



Testimony of Greater Boston Chamber of Commerce to the Joint Committee on Education
Hearing on Early Education and Care, Kindergarten, and Literacy
November 23, 2021

There is little doubt that early education and care plays a vital role in our economy by laying the foundation for a strong future workforce and enabling parents' participation in the current workforce. However, creating a system that is accessible, affordable, and high-quality is a massive challenge that was exacerbated by the pandemic. As this committee considers legislation before it, the Chamber suggests how each proposal will impact outcomes from high-quality care and education, the accessibility of care, and affordability.

Outcomes from High-Quality Care

High-quality early education and care sets children up for success in the workplace and is an important factor in addressing equity and achievement gaps.

Studies and research abound showing that high-quality early education and care leads to better outcomes for children. The multi-disciplinary Harvard Center on the Developing Child summarizes why early education and care matters:

“Healthy development in the early years (particularly birth to three) provides the building blocks for educational achievement, economic productivity, responsible citizenship, lifelong health, strong communities, and successful parenting of the next generation.”

Strong building blocks developed through high-quality early education and care benefit individual children, their current families, and their future families. These foundations also translate to a stronger workforce for employers because high-quality early education and care can improve long-term educational attainment, emotional skills, and social development – all components in strong employees.

Because high-quality early education and care can positively affect long-term outcomes, it is a key tool in the effort to advance social and economic equity. A recent study found that sustained, high-quality early education reduced the gaps in educational attainment and wages by the time attendees were young adults, further support for the case that high-quality early education and care has the greatest impact on economically disadvantaged children.¹ In other words, high-quality early education and care can set children on a more equitable path toward opportunities.

¹ Bustamante, Andres et al. “Adult outcomes of sustained high-quality early child care and education: Do they vary by family income?”, *Child Development*, October 2021. <https://srcd.onlinelibrary.wiley.com/doi/full/10.1111/cdev.13696>

Investments today in sustaining a high-quality early education and care system will pay long-term dividends for Massachusetts residents. A high-quality system will prepare a strong, diverse future workforce that can sustain the region's economic success.

Affordability and Availability

Early education and care is a personnel-intensive service, with ratios as low as one caregiver for every three infants, and this structure impacts both affordability and availability of early education and care services.

Massachusetts has among the highest costs in the United States for child care, with an annual cost topping \$20,000 in 2019 for an infant in center-based care, which is equal to more than 16% of the state's median income.² For some, the costs impact work decisions, which also affects employers. A January 2021 brief released by the U.S. Chamber Foundation notes that 16% of employers saw employees leave for child care reasons.³

The affordability challenge is exacerbated right now because the early education and care workforce in Massachusetts remains below pre-pandemic levels: in February 2020 there were nearly 29,000 child care workers in the state compared with a little more than 24,000 in October 2021, a decline of 15%.⁴ Although the October 2021 levels are significantly greater than the lowest points of the pandemic, the disruption effectively reversed years of progress in increasing the child care workforce.

The shortage of early education and care workers means that the service is less available, which compounds economy-wide labor shortages when workers who are unable to find child care services cannot fill open jobs. The effects of the availability challenge also impact existing employees: research by the U.S. Chamber of Commerce Foundation found that one in 10 parents decline new opportunities at their workplace due to childcare needs, which translates to \$3.09 billion in foregone wages.⁵

Employers, recognizing how important early education and care is to their employees, are trying to address issues of affordability and availability.

² ChildCare Aware of America, *The U.S. 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/>

³ U.S. Chamber of Commerce Foundation, *Executive Briefing: Essential Care for Essential Workers*, January 2021, https://www.uschamberfoundation.org/sites/default/files/media-uploads/ECE%20Executive%20Briefing_Jan2021.pdf

⁴ Federal Reserve Bank of St. Louis Economic Data, All Employees: Education and Health Services: Child Day Care Services in Massachusetts <https://fred.stlouisfed.org/series/SMU25000006562440001SA>

⁵ U.S. Chamber of Commerce Foundation, *Piecing Together Solutions: The Importance of Childcare to U.S. Families and Businesses*, December 2020.

https://www.uschamberfoundation.org/sites/default/files/EarlyEd_Minis_Report6_121420_Final.pdf

- **Backup Care:** Employers offer on-site or off-site backup care to their employees to cover times when their primary caregiver is unavailable. For example, Massachusetts General Brigham provides access to emergency child care services when regular child care services are unavailable, when employees must work additional hours, or when patients do not have caregivers when they must attend a clinical appointment. Similarly, Harvard University provides access to in-home backup child care services when regular child care is not available to parents.
- **On-Site Child Care:** Employers invest in on-site child care services as a way to attract and retain talent. Costs are often lower at an on-site center, in part because they can take advantage of federal tax credits. To that end, the Chamber supports H. 2884 which aligns Massachusetts with the federal tax code credit for on-site child care. Conforming to federal law would provide a 25 percent tax credit, up to \$150,000, for expenses related to on-site childcare services.
- **Dependent Care Flexible Spending Accounts (DCFSA):** Dependent Care Flexible Spending Accounts (DCFSA), provided through employers, allow parents to set aside pre-tax income for child care expenses.
- **Referral Services:** Employers assist employees in accessing child care by identifying child care providers that are available and that meet the needs of families.

Next Steps

At the time of the hearing, federal debate is underway about potentially significant changes to the early education and child care system. We urge the committee to delay action on bills until that debate concludes.

In the meantime, as the Committee reviews legislation, the Greater Boston Chamber urges you to consider the following recommendations:

Examine cost drivers to inform investments, incentives, and other policy steps.

An important component of tackling affordability is to understand what drives the high costs of early education and child care. Using that understanding, the Committee can determine which proposed solutions would have the greatest potential impact on affordability.

Target early education and care deserts and encourage entrepreneurs.

Demand and supply dynamics of early education and child care likely changed in the last 18+ months, particularly when looking at geographic supply and demand.

The state should in particular craft policy to fill child care “deserts” by supporting child care entrepreneurs. For example, the City of Boston is working to improve child care access in the city through a child care entrepreneurship fund that provides both technical and financial support. Supporting early education and care entrepreneurship has an added benefit of creating more diverse and inclusive economies because providers are mostly women, including women of color.

Support employer efforts

Many employers view early education and child care as an opportunity to provide benefits that attract and retain strong employees. The state can support their efforts by creating incentives, like the alignment with federal on-site child care deduction. It also can consider funding, including in the form of tax credits and deductions, for pilot programs to determine whether they can be scaled.