in Southern Cameroon by a single mother, Dorothy Akoba, who believed strongly in the value of education even though she had no form of formal education. As a peasant farmer and small business owner, she worked hard to educate us. I am the first girl in my family to go to college. I received a LLB in English Private Law from the University of Yaounde II SOA, Cameroon, and a Diploma in Women's Law from the University of Zimbabwe. I attended the University of Bridgeport, where I earned a Master of Science in Counseling, Professional Diploma for Advanced Study with specialization in Counseling and Master of Business Administration.

Up until 2010 I was an Adjunct Professor at the University of Bridgeport in the great State of Connecticut. In 2011 I had twins. I looked around for quality and affordable daycare, but the reality of the times motivated me to start one in 2012. Our program gave me the opportunity to care for my own children. With my kids as partners, we tested most of the activities that characterize our program as it is today: outdoor learning, the untapped learning space for kids. Our activities offer kids opportunity to play, explore, exercise, and have fun as they learn and enforces "magic" words and expressions such as: "Thank You," "No thanks," "I'm Sorry." Our kids build life skills, such as problem solving. Each child irrespective of their zip code or the financial standing of their parents and/or guardian has the potential of doing what they know to do best. I have the fun, hard job of supporting our kids' curiosity, hoping that it will follow them in their later ages, their needs will guide their adventures, their innocence will last a little while and love, truth, and hard work will pave the way for the next generation of Senators, CEOs, engineers, doctors, and teachers. Oh, how I love my job! Oh, how hard my job is! Oh, how even harder it is for the kids, especially kids 6 weeks through 5 years. Each day the kids leave for work, sometimes very early in the morning to give Mom, Dad, or their guardian time to be the essential heroes they are: decision makers, CEOs, doctors and other health care workers, scientists, IT engineers, farmers, and grocery store workers. The kids, as well as their parents, are heroes. They get up early, go to work on time and oftentimes are obligated to work extended hours to support the job that you are doing. At the daycare, they play hard. Playing is a "factory" for learning. Daycare educators provide families with an environment that helps children be the best they can be, that helps them learn to fly. I support children's language development, social/emotional development, and behavior. Character is a scarce commodity that has its roots in early child education.

Before the pandemic, the youngest child in my care was about 3; most of the children ranged from ages 3 to 8. I lost business, enrollment fell and attendance dropped. Today my youngest is about 18 months, one is 2 years old and the majority are between the ages of 3 and 10.

The pandemic was tough—it hit us so hard. We quarantined twice. My husband got extremely sick, and it was scary. We were not sure he was going to make it. I became sick too. But eventually we both recovered and were able to go back to work.

A parent lost his job and pulled his child out of daycare. Other parents shared their difficulties of paying for additional expenditures (mask and sanitizers) with their budgets. I suspended collection of out-of-pocket family fees from most of the subsidized parents. I had several unfilled slots at the daycare. It's tough financially—you're just wondering, "if I don't take this child [for free], I may lose them when they get subsidy." Then I look at parents. They have even less than me and I can see some of them are struggling. I run a 24/7 childcare program, which helped with my income but meant very long hours during the pandemic.

We might be getting out of the pandemic but the day-to-day struggles of struggling families date back to before COVID–19 pandemic, and they require a lot, especially from family childcare providers. We are not only educators, but also business people, nurses, counselors, and social workers for parents as well as children, I have parents with kids who are paid about $475 a week and could not afford diapers, wipes, and taxi fares to daycare or work on stormy days. One works a late shift, picks her child up late and has a long walk to and from the bus. She is barely surviving. As hollow as I see my unmet financial needs, the struggles of a parent like this one add to my duties. It is the "unseen labor" of many childcare providers. I buy diapers to supplement what she can afford. I arrange for her to be dropped off at the bus stop and home when she is running late, the weather is not favorable or when it too late in the night to be pushing the stroller with the baby. To do my job, I must be able to shift quickly from one role to the next, drawing on all the knowledge and skills I have gained from continuous training and experience to support that parent and her child.

True, it takes a community to raise a child, but learning begins at home. Due to the changing nature of our work, family daycare homes have become homes where most of the foundation for learning begins. Sometimes childcare providers spend more time with children than their parents. Providers spend "day-time" time with our children. We are among the first people who will impact the lives of children in ways that will determine tomorrow's society.

How do we place a value on this work? Is it as important as the work of doctors or policemen? Let's look at remuneration. If I became sick and closed my doors tomorrow, five parents would not be able to work. And I would not receive sick pay, disability benefits or a pension if I were older.

When the pandemic hit, schools and childcare centers closed their doors, but family childcare stayed open. We were recognized as essential workers, but we are not supported the way other essential workers are. Senators, without us most of you could not be working. Childcare providers taught you. We are teaching your children and grandchildren, nieces and nephews their first words. Jeff Bezos wouldn't be working either. And even our businesses, hospitals and police officers would not be at work if we close our daycare programs. This is the multiplier effect of childcare on the economy.

Building a strong childcare infrastructure is long overdue. Our country has been pennywise, and pound foolish. If we do not build a strong foundation, there will be cracks that will be much more expensive to fix later. Investments in childcare now also enable us to save more later, when children become adults and their challenges are much more costly to address. A stitch in time save nine.

As a daycare provider, parent, and a business owner I am submitting that:

- Our country has a childcare infrastructure problem.
- Investment in childcare infrastructure will provide immediate and long-term economic benefit.
- Childcare providers cannot afford to do this work, parents can't afford to pay for it, and children are missing out on the nurturing and support they need to thrive.
- We need professional development and compensation to retain experienced childcare educators in the field.
- You have an awesome responsibility: voters are asking you to rebuild America's infrastructure in the wake of the pandemic. Every dollar you invest in childcare—including family childcare programs like mine—generates significant economic benefit. The danger is not in investing too much, but in investing too little.

We need high-quality care for all children from birth to 5, and equitable access to funding so that all families can enroll their children in the childcare program of their choice. For the sake of our future, I urge you to invest as much new funding as possible in rebuilding the childcare infrastructure over the next decade.

PREPARED STATEMENT OF RACHEL GRESZLER

RESEARCH FELLOW IN ECONOMICS, BUDGET AND ENTITLEMENTS, THE HERITAGE FOUNDATION

JUNE 23, 2021

The Heritage Foundation

CONGRESSIONAL TESTIMONY

The Role of Childcare in an Equitable Post-Pandemic Economy

Testimony before the

Subcommittee on Economic Policy

Committee on Banking

U.S. Senate

June 23, 2021

Rachel Greszler
Research Fellow in Economics, Budgets, and Entitlements
The Heritage Foundation

My name is Rachel Greszler. I am a Research Fellow in Economics, Budgets, and Entitlements at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

As a wife and mother of six children, ranging in age from three to 12, I have spent the last 13 years navigating the choices and tradeoffs that millions of parents face when determining the work and child care that is best for them.

If there is one thing I have learned, it is that there is no single work and family balance, nor child care scenario that is best for everyone.

Making decisions regarding work and child care are not easy, but it is important for families to be free to pursue what is best for them, and not what politicians, government programs, or societal norms tell them they should do. I actually think that some of the changes brought on by the COVID-19 pandemic—such as increased flexibility, remote-work, and family-friendly policies—will help more families carve out the pathways that are best for them.

In my testimony today, I would like to briefly review the current state of the economy and the COVID-19 pandemic's effects on parents and women, examine solutions to more accessible and affordable childcare, review families' diverse work and childcare preferences, and consider the unintended consequences of some proposals.

The Economy Is Strong, but Federal Policies May Be Hurting Instead of Helping

Despite the COVID-19 pandemic lasting longer and causing more devastation than initially thought, the American economy has experienced about as close to a V-shaped recovery as was hoped for. Gross domestic product in the 1st quarter of 2021 was 1.4

percent higher than prior to the pandemic, in the 4th quarter of 2020. Consumer expenditures were up 4.7 percent in April 2021, compared to their previous high in January 2020.

Meanwhile, Americans have saved $2.2 trillion more in the one-year period from April 2020 to March 2021 than they did over the prior year ($3.5 trillion vs. $1.3 trillion),[1] and also paid off a record-high $83 billion in credit card debt in 2020.[2] All of these savings—owing in part to consumers' initial reduction in spending in addition to the unprecedented federal spending through three rounds of stimulus checks and an extraordinary expansion in unemployment benefits—has contributed to high demand for goods and services.

While demand for workers is high, the supply of ready and willing workers is low. There are a record-high, 9.3 million job openings in the U.S. and 48 percent of small business owners report they have unfilled positions (compared to an historical average of 22 percent). [3] Moreover, quits rates are at a record-high (4 million workers quit their jobs in April), while layoffs and discharges are at a record low (1.4 million workers).

The current labor shortage has contributed to employers increasing pay and benefits, providing training, and offering signing bonuses. Even so, some companies have had to limit hours and operations due to a shortage of workers.

The U.S. has never before experienced a situation like the present, where the unemployment rate remains significantly elevated at 5.8 percent (compared to 3.5 percent prior to the pandemic), and yet the labor market is incredibly strong for workers. The last time that the unemployment rate was at 5.8 percent, back in 2014, there were half as many job openings as there are today—4.7 million vs. the current 9.3 million.

Undoubtedly, government policies have contributed to the currently strong demand for goods and services, as well as the shortage of available labor. Most notably the additional $300 per week in unemployment bonus benefits alongside new programs that lack the usual eligibility standards and integrity checks of normal unemployment insurance programs have made it easier for people to not work, and easier for people to receive benefits even if they are not actually looking for work. This latter point is evidenced by the fact that in May 15.7 million people were receiving unemployment insurance benefits while only 9.3 million people were unemployed.

While the labor shortage is contributing to rising wages and compensation that benefit workers, those increases will contribute to inflationary pressure that could result in higher prices for consumers and reduced values of households' savings. Moreover, the massive increase in U.S. debt with no credible plan to reduce or even prevent its growth creates significant risks for the future of the U.S. economy.

COVID-19's Impact on Parents and Women

Initially, the COVID-19 pandemic disproportionately impacted families with children—especially mothers—as childcare and school closures forced parents to cut back on work or even stop working. Yet,

[1]FRED Economic Research, "Personal Saving," https://fred.stlouisfed.org/series/PMSAVE (accessed June 21, 2021).
[2]WalletHub, "Credit Card Debt Study," June 8, 2021, https://wallethub.com/edu/cc/credit-card-debt-study/24400 (accessed June 21, 2021).
[3]News release, "Nearly Half of Small Businesses Unable to Fill Job Openings," NFIB, June 3, 2021, https://www.nfib.com/content/press-release/economy/nearly-half-of-small-businesses-unable-to-fill-job-openings/ (accessed June 21, 2021).

surprisingly, the evidence suggests that to-date, childcare struggles have not disproportionately impacted parents' employment relative to non-parents. Moreover, while women initially suffered the bulk of employment losses, that is no longer the case.

Childcare Impacts on Parents' Employment. Initially, school and daycare closures had a significant impact on parents' employment. About half of families with young children reported in the spring of 2020 that they were able to manage childcare closures with someone in the home being able to watch their children,[4] but 13 percent of working parents reported cutting back on work hours or quitting a job because of a lack of childcare in the spring of 2020.[5] On average, those parents reduced their work by eight hours a week.

While circumstances varied significantly across the country, childcare providers were generally quicker to reopen than public schools that faced significant pushback to reopening from teachers' unions. Since young children need the highest levels of care (more than the presence of a remote-working adult in the home), the earlier childcare reopenings helped many parents maintain or regain employment. Additional family care, such as from grandparents, also helped significantly.

It is logical that parents with young children would have experienced larger employment declines than parents without young children, and this was likely true at the beginning of the pandemic. Yet, a May 2021 study by Jason Furman (former Chair of President Obama's Council of Economic Advisers), Melissa Kearney, and Wilson Powell III found that childcare struggles have had little to no impact on the jobs recovery. The authors found that "despite the widespread challenges that parents across the country have faced from ongoing school and daycare closures, excess employment declines among parents of young children are not a driver of continuing low employment levels." [6] In fact, parents' employment declined by 4.5 percent, compared to a 5.2 percent decline in employment among workers who are not parents of young children.

While the employment of fathers declined by even less than mothers, the authors found that "any childcare issues that have pushed mothers out of the workforce account for a negligible share of the overall reduction in employment since the beginning of the pandemic," and noted that the impact was "zero, in fact" after controlling for factors like education and industry.

This unexpected finding could mean a number of things, such as: (1) most families' childcare needs may have been met through the reopening of childcare providers and schools or through new modes of care and education (such as grandparent care or education pods); (2) employers may have helped meet workers childcare needs through new childcare and family leave programs, more flexible schedules, or remote work options; or, correspondingly, (3) it could be that workers without young children were less enthusiastic about maintaining their employment or finding new employment after becoming unemployed because they did not have young families to

[4]Bipartisan Policy Center and Morning Consult, "COVID-19: Changes in Child Care," April 2020, https://bipartisanpolicy.org/wp-content/uploads/2020/04/BPC-Child-Care-Survey_CT-D3.pdf (accessed June 21, 2021).

[5]Heather Long, "The Big Factor Holding Back the US Economic Recovery: Child Care," *Washington Post*, July 3, 2020, https://www.washingtonpost.com/business/2020/07/03/big-factor-holding-back-us-economic-recovery-child-care/ (accessed June 17, 2021).

[6]Jason Furman, Melissa Kearney, and Wilson Powell III, "How Much Have Childcare Challenges Slowed the US Jobs Market Recovery?" Peterson Institute for International Economics, May 17, 2021, https://www.piie.com/blogs/realtime-economic-issues-watch/how-much-have-childcare-challenges-slowed-us-jobs-market (accessed June 18, 2021).

provide for or because unemployment benefits replaced a higher portion of their previous wages.

COVID-19's Disproportionate Impact on Women Has Dwindled. Early on in the pandemic, women lost more jobs than men and they were also more likely to drop out of the labor force to stay home with children when schools and childcare providers closed. In the first two months of the COVID-19 pandemic, women's employment was down by 1.2 million more than men's, and women's unemployment rate rose to 16.1 percent as men's was 13.6 percent.[7]

Yet, that trend has reversed on most metrics. As of May 2021, men's employment is actually down by 500,000 more than women's, and women's unemployment rate of 5.5 percent is lower than the men's 6.0 percent rate. While more women have left the labor force than men (1.8 million women vs. 1.7 million men), women's earnings have increased at more than twice the rate of men's (a 5.3 percent gain for women vs. 2.2 percent for men between the 1st quarter of 2020 and the 1st quarter of 2021.

Employment is not yet back to where it was prior to the pandemic. Yet, it does not appear that a lack of childcare is disproportionately holding workers back. Lawmakers should not enact policies and create new government programs in response to temporary struggles and disparities that no longer exist.

Solutions for More Accessible, Affordable, and Flexible Childcare

Although the COVID-19 pandemic caused unique struggles for parents of young children, many of those initial impacts have passed. Yet, childcare was a struggle for many families even prior to the COVID-19 pandemic.

Two-thirds of children ages five and under have all available parents in the labor force—meaning that children's early education programs are fundamental to parents' incomes. A lack of suitable childcare—including affordable, convenient, adequate hours, and a desirable environment—can limit parents' work, causing some to work fewer hours or not work at all. It is important to note that many parents have strong preferences to work part-time or to have one parent or family member stay home to care for children and there is huge value to these investments that parents and family members make in children.

Yet, even families that want or need to use childcare often face difficulties finding affordable options that meet their desires. This was the case long before the COVID-19 pandemic.

Unlike many goods and services that become increasingly abundant and affordable over time due to technological gains and rising incomes, childcare is both labor-intensive and requires significant structural investments. Childcare cannot be automated or outsourced. And the benefit of rising wages for families' incomes is offset by rising wages for childcare workers. Moreover, children cannot be altered to take up less space, require fewer feedings and diaper changes, or to forgo things like cribs and a roof over their heads.

Yet, while childcare will remain relatively expensive—proportionally more so for parents with lower incomes—there are ways that policymakers can help reduce the costs of childcare, increase its supply, and allow for more flexible and accommodating childcare arrangements.

[7]Rachel Greszler, "How Has COVID-19 Affected Women in the Workplace?," Heritage Foundation *Backgrounder* No. 3617, May 6, 2021, https://www.heritage.org/sites/default/files/2021-05/BG3617.pdf.

Roll Back Unnecessary Regulations That Do Not Improve the Quality of Care. Childcare licensing and regulations have set an increasingly high barrier to establishing and maintaining home-based childcare. In certain states, non-licensed care is illegal. In Maryland, a mom cannot pay a friend to watch her children after school for a few days a week in the friend's home without that friend having to become a licensed childcare provider.

Becoming a licensed provider is not easy: In addition to implementing potentially costly structural changes to one's home and undergoing multiple inspections, regulations also dictate which toys providers can and cannot offer, which types of beverage can or must be provided at which time intervals, into what size different pieces of food must be cut, which type of tape can and cannot be used in the classroom, and which types of food containers must be used and how they must be labeled.

While most childcare regulations are established at the state level, the federal government could provide guidance to the states based on which regulations significantly improve the safety and quality of care and those which unnecessarily increase costs and limit supply. The Child Care Act of 2021, introduced by Representative Ashley Hinson (R–IA), would require the Secretary of Health and Human Services to provide a report to Congress on state-by-state childcare regulations, including with regard to their impact on safety and quality, and on supply and cost.

Let Families Keep More of Their Own Money. Childcare is expensive and can seem unaffordable, which often leads to calls for government-funded, or universal, childcare and preschool. Part of the reason it is so hard for families to pay for childcare, however, is that they pay so much in taxes. In 2018, Americans spent more on taxes than they did on food, housing, and clothing *combined.*[8] Taking even more from households to pay for government-funded early childhood programs—which would cost significantly more than existing private and not-for-profit ones—would leave households with less money to spend on what is best for them and few, if any, choices over childcare.[9] On the other hand, reducing households' tax burdens, including their payroll tax burdens, would leave families with more choices to decide what works best for them, and with greater control over their futures.

Create Universal Savings Accounts So Families Save For Any Purpose Without Restrictions of Penalties. It can be hard for families to have enough money to save and invest for their future goals and unexpected life circumstances, but another—sometimes equally significant—barrier can be the fear of those savings becoming inaccessible without penalties for early withdrawals. Policymakers should advance Universal Savings Accounts so that Americans can save and invest in a single, simple, and flexible account, for any purpose and without penalties or additional taxes being owed upon withdrawal.[10] These accounts have been particularly helpful to lower-income and moderate-income households in Canada and the U.K. where a majority of account holders are lower-

[8]Rachel Greszler, "Today, You Pay Your Federal Taxes. Tomorrow Is the Real Tax Freedom Day," The Daily Signal, April 15, 2019, https://www.dailysignal.com/2019/04/15/today-you-pay-your-federal-taxes-tomorrow-is-the-real-tax-freedom-day/ (accessed August 9, 2020).

[9]Rachel Greszler and Lindsey Burke, "Why Uncle Sam Would Make a Bad Nanny," Heritage Foundation *Commentary*, March 1, 2019, https://www.heritage.org/education/commentary/why-uncle-sam-would-make-bad-nanny.

[10]Adam N. Michel, "Universal Savings Accounts Can Help All Americans Build Savings," Heritage Foundation *Backgrounder* No. 3370, December 4, 2018, https://www.heritage.org/taxes/report/universal-savings-accounts-can-help-all-americans-build-savings.

income.[11] By enabling parents to save in one place and to withdraw funds without penalty or double taxation, these accounts could help families to pay for childcare or preschool programs, and allow them to be better prepared for many other types of life events.

Head Start Portability. Policymakers should update the federal Head Start program to function more like the existing Child Care Development Fund (CCDF). The CCDF, part of the federal Child Care Development Block Grant, is a federal–state partnership that provides funding to low-income families to access childcare. Eligible families are provided vouchers through the CCDF to pay for tuition at a childcare center of their choice, including family-run childcare centers, relative care, and faith-based providers, but demand for CCDF vouchers typically exceeds the supply of available vouchers.[12] In contrast, the federal Head Start program is more widely accessible, but often less desirable as it has proven ineffective and mired in fraud.[13] Moreover, although the per pupil cost of Head Start—about $10,000 per year—exceeds the average cost of childcare in 37 states, the program often operates for only a few hours a day, meaning it is of little help to working families who need childcare.[14]

To help families receive the type of early childcare and education that works best for their families, policymakers should allow parents to take their child's share of Head Start funding to a preschool provider of their choice.

Expand the Allowable Uses of 529 Savings Accounts to Include Preschool and Homeschooling Expenses. Historically, 529 savings plans could be used to save for, and pay for, the college expenses of a designated beneficiary, without paying taxes on the accrued investment returns in the accounts. However, as part of the Tax Cuts and Jobs Act of 2017, Congress expanded the allowable uses of a 529 plan to include K–12 expenses, such as private school tuition. Parents can use these plans to pay for up to $10,000 per year per student from kindergarten through college.

Congress should further expand the allowable uses of 529 accounts to include preschool, childcare, and homeschooling costs. Although parents would not have many years to save in a 529 before a child reaches preschool age, other people such as grandparents could contribute to a designated beneficiary's account. Such an expansion would allow the funds to be used to support the growing trend of preschool co-ops and childcare pods.

Eliminate Barriers to Employers for Offering Early Childhood Education and Care Benefits. Employers who provide childcare benefits—such as on-site preschool or childcare programs, or subsidies for back-up childcare—can be a huge benefit to working parents and also help employers to increase employee retention. Yet, under the Fair Labor Standards Act (FLSA), employers who provide any kind of on-site childcare or childcare subsidies must include the value of

[11]Organization for Economic Co-operation and Development, "Encouraging Savings Through Tax-Preferred Accounts," *OECD Tax Policy Study* No. 15, 2007, https://www.oecd-ilibrary.org/taxation/encouraging-savings-through-tax-preferred-accounts_9789264031364-en (accessed July 24, 2020).

[12]Office of Child Care, "OCC Fact Sheet," Office of the Administration for Children and Families, U.S. Department of Health and Human Services, June 29, 2020, https://www.acf.hhs.gov/occ/fact-sheet-occ (accessed August 31, 2020).

[13]Jonathan Butcher and Jude Schwalbach, "Head Start's Contagion of Fraud and Abuse," Heritage Foundation *Backgrounder* No. 3467, February 28, 2020, https://www.heritage.org/education/report/head-starts-contagion-fraud-and-abuse.

[14]Dan Lips, "Improving the Value of Head Start for Working Parents," Foundation for Research on Equal Opportunity, December 23, 2019, https://freopp.org/improving-the-value-of-head-start-for-working-parents-739472566ec1 (accessed August 31, 2020).

those benefits in employees' "regular rate" of pay calculations.[15] This complicates and increases costs when workers who are paid hourly work overtime because, instead of just paying the worker 1.5 times their wage, employers also have to add on 1.5 times the hourly value of any childcare subsidy, even though those subsidies are usually fixed benefits.

Policymakers should exclude childcare benefits from the "regular rate" of pay calculations, just as the law already excludes similar benefits, such as retirement contributions and accident, health, and life insurance benefits.[16] This would particularly benefit lower-income to middle-income workers who are more likely to receive hourly wages and thus be subject to the current impediment.

Allow a Safe Harbor for "Household Employees" Who Prefer to Be Independent Workers. Currently, if an individual or family pays another individual more than $2,200 per year (the equivalent of $42 per week) for work performed in his or her home, they are required to pay, withhold, and submit multiple taxes. This process requires registering as an employer with the state and federal government, hanging official employee-rights notices in one's home, and can include registering with, and submitting tax payments to, the state and federal unemployment insurance systems, state and federal income tax systems, and the Social Security Administration. In addition to the tax burden, compliance with all the different rules and taxes is both confusing and burdensome, and mistakes can lead to significant tax bills for both the household "employer" and "employee." Under the current rules, a family could not even hire a babysitter at $15 per hour for four weeks before exceeding the $2,200 threshold and having to treat that individual as a legal employee.

The process of hiring and treating someone as a "household employee" is overly complex and burdensome. Meanwhile, the demand for more flexible, part-time, and shared-care (such as co-ops and nanny-shares) has almost certainly grown as remote work and independent work have become more common. In shared situations, it can become extremely complex and confusing to know who is and who is not an employer. The childcare provider may travel to different households; families may not know whether or not they will cross the $2,200 per year threshold, and childcare workers might find their status as an employee versus a contractor varying from one week to another, or from one household to the next.

Congress should create a safe harbor to allow individuals performing household work to choose to be treated as contractors instead of household employees.[17]

Allow More Flexible Childcare Arrangements. While childcare struggles are not unique to the COVID-19 pandemic, the changes in work brought about by the pandemic as well as an increase in independent work especially among women could usher in demand for more part-time, flexible, and lower-cost childcare arrangements.

Most center-based childcare programs do not allow for part-time or flexible attendance because of the high fixed costs of center-based care. Small, in-home providers face slightly lower fixed costs because they use their own homes, and it is not uncommon for providers to

[15]U.S. Code 29 USC 207(e)(4).

[16]Ibid.

[17]This choice would allow individuals to receive higher base pay as contractors because of the compliance and tax savings for the households they serve. While those households would have to report any income they pay to individuals that exceeds $600 in a year, they would only have to provide a single document—Form 1099-MISC—as opposed to registering with, meticulously tracking, reporting, and sending taxes to as many as five government entities.

be mothers who are already at home caring for their own children. Consequently, small family care providers cost about 25 percent less, on average, than childcare centers and are typically more able to accommodate part-time childcare needs.[18] But the number of providers plummeted 52 percent between 2005 and 2017 (a loss of 92,400 providers).[19] Excessive licensing requirements and regulations are likely part of the reason for this decline, and it may be that the administrative burden of complying with subsidized childcare programs makes it harder for small providers to play a role in subsidized childcare.

State policymakers should consider ways that they can eliminate barriers to more flexible childcare, including creating optional accreditation standards in lieu of mandatory licensing so that providers can choose (and fully disclose to families) what type of care they want to provide. And in addition to allowing childcare workers to choose between "employee" and "independent worker" status, policymakers should consider ways that they can open up more doors to low- and no-cost care such as parent co-ops.

Family Preferences Vary, Most Prefer Parental or Part-Time Childcare

Families have unique desires and needs regarding parents' work and children's care. Since 1997, Pew has tracked mothers' work preferences, finding that working part time was mothers' top choice in every administration of the survey. In the most recent 2012 survey, 47 percent of all mothers with children under age 18 listed working part time as their ideal working situation, 32 percent preferred full-time work, and 20 percent said not working at all was their ideal scenario. Among married mothers, only 23 percent said that working full-time was their ideal scenario.[20]

A recent 2021 survey by American Compass found that only 18 percent of American parents say their ideal work-life arrangement is to use paid full-time childcare. Most parents—58 percent—prefer to have their children cared for at home by a parent (47 percent) or another family member (11 percent), while 17 percent said their ideal arrangement was one parent working part-time and using part-time childcare.[21]

Preferences for childcare arrangements vary across race, education, and income. Only 14 percent of Hispanic families say full-time paid childcare is the best arrangement for them, compared to 19 percent of white parents, 20 percent of Asian parents, and 25 percent of black parents.

College graduates are about twice as likely to prefer full-time paid childcare (27 percent) as non-college grads (14 percent). The biggest

[18]Child Care Aware, "The US and the High Price of Child Care," 2019, https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/ (accessed August 12, 2020). The cost data are for 2018 and pull from "methodology #3" in the report, which uses an "average of program-weighted averages."

[19]National Center on Early Childhood Quality Assurance, "Addressing the Decreasing Number of Family Child Care Providers in the United States," revised March 2020, https://childcareta.acf.hhs.gov/sites/default/files/public/addressing_decreasing_fcc_providers_revised_march2020_final.pdf (accessed August 3, 2020).

[20]Wendy Wang, "Mothers and Work: What's 'Ideal'?" Pew Research Center, August 19, 2013, https://www.pewresearch.org/fact-tank/2013/08/19/mothers-and-work-whats-ideal/ (accessed August 29, 2020).

[21]Wendy Wang, Margarita Mooney Suarez, and Patrick T. Brown, "Familia Si, Guarderia, No: Hispanics Least Likely to Prefer and Use Paid Child Care," Institute for Family Studies, May 26, 2021, https://ifstudies.org/blog/familia-si-guarderia-no-hispanics-least-likely-to-prefer-and-use-paid-child-care (accessed June 21, 2021).

difference in preferences is by income level, with 31 percent of families earning over $100,000 per year preferring full-time paid childcare versus 17 percent for families making between $50,000 and $99,999, and only 15 percent of families making less than $50,000 per year desiring full-time paid childcare. In large part, this difference in preferences across income levels is the natural outcome of families that have higher preferences for parental care sacrificing more paid labor in order to be home with children.

When considering U.S. families as a whole, it appears full-time work for all parents and full-time paid childcare represents only a minority of families' preferences. Yet, this is the outcome that the American Families Plan calls on families to pursue, and proposes higher taxes to subsidize.[22] Pushing families to pursue lifestyles that do not reflect their desires will likely result in unintended consequences.

Unintended Consequences of Recent Proposals

Despite good intentions to increase families' access to quality childcare that meets their needs and desires, a number of existing proposals—including many in the American Families Plan—could have the unintended outcomes of driving up childcare costs, reducing the supply of smaller family-based and religious-based providers, regressively redistributing resources, and failing to help or even harming children's and families' outcomes.

$15 Minimum Wage Would Drive Up Childcare Costs an Estimated 21 Percent

The median wage of childcare workers across the U.S. was $11.65 per hour in 2019, so a $15 minimum wage would require significant wage increases, especially in lower-cost areas. Since wages make up the majority of the cost of childcare, and regulations prevent childcare providers from reducing other costs, most of the wage increases from a $15 minimum wage would be passed on to families in the form of higher childcare prices.

Using data on childcare wages across the United States, I estimated that a $15 federal minimum wage would increase childcare costs by an average of 21 percent across the U.S., increasing the average cost for a family with two children by $3,728 and making childcare unaffordable for millions more families.[23] But cost increases would not be equal across the U.S.: Families in lower-cost areas—especially those in the South and Midwest—would experience the largest increases. Childcare prices would rise by more than 30 percent, on average, in 10 states, including a whopping 43 percent increase in Mississippi. Costs would rise by more than $6,000 per year in Iowa ($6,304) and Indiana ($6,028), and by more than $5,000 per year in Kansas ($5,636), Louisiana ($5,487), Oklahoma ($5,602), Wisconsin ($5,227), Georgia ($5,222), and Nevada ($5,019).

These cost increases likely represent a lower bound as they only account for bringing up wages that are currently below $15 per hour to $15 per hour, but realistically, childcare providers would have to raise wages by more in order to maintain a pay scale that adequately compensates more-experienced workers, and also to compete with $15 minimum wages at lower-skilled jobs.

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[22]White House, "Fact Sheet: The American Families Plan," Statements and Releases, April 28, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/ (accessed June 21, 2021).

[23]Rachel Greszler, "The Impact of a $15 Federal Minimum Wage on the Cost of Childcare," Heritage Foundation *Backgrounder* No. 3584, February 11, 2021, https://www.heritage.org/sites/default/files/2021-02/BG3584.pdf.

A $15 minimum wage could push childcare costs for families with two children to 40 percent or more of the median household income in many states, making childcare unattainable for millions of families and leading to a reduction in employment and income among families with children.

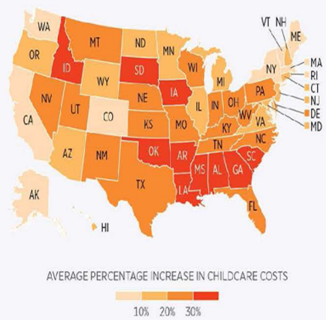
Families have different needs and desires, but they should all be free to decide what is best for them. Some families have one parent at home. Others have both parents working. And most single parents have no choice but to work. By making the childcare that low-income and working families need unaffordable, a $15 federal minimum wage would most hurt the very families policymakers seek to help.

This is what has happened in California, as the state's current path to a $15 minimum wage by 2023 has had unintended consequences for childcare, especially among low-income families. California's Minimum Wage Increase Task Force issued a report that said, "If nothing is done, many lower-income families will lose their child care, and child care programs will close their doors, triggering further job losses and major disruptions to families."[24] The report said that providers' only option is to increase costs, but many families cannot even afford current costs.

Moreover, a minimum-wage hike could cause childcare providers to stop accepting subsidized children as they often provide lower reimbursements than the tuition charged to non-subsidized families.

$15 Federal Minimum Wage Would Increase Childcare Costs 21 Percent

Costs would rise disproportionately in lower-cost areas, with 10 states experiencing childcare cost increases of 30 percent or more.



Alabama	35%	Montana	23%
Alaska	8%	Nebraska	20%
Arizona	13%	Nevada	25%
Arkansas	30%	New Hampshire	18%
California	7%	New Jersey	11%
Colorado	6%	New Mexico	25%
Connecticut	10%	New York	7%
Delaware	23%	North Carolina	23%
Florida	20%	North Dakota	17%
Georgia	32%	Ohio	22%
Hawaii	11%	Oklahoma	37%
Idaho	30%	Oregon	10%
Illinois	18%	Pennsylvania	23%
Indiana	27%	Rhode Island	9%
Iowa	33%	South Carolina	34%
Kansas	28%	South Dakota	30%
Kentucky	29%	Tennessee	28%
Louisiana	37%	Texas	25%
Maine	9%	Utah	24%
Maryland	14%	Vermont	5%
Massachusetts	4%	Virginia	19%
Michigan	19%	Washington	4%
Minnesota	13%	West Virginia	28%
Mississippi	43%	Wisconsin	23%
Missouri	24%	Wyoming	18%

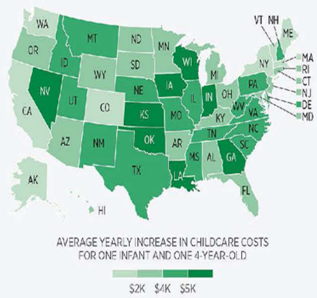
SOURCE: Heritage Foundation calculations based on data from Bureau of Labor Statistics, and ProCare, "Child Care Costs by State 2020."

heritage.org

[24]Richard Winefield and Anna Levine, "Impact of Minimum Wage Increase on Child Care," California Department of Education, Minimum Wage Increase Task Force, https://www.cde.ca.gov/sp/cd/ce/minwageimpactintro.asp (accessed February 19, 2021).

The Impact of $15 Federal Minimum Wage on Childcare Costs

Enacting a $15 per hour federal minimum wage would increase the costs of childcare by thousands of dollars in most states.



AVERAGE YEARLY INCREASE IN CHILDCARE COSTS FOR ONE INFANT AND ONE 4-YEAR-OLD

Alabama	$3,931	Montana	$4,094
Alaska	$1,789	Nebraska	$4,735
Arizona	$2,441	Nevada	$5,019
Arkansas	$3,695	New Hampshire	$4,127
California	$1,873	New Jersey	$2,685
Colorado	$1,788	New Mexico	$4,091
Connecticut	$2,688	New York	$1,888
Delaware	$4,611	North Carolina	$4,071
Florida	$3,309	North Dakota	$2,981
Georgia	$5,222	Ohio	$3,842
Hawaii	$2,427	Oklahoma	$5,602
Idaho	$4,135	Oregon	$2,301
Illinois	$4,263	Pennsylvania	$4,950
Indiana	$6,028	Rhode Island	$2,276
Iowa	$6,304	South Carolina	$4,423
Kansas	$5,636	South Dakota	$3,698
Kentucky	$3,872	Tennessee	$4,547
Louisiana	$5,487	Texas	$4,070
Maine	$1,641	Utah	$4,225
Maryland	$3,693	Vermont	$1,269
Massachusetts	$1,608	Virginia	$4,736
Michigan	$3,724	Washington	$1,131
Minnesota	$3,639	West Virginia	$4,519
Mississippi	$4,406	Wisconsin	$5,227
Missouri	$4,113	Wyoming	$3,573

SOURCE: Heritage Foundation calculations based on data from Bureau of Labor Statistics, and ProCare, "Child Care Costs by State 2020."

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Large Subsidies to Select Childcare Providers Will Increase Costs, Limit Supply, and Reward Some Family Preferences Over Others

President Biden's American Families Plan calls for large childcare subsidies, including free childcare to low-income families, and substantial subsidies such that families earning 1.5 times their state's median income will pay no more than 7 percent of their income for childcare. If the median income referenced refers to median household income ($68,703 in 2019), then eligible families would pay no more than $7,213 per year for childcare.[25] If the President's plan is referring to median personal income, then eligible families' costs would be capped at $3,780 per year.[26]

Across the U.S., infant childcare averages $11,193 per year while care for toddlers averages $10,630, so this would generate very substantial subsidies for many families.[27] Subsidies would be greatest in the highest-income and highest-cost areas such as Washington, DC, where a family with two children earning about $140,000 (1.5 times the median family income),[28] could receive taxpayer subsidies of over $33,000 to cover $43,000 in childcare tuition for one infant and one toddler.

Washington, DC, has some of the most expensive childcare in the country, with an average cost of over $24,000 for infants and $19,000 for toddlers. The added regulations and requirements called for in the American Families Plan could cause childcare costs across the country to mimic those of DC. That is because the American Families Plan calls for things like low child to teacher ratios (DC

[25]FRED Economic Research, "Real Median Household Income in the United States," https://fred.stlouisfed.org/series/MEHOINUSA672N (accessed June 21, 2021).

[26]FRED Economic Research, "Real Median Personal Income in the United States," https://fred.stlouisfed.org/series/MEPAINUSA672N (accessed June 21, 2021).

[27]ProCare, "Child Care Costs by State 2020," https://www.procaresoftware.com/child-care-costs-by-state-2020/ (accessed January 29, 2021).

[28]This assumes that the President's Plan is referring to the median family income, as opposed to the median

requires one teacher for every two children under age two), high educational requirements (DC requires college degrees for most center-based childcare workers), and $15 minimum wages (DC has a $15 minimum wage). Subsidies would be limited to childcare providers who comply with these added regulations and requirements.

Already, onerous regulations on childcare providers have driven smaller, more flexible and affordable childcare providers out of the market. Between 2005 and 2017, the number of small family providers fell by more than half. Significantly increased regulations would further limit the supply of smaller childcare providers and potentially lead to a two-tiered childcare system. Large and likely inflexible government-directed childcare centers would serve subsidized families at a high cost to taxpayers, while non-subsidized families would have to choose from a more limited number of small-scale, more accommodating providers mirroring current childcare costs.

Government Childcare and Pre-K Unlikely to Yield Positive Returns, Could Hurt Children and Families

The alleged basis for establishing widespread childcare subsidies and universal Pre-K programs—that is, the claim that such programs are an "investment" yielding positive returns—is both insulting to the investments parents make in children and also fails scientific muster.

Many appeals have been made, including in President Biden's American Families Plan Fact Sheet, to an alleged $7 return for $1 "invested" in early childhood education and care.

As a parent, I understand that to say that my children's future value to society will be seven times higher if I receive childcare subsidies and enroll them in full-time government-directed childcare programs than if I or my husband stay home with them, or if we pursue any other combination of family- and non-government-subsidized childcare.

There is tremendous personal and societal value to having parents or family members stay home with children, and it is wrong for government policies to suggest that income provided for the family is the measure of a mother's (or a father's) worth.

While most single-parent households do not have the option of having one parent stay home, many two-parent households prefer to have one parent stay home full-time or part-time to care for children, and those families should not have to subsidize the childcare costs of other families while also sacrificing their potential incomes to stay home and invest in their children.

Moreover, the alleged $7 return for every $1 invested is not applicable to the proposed programs. This high-dollar return is based on selective studies such as the Abecedarian project and Perry Preschool programs that each served fewer than 60 low-income, African American children, who were assessed to be at high risk of school failure, and who received a boutique preschool program with wrap-around family services five and six decades ago. The results of these programs are hardly transferrable to the proposed childcare subsidies and Pre-K programs serving tens of millions of children across the entire U.S. in 2021 and beyond.

As Professors Dale Farran and Mark Lipsey wrote in a Brookings Institute blog post, "To assert that these same outcomes can be achieved at scale by pre-K programs that cost less and don't look the same is unsupported by any available evidence.[29] Russ Whitehurst of

personal income, when it calls for subsidies for families earning up to 1.5 times their state median income.

[29]Dale C. Farran and Mark W. Lipsey, "Misrepresented Evidence Doesn't Serve Pre-K Programs Well,"

the Brookings Institution suggested that the selective preschool findings "demonstrate the likely return on investment of widely deployed state pre-K programs for four-year-olds in the 21st century to about the same degree that the svelte TV spokesperson providing a testimonial for Weight Watchers demonstrates the expected impact of joining a diet plan. In fact, the evidence suggests just the opposite."[30]

Lindsey Burke from The Heritage Foundation points out that "Perry's findings have never been replicated—the hallmark of rigorous social science research—and the $7-to-$1 return-on-investment figure comes from the fact that Perry participants were less likely than the control group to have been arrested five or more times by age 40. This is hardly a ringing endorsement of the promise of preschool."[31]

There are, however, some larger-scale and current early childhood programs in the United States that provide a better idea of the potential outcomes of subsidized childcare and universal pre-K.

The first is Head Start, for which the U.S. Department of Health and Human Services conducted a scientifically rigorous evaluation that tracked five-thousand three- and four-year-old children through the end of third grade. The study found that Head Start had almost no effect on parenting practices and little impact on children's cognitive, social-emotional, or health outcomes.[32]

Another relevant government program is Tennessee's "model" pre-K program for low-income children. Researchers at Vanderbilt University found that children participating in the program initially showed some positive impacts, but those effects quickly disappeared and then reversed course.[33] By first grade, teachers reported that children who attended Tennessee's pre-K program were less well prepared, had poorer work skills, and more negative attitudes about school. Moreover, these children's achievement deteriorated in the second and third grades.

Lastly, large-scale childcare and pre-K programs that push families into work and childcare settings outside what they would otherwise choose could have significant unintended consequences.[34] When Quebec established a government-subsidized $5-per-day childcare program, it caused a 14.5 percent increase in the number of mothers of young children working outside the home. Based on some of the metrics used to promote the

Brookings Institution, February 24, 2017, https://www.brookings.edu/blog/education-plus-development/2017/02/24/misrepresented-evidence-doesnt-serve-pre-k-programs-well/ (accessed June 20, 2021).

[30]Grover J. "Russ" Whitehurst, "Obama Preschool Proposal: How Much Difference Would It Make In Student Achievement?," The Brookings Institute, June 19, 2013, https://www.brookings.edu/research/obama-preschool-proposal-how-much-difference-would-it-make-in-student-achievement/ (accessed June 21, 2021).

[31]Rachel Gretzler et al., "Why President Biden's Government Solutions Would Actually Weaken the Infrastructure of American Families," Heritage Foundation *Backgrounder* No. 3616, May 3, 2021, https://www.heritage.org/sites/default/files/2021-05/BG3616.pdf.

[32]Exhibit 4.1, "Estimated Impacts on 3rd Grade Cognitive Outcomes: 4-Year-Old Cohort," and Exhibit 4.2, "Estimated Impacts on 3rd Grade Cognitive Outcomes: 3-Year-Old Cohort," in Puma et al., "Third Grade Follow-up to the Head Start Impact Study Final Report," pp. 77 and 78.

[33]Mark W. Lipsey, Dale C. Farran, and Kerry G. Hofer, "A Randomized Control Trial of the Effects of a Statewide Voluntary Prekindergarten Program on Children's Skills and Behaviors Through Third Grade," Vanderbilt University, Peabody College, Peabody Research Institute Research Report, revised September 29, 2015, https://files.eric.ed.gov/fulltext/ED566664.pdf (accessed April 29, 2021)

[34]Lindsey Burke, "Federal Early Childhood Education, Care Doesn't Benefit Kids. Here Are the Facts," Heritage Foundation *Commentary*, February 19, 2019, https://www.heritage.org/education/commentary/federal-early-childhood-education-care-doesnt-benefit-kids-here-are-the-facts.

American Families Plan, such an outcome would be considered wildly successful as it would increase families earned incomes and boost government tax revenues. But those gains could come at a significant cost to children, to families, and to American society.

Researchers that studied Quebec's subsidized childcare system found "striking evidence that children are worse off in a variety of behavioral and health dimensions, ranging from aggression to moto-social skills to illness. Our analysis also suggests that the new childcare program led to more hostile, less consistent parenting, worse parental health, and lower-quality parental relationships."[35]
In addition, teens exposed to the program had significantly higher rates of crime and anxiety and lower levels of health and life satisfaction.

A study of a smaller-scale subsidized childcare program in the U.S. found consequences for family well-being. The authors noted that "child care subsidies are associated with worse maternal health and poorer interactions between parents and their children," including increased anxiety, depression, parenting stress, and physical and psychological aggression by mothers toward their children.[36]

The government's role regarding families and children should be to help create environments in which families can pursue the choices that they desire. Politicians should not use government programs or tax policies to direct parents' choices—especially not in ways that seek to maximize government revenues without adequately accounting for families' and children's well-beings.

Summary

While many families want and choose to have their children cared for by a parent or family member in their home, many families either need to or want to send their children to some type of childcare. Finding the care that families desire at a cost that they can afford can be extremely challenging, if not impossible. There are limits to how much more affordable childcare can become because it will always be labor-intensive. Shifting the costs of childcare away from families that use it will tend to increase costs and unfairly burden families who do not use childcare. Moreover, imposing extravagant childcare standards onto providers that desire to obtain government subsidies will further exacerbate costs and potentially create a two-tiered childcare system in the U.S. Finally, prodding families into work and childcare arrangements that do not align with their desires could impose significant consequences on children, families, and society.

Instead, by reducing unhelpful and burdensome childcare regulations, by enabling greater flexibility in the provision of care, by allowing families to keep more of their incomes and making it easier for them to save, and by allowing families to use existing childcare subsidies and Head Start funds at a provider of their choice, policymakers can help more families find the care they need, in an environment they want, and at a cost they can afford.[37]

[35]Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Childcare, Maternal Labor Supply and Family Well-Being," National Bureau of Economic Research *Working Paper* No. 11832, December 2005, https://www.nber.org/system/files/working_papers/w11832/w11832.pdf (accessed April 29, 2021).
[36]Chris M. Herbst and Erdal Tekin, "Child Care Subsidies, Maternal Well-Being, and Child-Parent Interactions: Evidence from Three Nationally Representative Datasets," National Bureau of Economic Research *Working Paper* No. 17774, January 2012, https://www.nber.org/system/files/working_papers/w17774/w17774.pdf (accessed April 29, 2021).
[37]Rachel Greszler and Lindsey M. Burke, "Rethinking Early Childhood Education and Childcare in the COVID-19 Era," Heritage Foundation *Backgrounder* No. 3533, September 30, 2020,

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https://www.heritage.org/sites/default/files/2020-09/BG3533.pdf.

PREPARED STATEMENT OF ABBY M. MCCLOSKEY

FOUNDER AND PRINCIPAL, MCCLOSKEY POLICY, LLC

JUNE 23, 2021

Chair Warren, Ranking Member Kennedy, and Members of the Committee, thank you for the opportunity to testify today. I have spent most of my career focused on policies to improve upward economic mobility and to support working families, including paid parental leave and childcare.

In the testimony that follows, I will discuss the economic impact of childcare for parents and children, review the current policy landscape and proposals for reform, and turn to policy principles and recommendations.

The Childcare Challenges Facing American Families

To understand the childcare challenges that face working families, it is helpful to consider the dramatic evolution of work and family over the last 60 years. Since 1960, the share of U.S. households headed by single parents has more than tripled, with unmarried parents now representing approximately one-third of American households.[1] The majority of women participate in the labor force, and mothers are now the sole or main breadwinners in 40 percent of American families, according to the Pew Research Center.[2] Globalization and technological advances have depressed wage growth for America's low-wage workers relative to higher earners.[3]

This has created new tensions around work and care that public policy and markets have failed to adequately address. In particular, access to affordable and high-quality childcare is out of reach for many families. Childcare costs are higher than the costs of college, food, and housing in many parts of the country.[4] For parents living in poverty, childcare costs can consume up to 30 percent (or more) of their monthly income.[5] Research by the Center for American Progress has identified what it deems "childcare deserts"—areas where there is little or no access to licensed childcare providers.[6] Providing high quality care inside the home is also difficult. For many families, it is not financially possible for a parent to be the primary caregiver for their child even in the first few weeks of life, let alone in the years before a child reaches elementary school. A Department of Labor study found that one in four women return to work within two weeks of giving birth, and few fathers take any time off at all.[7]

Lack of access to affordable, high-quality childcare exerts pressure on the economy in two main ways: First, it impacts parents' economic opportunity. There is a large literature showing that high childcare costs are associated with less work among mothers. In a review of the literature, economist Jean Kimmel found that a 10 percent increase in childcare costs is associated with a 2.0 percent to 7.4 percent decrease in women's employment.[8] Policies that offset childcare costs are associated with increased employment and reduced dependence on Government welfare. Using data from the 1999 National Survey of America's Families, David Blau and Erdal Tekin found that childcare subsidies for welfare recipients resulted in a 13-percentage-point increase in the likelihood of employment for single mothers.[9] Another

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[1] Pew Research Center, "The American Family Today", 2015, *https://www.pewresearch.org/social-trends/2015/12/17/1-the-american-family-today/*.

[2] Pew Research Center, "In Four in Ten Families, Mom Is the Primary Breadwinner", 2015, *https://www.pewresearch.org/social-trends/2015/12/17/parenting-in-america/st-2015-12-17-parenting-20/*.

[3] Brookings Institute, "Middle Class Income and Wages", *https://www.brookings.edu/blog/brookings-now/2020/01/24/charts-of-the-week-middle-class-income-and-wages/*.

[4] Childcare Aware of America, "The U.S. and the High Price of Childcare: 2019 Report". *https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/*.

[5] Lynda Laughlin, "Who's Minding the Kids? Child Care Arrangements: Spring 2011" (U.S. Department of Commerce, April 2, 2013), *www.census.gov/prod/2013pubs/p70-135.pdf.*

[6] Aparna Mathur and Abby McCloskey, "The American Dream in 2020", AEI Paper *https://www.aei.org/research-products/report/the-american-dream-in-2020-how-to-strengthen-it/*.

[7] AEI-Brookings, "Paid Leave an Issue Whose Time Has Come", 2017, *https://www.aei.org/research-products/report/paid-family-and-medical-leave-an-issue-whose-time-has-come/*.

[8] Aparna Mathur and Abby McCloskey, "How To Improve Economic Opportunity for Women", AEI Research Paper, 2014, *https://www.aei.org/wp-content/uploads/2014/07/-how-to-improve-economic-opportunity-for-women—120143477839.pdf?x91208.*

[9] David Blau and Erdal Tekin, "The Determinants and Consequences of Child Care Subsidies for Single Mothers", *Journal of Population Economics* 20, no. 4 (May 2003): 719–41.

study found that the introduction of subsidized childcare in Quebec in the late 1990s resulted in a significant employment boost for married women.[10]

The high cost of care likely impacts childbearing rates, reducing the size of the future labor force. A recent *New York Times* survey found that the most common reason young adults are having fewer children is that "childcare is too expensive" (64 percent of respondents).[11] Lack of paid parental leave is associated with an uptick in welfare use for new mothers and reduced wages upon returning to work.[12] According to Francine D. Blau and Lawrence M. Kahn, about 28 percent of the decline in female labor force participation in America relative to other countries in the Organisation for Economic Cooperation and Development (OECD) can be explained by the Nation's lack of family-friendly workplace policies, including paid parental leave and childcare.[13]

Second, lack of access to high-quality care—both inside the home and outside of it—impacts children's economic outcomes. While all children would benefit from high quality care in their early developmental years, it is least available for disadvantaged children whose families often can neither afford high-quality care options outside the home nor do they have access to such options inside the home.

Research pioneered by Nobel-prize winning economist James Heckman has found that investment in early childhood care for disadvantaged families has lifelong economic implications for children, impacting their health, education, and professional outcomes.[14] His research has primarily centered around two intensive and highly targeted early childhood development programs—the Perry Preschool Project and the Carolina Abecedarian Project—which focused on low-income Black children and their families in the 1960s and 1970s, providing in-home coaching and wraparound services in addition to high-quality preschool.

Heckman's most recent research found that these gains continued across generations, with improvements in education, employment, crime, school suspensions, and health for the children of those who had participated in the Perry Preschool Project.[15] This suggests that investments in early childhood care and education, properly structured and targeted, could be a critical tool to unlock intergenerational upward mobility and economic opportunity. Furthermore, investments in early childhood have shown greater gains in economic opportunity than investments in adolescence and adulthood, suggesting that we would benefit from shifting our policy interventions to earlier in life.[16]

Current Policy Landscape

The current policy landscape for childcare is far from bare. Many Government programs subsidize childcare; however, none provide comprehensive support.

The Child Care and Development Fund (CCDF) is administered by the Department of Health and Human Services and provides block grants to the States to assist low-income families in attaining childcare for children under the age of 13. Federal law states that children are eligible for services under CCDF if their family income is at or below 85 percent of the State median income; however, the majority of States set eligibility limits below that. Families currently on welfare, specifically Temporary Assistance for Needy Families (TANF), are usually given priority for the funds, leaving low-income families on the verge of welfare without service.[17] Economists Mezey, Schumacher, and Greeberg found that fewer than 30 percent of those leaving welfare were receiving a childcare subsidy.[18] A 2021 GAO report found that

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[10] Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Childcare, Maternal Labor Supply, and Family Well-Being", *Journal of Political Economy* 116, no. 4 (2008): 709–45.

[11] Claire Cain Miller, "Americans Are Having Fewer Babies. They Told Us Why", *New York Times*, July 5, 2018, *https://www.nytimes.com/2018/07/05/upshot/americans-are-having-fewer-babies-they-told-us-why.html.*

[12] AEI-Brookings, "Paid Leave an Issue Whose Time Has Come", 2017, *https://www.aei.org/research-products/report/paid-family-and-medical-leave-an-issue-whose-time-has-come/.*

[13] Ibid.

[14] James Heckman, "Invest in Early Childhood Development", *https://heckmanequation.org/www/assets/2013/07/F-HeckmanDeficitPieceCUSTOM-Generic-052714-3-1.pdf.*

[15] Heckman, James, and Ganesh Karapakula. "Intergenerational and Intragenerational Externalities of the Perry Preschool Project", 2019.

[16] James Heckman, "Catch 'em Young", *Wall Street Journal*, 2006, *https://www.wsj.com/articles/SB113686119611542381.*

[17] Aparna Mathur and Abby McCloskey, "How To Improve Economic Opportunity for Women", AEI Research Paper, 2014, *https://www.aei.org/wp-content/uploads/2014/07/-how-to-improve-economic-opportunity-for-women-120143477839.pdf?x91208.*

[18] Jennifer Mezey, Mark Greenberg, and Rachel Schumacher, "The Vast Majority of Federally Eligible Children Did Not Receive Child Care Assistance in FY 2000", (Center for Law and Social Policy, October 2002), *www.clasp.org/resources-and-publications/archive/0108.pdf.*

only 4 percent to 18 percent of federally eligible children were receiving CCDF subsidies.[19]

The Child and Dependent Care Tax Credit provides a nonrefundable tax credit ranging from 20 to 35 percent for eligible childcare costs; costs that are capped at $3,000 for one child and $6,000 for two or more children (this was temporarily increased $8,000 and $16,000 and made refundable as part of pandemic relief). The permanent limits are only 1.5 times the 1976 values, considerably less than the rate of inflation or the growth in childcare costs. And the credit is nonrefundable, which presents a challenge for low-income families who might not have income tax liability against which to claim the credit.

There is also an employer-based childcare tax exclusion. Under this exclusion, employees can set aside $5,000 from their pretax salary for childcare expenses. Employers can choose whether or not to offer the exclusion. Higher-income families generally benefit more from the exclusion, since the excluded income avoids both income and payroll taxes.

Several other Government support programs may offset the cost of childcare, albeit indirectly. For example, the Child Tax Credit is a tax credit of up to $2,000 per child under the age of 17 (temporarily increased to $3,600 per child under age 6 from pandemic-related legislation). Presumably, this could be used to offset some of the costs of childcare, but mostly for middle-class families with tax liabilities. The Tax Policy Center found that families in the bottom quintile are the least likely to receive a credit, and when they do, it is smaller than for higher income families because the credit is not fully refundable.[20] Additionally, the Earned Income Tax Credit (EITC) may be used to offset childcare-related expenses for low-income families, although it need not be used for this purpose.

Last but not least, the Head Start program is the Nation's largest Federal program providing early childhood education for disadvantaged 3 and 4 year olds. Results on the efficacy of Head Start program have been mixed, with some studies showing positive effects and others finding that gains fade over time.[21] Moreover, in the same way that the quality of K–12 schools varies widely across the country, the quality of various Head Start programs also varies widely. A 2013 National Institute for Early Education study found that 60 percent of Head Start centers were rated as medium to low quality, with Black children over-represented in lower quality programs.[22]

Current Proposals for Reform

Even in our polarized political climate, the challenges of access to high-quality childcare are widely recognized. As such, there have been a number of proposals put forward by political leaders across the ideological spectrum to improve investments in childcare.

On the political Right, many of these proposals have involved shifting the timing of existing tax credits (Child Tax Credit) or retirement benefits (Social Security) to be accessed upon having young children in order to help cover the cost of paid leave or childcare; setting up tax-advantaged savings accounts to be used for pregnancy, paid leave, or childcare expenses, and; providing tax credits to companies that provide family-friendly policies, such as paid family leave. While these policies benefit from having a small spending footprint—an important consideration in our current fiscal environment—they keep early childhood care an undersized share of our overall Federal portfolio and would provide limited support to the neediest families who would not benefit from nonrefundable tax credits or tax-advantaged accounts.

On the political Left, efforts have largely centered around the creation of large new public programs, such as universal childcare or universal pre-K. Recently, President Biden put forward the American Families Plan, which among other provisions, includes universal preschool for 3 and 4 year olds, a larger and refundable Child and Dependent Care Tax Credit, an expanded Child Tax Credit, a $15 minimum wage, and a national 12-week paid leave policy for family and medical reasons. Too often these proposals overlook the existing policies that are in place, come at a tremendous cost to taxpayers (and the future generations likely to pay for our historic debt burden), and go beyond what research suggests would be most beneficial for parents and children. Proposals for universal public preschool at times

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[19] GAO, "Child Care Eligibility and Receipt, and Waitlist", 2021, *https://www.gao.gov/products/gao-21-245r.*

[20] Tax Policy Center, "Tax Policy Center Briefing Book", 2018, *https://www.taxpolicycenter.org/sites/default/files/briefing-book/taxes-and-the-family.pdf.*

[21] HHS, "Head Start Impact Report", 2010, *https://www.acf.hhs.gov/opre/report/head-start-impact-study-final-report-executive-summary.*

[22] Katharine Stevens and Elizabeth English, "Does Pre-K Work?" AEI Paper, 2016, *https://www.aei.org/wp-content/uploads/2016/04/Does-Pre-K-Work.pdf?x91208.*

seem to overlook the emergent issues in our public K–12 system, which is falling behind our global peers, or Head Start where results have been less robust than in more targeted programs. We shouldn't add to the system without trying to better understand how to make the existing one work better.

Other reforms have focused on increasing pay and benefits for childcare providers. On average, the median hourly wage for childcare workers was $10.72 in 2017, and half of childcare workers are on a public assistance program relative to 21 percent for the workforce.[23] Increased opportunities for skills-attainment would help to support higher wages and professional advancement for care providers. Multiple States—including West Virginia, Pennsylvania, and Colorado—have begun to implement registered apprenticeship programs for early childhood educators. These programs provide early childhood educators with on-the-job training and a career pathway to improve their knowledge and skills. They create more opportunities for workers to move into roles of greater responsibility and pay, a virtuous cycle resulting in higher quality care.[24]

Mandating higher wages and benefits may inadvertently reduce the number of care providers that centers can employ further contributing to the shortage of care. Increased costs are also likely to be passed onto parents, many of whom are low-wage earners themselves and already struggling with access and affordability of care. According to the Center for American Progress, more than half of Hispanic families live in childcare deserts, and the cost of center-based childcare for two young children consumes 56 percent of median household income for Black families.[25] Higher care costs could result in at-risk families moving to lower quality or informal care providers or needing to leave the labor force entirely. For entry-level care providers, wage support through programs such as the EITC and a tightening labor market from economic growth would boost wages without limiting the supply of care.

While proposed policy solutions differ widely, there is bipartisan recognition of the need for reform and a recognition of the economic benefits from high quality care for parents and children. This suggests that there is a way forward that could garner broad support.

Principles and Recommendations for Moving Forward

As policymakers weigh varying investments in early childhood care in the postpandemic economy, I'd like to put forward five principles to guide the discussion to common ground:

1. The benefits of high-quality early childhood investment are most pronounced for disadvantaged children and their parents. We should focus our investment here.

The literature shows tremendous gains from targeted care investments for disadvantaged children. As stated earlier, Heckman has found 7 percent to 13 percent annual return on investment from early childhood interventions in economically disadvantaged families, including improved educational and career prospects as well as reduced health and criminal expenses.[26] Recent research by Heckman and others has found that the children of those who attended such programs also exhibit improved outcomes, suggesting that investment in early childhood education could be an unlock for intergenerational economic opportunity.[27] This could be particularly powerful if paired with economist Raj Chetty's research on upward mobility to target early childhood interventions by neighborhood.

In contrast, the research on universal childcare and preschool programs is mixed. Some studies have found negative effects when full-time, center-based care becomes the norm and other care solutions are removed. For example, Quebec's universal childcare program has been associated with negative outcomes for children on a variety of behavioral and health dimensions, including increased aggression, physical illness, and lower quality parental relationships.[28] Other studies, including a 2021 NBER working paper on the effects of universal preschool in Boston have found im-

[23] Bipartisan Policy Center, "Registered Apprenticeships: A Viable Career Path for Early Childhood Educators", 2019, *https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2019/09/BPC-Early-Childhood-Issue-Brief-RV4.pdf.*

[24] Ibid.

[25] Center for American Progress, "How Child Care Disruptions Hurt Parents of Color The Most", 2020, *https://www.americanprogress.org/issues/early-childhood/news/2020/06/29/486977/child-care-disruptions-hurt-parents-color/.*

[26] James Heckman, "Invest in Early Childhood Development", *https://heckmanequation.org/www/assets/2013/07/F-HeckmanDeficitPieceCUSTOM-Generic-052714-3-1.pdf.*

[27] Heckman, James, and Ganesh Karapakula. "Intergenerational and Intragenerational Externalities of the Perry Preschool Project", 2019.

[28] Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Childcare, Maternal Labor Supply, and Family Well-Being", *Journal of Political Economy* 11, no. 4 (2008): 709–45.

provements in college-going, college preparation, standardized test scores, and behavioral outcomes from access to pre-K.[29] This suggests universal pre-K and universal childcare are an over-reach relative to the current evidence base, and resources are best targeted towards at-risk families.

2. Policymakers should seek to maximize care options for parents instead of one-size-fits-all solutions.

While there is a strong case for public investment in early childhood care for disadvantaged families, this does not translate to a one-size-fits-all public program. Childcare needs and values vary widely. As such, policymakers should seek to create more care options for families, rather than fewer.

One of the most promising channels for reform in the childcare space is an expansion of the Child and Dependent Care Tax Credit, such as that proposed by President Biden in the American Families Plan, and along the lines of what I've proposed with my former colleagues Aparna Mathur and Angela Rachidi at the American Enterprise Institute.[30] Tax credits for childcare can be thought of as a school choice program for early childhood care and education. Parents who need care outside of the home can choose to send their children to center-based care, help pay for a nanny, enroll their children in a religious program, a dual language class, all of which could be full-time, or part-time, or something in between. An expanded CDCTC would allow for a proliferation of different types of programs in response to parental preferences and negate the need for a universal, public program. A refundable credit would benefit low-income families, for whom childcare costs are a barrier to work and high-quality care outside the home is financially prohibitive.

Some have argued that offsetting childcare expenses pushes parents into the labor force and away from the home. This overlooks the costs of working, such as payroll and income taxes that working parents incur and stay-at-home parents do not.

3. New programs should take into account existing programs and make sure new spending is paid for.

We must be judicious with our spending priorities as well as with our pay-fors. The Federal debt is already at historic levels and that's before an infrastructure package or any further Government spending. Federal debt held by the public is equal to the size of our entire GDP.[31] Moreover, we are not starting from scratch in the childcare space. As outlined in Section II, there are childcare block grants to the States, Head Start, the Child and Dependent Care Tax Credit, the Child Tax Credit, tax credits to employers and more.

New programs should seek to rationalize the existing landscape of Federal and State policy to prevent duplication, waste, and overlap. For example, an expansion of the Child and Dependent Tax Credit could be paired with a streamlining of existing policies. In our AEI paper, "Improving Economic Opportunity for Women", Mathur and I propose substantially increasing the amount of the CDCTC and making it refundable. This would reduce the need for CCDF and employer-sponsored tax credits, making childcare support available regardless of employer options or State policies.[32] While all of us would appreciate an offset in childcare costs or a child allowance expansion, it is particularly important for low-income and disadvantaged families; this suggests that we should have a relatively tight income limit on tax credit eligibility.

Some have argued that investments in care programs would pay for themselves given that society is already bearing the burden of underinvestment in early childhood. Importantly, this has not been the case with our existing public preschool programs, even those targeted towards at-risk children, such as Head Start. In the words of Heckman, "there is little basis for providing universal programs at zero cost."[33]

[29] Guthrie Gray-Lobe, Parag A. Pathak, Christopher R. Walters, "The Long-Term Effects of Universal Preschool in Boston", 2021, *http://www.nber.org/papers/w28756.*

[30] Aparna Mathur and Abby McCloskey, "Fostering Upward Economic Mobility in the United States", AEI Research Paper, 2014, *https://www.aei.org/wp-content/uploads/2014/04/-fostering-upward-economic-mobility-in-the-united-states-151727618007.pdf?x91208.*

[31] CBO, "The Budget and Economic Outlook: 2021–2031", *https://www.cbo.gov/publication/56991.*

[32] Aparna Mathur and Abby McCloskey, "How To Improve Economic Opportunity for Women", AEI Research Paper, 2014, *https://www.aei.org/wp-content/uploads/2014/07/-how-to-improve-economic-opportunity-for-women-120143477839.pdf?x91208.*

[33] James Heckman, "Catch 'em Young", *Wall Street Journal*, 2006, *https://www.wsj.com/articles/SB113686119611542381.*

4. We should make it easier for parents to spend time with infants.

While much of the discussion on childcare focuses on care outside the home, care inside the home is vitally important. In her book, *What Children Need*, Columbia University economist Jane Waldfogel finds that a parent being actively present during the first year of a child's life is linked to a host of positive emotional, physical, and mental health outcomes for children.

Yet the status quo makes it very difficult for parents to spend this critical time with their children, especially low-income parents who have a thin financial margin and lack access to benefits such as paid leave from their employers. Fewer than one in five workers have access to paid parental leave from their employers, and 40 percent of workers lack job protection following the birth of a child.[34] As a result, one in four mothers returns to work within two weeks after having a child, and many fathers take no time off of work at all.[35] The impact is significant, from reduced rates of breastfeeding to one of the highest rates of neonatal fatalities in the developed world.[36]

A modest Federal paid parental leave policy would protect those early weeks between parents and infants and has been supported by the bipartisan AEI-Brookings paid leave working group (in which I'm a member).[37] While there have been calls for more expansive leave packages for family and medical purposes, the most pronounced benefits in the paid leave literature accrue from paid parental leave. As such, we should unbundle this from the other leave policies and prioritize its implementation.

Boosting wages through wage subsidies such as the Earned Income Tax Credit and economic growth also would allow parents to scale back hours to spend more time at home, while helping to ensure that one or both parents remain attached to the labor force. Additionally, the most successful early childhood care interventions have also been paired with in-home visits and parental coaching, suggesting that care inside the home and outside of it are dynamic complements, and the latter does not negate the former.[38]

5. We should address the supply side of care to bring down costs.

One potential contributor to heightened childcare costs is the decline in the supply of providers. A 2019 report noted a 35 percent decline in small family childcare providers from 2011 to 2017 and a concurrent decline in large family care providers by 8 percent.[39] This could, in part, be the result of childcare regulation. As with occupational licensing measures, safety and quality standards are crucial; however, overly burdensome restrictions that may prevent otherwise qualified care providers from entering the market.[40] Therefore, a care package should include incentives for States to streamline their care regulations to ensure children are receiving optimal care and other burdens are removed so that consumers (i.e., parents) do not wind up paying the high price.

Additionally, more attention is needed to increase the supply, retention, and advancement of care providers. As discussed in Section IV, apprenticeships and vocational training for care providers are promising solutions to increase the supply of caregivers, as well as improve their skills and wages. Multiple States have begun experimenting with access to registered apprenticeship programs for early childhood educators.

Conclusion

To conclude, childcare impacts the economy through parental participation in the labor force as well as children's developmental outcomes. These impacts are particularly pronounced for disadvantaged families. While there are many existing Government programs that seek to offset childcare costs and increase access to care, these programs are not comprehensive and have left out many low-income families. As policymakers weigh how to improve the childcare landscape in the postpandemic economy, investments in early childhood care for at-risk families should be at the core of Federal childcare policy given their well-documented record of generating significant economic returns, upward mobility, and improved labor force attachment.

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[34] AEI-Brookings, "Paid Leave an Issue Whose Time Has Come", 2017, *https://www.aei.org/research-products/report/paid-family-and-medical-leave-an-issue-whose-time-has-come/.*

[35] Ibid.

[36] Ibid.

[37] Ibid.

[38] James Heckman, "Invest in Early Childhood Development", *https://heckmanequation.org/www/assets/2013/07/F-HeckmanDeficitPieceCUSTOM-Generic-052714-3-1.pdf.*

[39] Aparna Mathur and Abby McCloskey, "The American Dream in 2020", AEI Paper *https://www.aei.org/research-products/report/the-american-dream-in-2020-how-to-strengthen-it/.*

[40] Ibid.

New programs should take into account existing policy and seek to create more options for high-quality care—both inside the home and outside of it—instead of one-size-fits-all solutions.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR KENNEDY FROM RACHEL GRESZLER

Q.1. How has COVID–19 impacted women's employment and economic activity?

A.1. Initially, early in the pandemic, women lost more jobs than men. They were also more likely to drop out of the labor force to stay home with children when schools and daycare centers closed.

In the first 2 months of the COVID–19 pandemic, women's employment was down by 1.2 million more than men's. But as of June 2021, men's employment is actually down by 252,000 more than women's. Female unemployment peaked at 16.1 percent in April 2020 as men's hit 13.6 percent. Yet today, the unemployment rate among women is lower than among men (5.7 percent vs. 6.0 percent).

And while women's labor force participation rate has declined slightly more than men's since the pandemic began (1.7 percentage points vs. 1.6), women's 5.3 percent increase in earnings is more than twice that of men's 2.2 percent gain.

Change February 2020 to June 2021	men	women
Labor force	-1594	-1768
	-1.83%	-2.28%
Labor force participation rate (percentage points)	-1.7	-1.6
Employed*	-3691	-3439
	-4.40%	-4.59%
Unemployed	2096	1671
	68.77%	62.61%
Unemployment rate (percentage points)	-2.50	-2.30
Wages (Q1 2020 to Q1 2021)	2.2%	5.3%

*Figures in table are in thousands, unless notes as % or percentage points.

Not only have women largely recovered from those initial disparities, but the workplace changes brought on by the pandemic will arguably propel women forward in the workplace, as opposed to setting them back.

Q.2. Due to the pandemic, many childcare providers were forced to close their doors. According to The Chamber of Commerce, over 70 percent of working parents with children younger than 6 years old stayed home throughout the year. Additionally, with greater accessibility to childcare, 68 percent of employed parents say they'd be able to work more. Question: Has the pandemic and childcare struggles disproportionately impacted parents' employment?

A.2. Yes, parents' work was disproportionately impacted at the beginning of the pandemic. In large part, their hours were affected (having to cut back on them by an average of 8 hours per week), and to a lesser degree some had to stop working entirely. Somewhat surprisingly, this is no longer the case and parents' employment has been less impacted than nonparents.

Q.3. How have working parents been disproportionately affected by both the pandemic and issues related to childcare?

A.3. At first, childcare center and school closures meant many parents had to cut back on work or stop working entirely. But most childcare centers opened long before public schools. And fortunately, many families found alternatives to childcare providers through the use of family- and friends-care.

Surprisingly, a study by Jason Furman, et al. (Furman is a former Chair of President Obama's Council of Economic Advisers), found that, as of May 2021, working parents with young children were actually less likely than workers without young children to have experienced declines in employment.

Q.4. The American Families Plan, Biden's proposal, would invest $200 billion into universal preschool for all 3 to 4 years old—saving the average family $13,000 and assist 5 million children. Senator Warren's $700 billion proposal would expand federally offered childcare, Head Start, to establish a "universal system for families" who don't qualify for their services. Thus, wealthy families who could afford childcare would be eligible for a Federal subsidy. Question: Who stands to benefit most from a universal, subsidized childcare for all proposal?

A.4. Wealthy and affluent families have stronger preferences for center-based childcare and thus would be most likely to benefit from these proposals. Moreover, wealthier families living in high-cost areas would likely receive the highest subsidy amounts as annual daycare costs often exceed $20,000 per child in large cities.

Q.5. Who stands to benefit from universal childcare help the most? And how would this proposal truly benefit both childcare workers and families?

A.5. Wealthier families with two earners, and also single-parent families, would benefit the most from universal Government childcare programs. The proposal to mandate higher wages for childcare workers would benefit some, but not all childcare workers, as the Government-directed childcare centers would provide higher wages while workers who prefer to care for children in smaller, family-based, and religious centers (or who do not live in areas where large providers exist) would be less likely to qualify for the subsidies and thus higher wages. Moreover, the proposal to mandate that childcare workers in programs receiving subsidies have the equivalent education of kindergarten teachers would effectively eliminate the jobs of many childcare workers who do not have college degrees and are likely not in positions to get them.

Evidence from Quebec shows widespread Government-subsidized childcare harms children and families. There is similar evidence from within the U.S. in targeted lower-income subsidized programs. And recently, evidence from Chicago and Trenton, New Jersey, show the unintended consequences of creating two-tiered systems and driving out the provision of private, non-Government care, while also diverting funds meant to benefit children and families and instead aiding cronyism and corruption.

Q.6. President Biden's proposal also includes a $15 an hour wage for everyone working in the Head Start program and pre-K. A recent report done by the Heritage Foundation found that this could significantly increase the cost of childcare, especially in Louisiana. If Congress raised the Federal minimum wage to $15 an hour, in Louisiana, this would lead to a 37 percent hike in costs. A $5,487 increase in cost for one child enrolled in infant care and one child in 4-year-old care. Question: Do you know how much it would cost the families in my State of Louisiana if Congress were to enact a $15 minimum wage for childcare?

A.6. Currently, the average cost of childcare for an infant in Louisiana is $7,728 while care for a 4-year-old is $6,912 per year, for a total two-child cost of $14,640. I estimate that a $15 minimum wage would increase childcare costs to $10,624 for an infant (an increase of $2,896) and to $9,503 for a 4-year-old (an increase of $2,591). In total, a family with two children in childcare would see their annual costs rise by $5,487, from $14,640 to $20,127. It is important to note that my estimates of the impact of a $15 minimum wage on childcare costs likely represent the lower bound as they only assume that workers with wages currently below $15 will receive raises to $15 per hour, but in reality, workers with higher wages will also have to receive pay raises (including childcare directors) in order to maintain a just and competitive compensation schedule.

With the median annual income in Louisiana equal to $46,460, a 37 percent increase in childcare costs would impose tremendous financial burdens on families. Infant care alone would consume 23 percent of an average worker's income, and care for an infant and 4-year-old would require 43 percent of an average workers' income.

Q.7. How can current Government funded programs be changed to better align with families' needs and kids' well being?

A.7. The Federal Government already provides significant funding for early childhood care and education through childcare development block grants and through Head Start. Block grant funding should be widely available at providers of parents' choices, and Head Start should be made portable, so that families can use those funds at a preschool or childcare provider of their choice. The reality is that Head Start is not a viable childcare solution for working parents as it often only provides a few hours of care per day, and yet at about $10,000 per student, it costs as much as full-time childcare in a majority of States.

Moreover, State policymakers should examine and remove childcare regulations that do not significantly improve the safety and quality of care. This would increase the supply of providers and lower the cost of care, allowing families to choose from more options—including small family and religious center providers—that meet their needs and desires.

Q.8. Shouldn't we prioritize maximizing options for parents rather than applying this blanket, one-size-fits-all approach to childcare?

A.8. For parents with young children, there is nothing more important than being able to choose who will care for their children, and the type of environment in which they leave their children. While blanket childcare subsidies will be available to almost every family, they will not allow families to choose the providers that work best for them. As envisioned, Government childcare subsidies will go to childcare centers that comply with a litany of costly and unnecessary childcare regulations, such as childcare teachers needing to have a college degree, Government bureaucrats imposing wage and compensation mandates on childcare providers, childcare workers being unionized, and the environments and curriculums mandated by Government standards instead of parents' preferences.

Parents have very different preferences for childcare. Many—especially lower-income and Hispanic parents prefer for a parent to stay home with children. By definition, families that choose to have a parent stay home will have lower incomes. Families who sacrifice earnings to care for their own kids should not also have to sacrifice more income to pay for the care of other families' children. It would be far better to make it easier for families to pursue childcare and work arrangements that are best for them than to impose a blanket policy that would disproportionately benefit wealthy and affluent families.

Q.9. Would you think a family's ability to borrow against themselves, like borrowing from their future child tax credit refund to use as a childcare voucher, would allow them more freedom/flexibility to choose a childcare program that best suits their needs? What other options should families have available to them to help pay for childcare?

A.9. It would seem, economically, that having the option to borrow against a once-a-year tax credit would help families manage their weekly and monthly childcare expenses, but there are some barriers that would prevent such an option from being as effective as desired. Families can be understandably weary about borrowing against a future Government benefit; the paperwork and bureaucratic process would deter many; and issues surrounding the legal custody of children could limit the availability of such funds, as well as add to complications and improper payments.

Instead of providing child payments to virtually all families—without work requirements and extending payments to very high-income families—a more effective way to provide families with the resources they need to care for their children, and to teach them the importance of work, would be to let parents keep more of the money they earn—through broader-based and lower-rate taxes.

Q.10. Do you believe the childcare system needs to be better connected to the actual needs of the local workforce and community?

A.10. Yes. What works in a big city like Washington, DC, where most jobs are information-based, the costs of living are extremely high, and most families have all parents in the household working is unlikely to work in rural Kentucky where jobs like coal-mining and farming have less regular schedules and more parents choose family-based care for their kids. Heavily subsidized, Government-directed childcare programs may meet the desires of upper-income urban families, but what is needed in more rural areas with unique industries is more small, in-home family and church-based childcare providers that can offer more flexible schedules at lower costs.

The pandemic showed that local governments are best equipped to address the childcare needs of their communities. Not only are local and State governments the ones that determine childcare regulations, but they have personal interactions with their residents and business owners that help them know how best to meet their communities' needs. During the pandemic, communities such as my own provided targeted funding to childcare providers, noting the importance of preventing permanent closures. Because local governments regulate childcare providers, they already had their information on hand and were able to get the information out to these providers quickly, and to provide assistance in navigating the application process. Meanwhile, the Federal funding proposed in the so-called infrastructure package would come with so many strings attached that they would be effectively out of reach for smaller childcare providers. For example, providers would only be able to hire childcare teachers who have college degrees, their curriculums would be mandated by Federal bureaucrats, and even just accessing Federal funds for facilities improvements would require childcare providers to comply with "prevailing wage" laws that dictate the pay and benefits that must be provided to contractors who perform facilities improvements.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR KENNEDY FROM ABBY M. MCCLOSKEY

Q.1. Senator Cassidy (R-LA) and Senator Sinema (D-AZ) have introduced a bipartisan proposal to assist working families with paid leave or childcare expenses. Question: Do you think pushing childcare reform through without bipartisan discussion will solve the childcare dilemma in the long-term?

A.1. It is essential that working families rely on sustainable childcare and paid leave policies that will not change depending on the political makeup of Congress or the Administration. I applaud Senators Cassidy and Sinema for their bipartisanship and hope that more Senators engage in similar efforts.

Q.2. What areas of childcare and paid leave policy proposals do you believe Democrats and Republicans could compromise on the most and why?

A.2. In terms of childcare, Democrats and Republicans should come together to support an expansion of the Child and Dependent Care Tax Credit (CDCTC) for low and middle-wage workers. High childcare costs are a barrier to work and thus a barrier to financial independence and upward mobility. Additionally, the literature has shown that high-quality childcare is particularly important for economically disadvantaged children's cognitive development. A CDCTC expansion should support a wide variety of early childhood care and educational opportunities, including in-home providers, religious providers, and center-based care as opposed to a one-size-fits-all public program. In this sense, the CDCTC can be thought of as a massive school choice or voucher program for early childhood education.

In terms of paid leave, I believe that Democrats and Republicans should come together to support a Federal paid parental leave policy. A Federal paid parental leave policy would deliver significant economic and health benefits to parents and infants at a fraction of the cost of a broader paid leave policy. An 8-week paid parental leave policy has been modeled by the AEI-Brookings Working Group on Paid Leave (which I was a part of) and could be paid for in part by reorganizing existing spending.

While some policymakers have proposed a broad paid leave policy—inclusive of parental, family, and medical leave—the literature is most robust on the benefits of paid parental leave, or paid leave upon the birth or adoption of a child. The increase in workforce attachment, health improvements for mothers and children, and decrease in welfare dependency are all specific to paid leave for new parents. The rest of the world treats paid parental leave differently from medical or family leave. Combining paid parental, family, and medical leave into a one-size-fits-all 12 week policy significantly expands the cost of the program, gives rise to the potential for significant and repeated business interruptions, and has stymied bipartisan cooperation on the issue.

Q.3. How can current Government funded programs be changed to better align with families' needs and kids' well being?

A.3. There are many overlapping and duplicative Government offsets for childcare, including but not limited to block grants to States, tax credits to employers, and tax credits to workers. New programs should seek to rationalize the existing landscape of Federal and State policy to prevent duplication, waste, and overlap. For example, an expansion of the CDCTC could be paired with a streamlining of existing policies. In our AEI paper, "Improving Economic Opportunity for Women", Aparna Mathur and I propose substantially increasing the amount of the CDCTC and making it refundable. This would reduce the need for block grants and employer-sponsored tax credits, making childcare support available regardless of employer options or State policies. While all of us would appreciate an offset in childcare costs or a child allowance expansion, it is particularly important for low-income and disadvantaged families; this suggests that we should have a relatively tight income limit on tax credit eligibility.

Q.4. Shouldn't we prioritize maximizing options for parents rather than applying this blanket, one-size-fits all approach to childcare?

A.4. Yes. Indeed, maximizing family choice should be a guiding principle for childcare reform. Each family's values and needs are different. We should seek to maximize choices for families both for parental care as well as for care providers outside of the home. Options for care outside the home can be increased through an expansion of the CDCTC, which in essence functions as a large choice program for early childhood care. Options for care inside the home by parents can be increased by boosting wages for workers through an EITC expansion and economic growth. Higher wages would provide families with more flexibility to scale back hours or have one parent stay home if that's what they wanted to do.

Q.5. Would you think a family's ability to borrow against themselves, like borrowing from their future child tax credit refund to use as a childcare voucher, would allow them more freedom/flexibility to choose a childcare program that best suits their needs? What other options should families have available to them to help pay for childcare?

A.5. It makes sense to increase the flexibility of existing Government programs where possible. The expenses for children are highest when they are 0–5 years old, when there are work interruptions from childbirth, childcare is most expensive for infants, and before a child is old enough to be in elementary school. Additionally, investments made early in a child's life are likely to have a greater return than those made later in a child's life, as has been modeled by Nobel-prize winning economist James Heckman. Thus, allowing families the choice to access more funding up front makes good economic sense.

I also support offsetting the cost of childcare directly through an expansion of the CDCTC.

Q.6. Do you believe the childcare system needs to be better connected to the actual needs of the local workforce and community?

A.6. Yes. Childcare needs and costs vary widely. This is why it's important to allow for the proliferation of a wide variety of care providers instead of a one-size fit all option. It is also why it is important to increase the opportunities for care providers based on local needs. Multiple States—including West Virginia, Pennsylvania, and Colorado—have begun to implement registered apprenticeship programs for early childhood educators. These programs provide early childhood educators with on-the-job training and a career pathway to improve their knowledge and skills. They create more opportunities for workers to move into roles of greater responsibility and pay, a virtuous cycle resulting in higher quality care. They can also be tailored to the specific needs of the community and offered in tandem with community colleges and local employers.