

PIECING TOGETHER SOLUTIONS:

The Importance of Childcare to U.S. Families and Businesses

Working parents, employers, and childcare providers need long-term, cross-sector solutions to recover from COVID-19.

Introduction

The first five years of a child's life are critical to establishing the strong educational, mental, and emotional foundation upon which future learning is built.¹ Experiences during these formative years can significantly influence future outcomes for children and families. Childcare is not only crucial for the development of young children, but also essential for the 14 million working parents with young children.² Parents rely on childcare to help them enter, re-enter, or remain in the workforce, but access to affordable, quality childcare is often a significant barrier for many.

Due to the ongoing COVID-19 pandemic, families are experiencing additional challenges in finding, maintaining, and affording childcare that meets their needs. The challenges they face are persistent and complex, but solvable, given a willingness to work towards cross-sector solutions that involve families, business leaders, childcare providers, and policymakers. Even prior to COVID-19, parents dedicated significant energy and resources balancing their roles at home, in the community, and in the workplace – a theme which has only been exacerbated by the physical, mental, and emotional toll of the pandemic. Parents consider several factors in determining the level and type of childcare solutions that best meet their needs. These factors make up what we refer to as the “Childcare Equation.”

Every piece of the equation is vital to making the whole picture work. This equation results from working parents navigating the following factors:

1

Work Responsibilities

including their hours, schedule, and employer flexibility

2

Home Environment

including who in the home might be available to care for young children and the family's physical proximity to a childcare program

3

Finances

including balancing a family's budget, understanding tradeoffs and other expenses and resources within the family

4

Community Options

including availability of childcare, potential conflicting schedules and needs of school-aged children who are attending school either in-person or remotely

5

Family Composition

including the work schedule of a partner, spouse, extended family member, or friend to share caregiving responsibilities

¹ Center on the Developing Child, Harvard University. *What Is Early Childhood Development? A Guide to the Science*. <https://developingchild.harvard.edu/guide/what-is-early-childhood-development-a-guide-to-the-science/>.

² U.S. Bureau of Labor Statistics. “Table 4. Families with own children: Employment status of parents by age of youngest child and family type.” <https://www.bls.gov/news.release/pdf/famee.pdf>.

INTRODUCTION

“Yet, working parents are not alone at the center of this tension: the public health crisis of COVID-19 has had a devastating effect on the childcare industry.”

As is true of much of 2020 and the COVID-19 pandemic, these variables are dynamic and present constantly changing scenarios to working families. Yet, working parents are not alone at the center of this tension: the public health crisis of COVID-19 has had a devastating effect on the childcare industry. According to a survey by the National Association for the Education of Young Children (NAEYC), nearly half of childcare providers closed their facilities during the COVID-19 shutdowns, and 18 percent of childcare centers remain closed.³ Although many providers have re-opened, they are operating with limited capacity. Eighty-six percent are serving significantly fewer children than were enrolled prior to the pandemic; on average, enrollment is down by 67 percent.⁴ Such low enrollment means greatly reduced revenue, and childcare providers are left scrambling to break even in an industry that was already struggling for sustainability prior to the pandemic.

The reopening of childcare centers is essential to building back a healthy economy and reducing the strain on those who stepped in to provide care when centers had reduced capacity or closed entirely. Without viable childcare solutions, working parents will have a difficult time returning to work, especially as unemployment is concentrated in industries that provide in-person services.⁵ As of October, the overall unemployment rate was still at an elevated rate of 6.9 percent on average, and in some industries much higher than that. Industries with the highest unemployment rates include accommodation (24.6%) and food services and drinking establishments (14.8%).⁶ Conversely, some industries have urgent staffing needs but are unable to fill positions. This includes workplace software providers, manufacturing and food-distribution suppliers, and customer-service companies among others. Some companies report increasing compensation to fill more positions, and the time and resources it takes to fill a position have increased significantly.⁷ To meet the workforce demands in these and other industries, employers will need to seek out new employees from among the 14 million working Americans with young children. However, without viable childcare solutions, those working parents could be unable to return to work.

86%

of childcare centers are serving significantly fewer children than prior to the pandemic

On average, enrollment in childcare centers is down

↓ 67%

³ NAEYC. “Holding On Until Help Comes.” July 13, 2020. https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/holding_on_until_help_comes.survey_analysis_july_2020.pdf

⁴ Ibid.

⁵ Congressional Research Service. “Unemployment Rates During the COVID-19 Pandemic: In Brief.” November 6, 2020. <https://fas.org/sgp/crs/misc/R46554.pdf>

⁶ Ibid.

⁷ The Wall Street Journal. “Millions of Jobs Have Been Lost, but Hiring Is Booming At These Companies.” Oct. 15, 2020. <https://www.wsj.com/articles/millions-of-jobs-have-been-lost-but-hiring-is-booming-at-these-companies-11602768600>.

INTRODUCTION

In the fall of 2019, the U.S. Chamber of Commerce Foundation surveyed working parents in four states to better understand how childcare challenges affect parents' participation in the workforce, employers' ability to recruit and retain skilled workers, and state economies. These findings, highlighted in a series of reports referred to as Untapped Potential, estimated the economic implications of limited childcare options. A major finding was that parents are postponing school and training programs, declining promotions and (sometimes) leaving the workforce entirely due to childcare challenges, such as breakdowns in care, affordability, or limited access. In the four states studied, these childcare issues resulted in anywhere from \$479 million to \$3.47 billion in estimated annual losses for their economies. Employers in those states face both specific, direct costs such as employee turnover, transition, and hiring, and indirect impact through decreased productivity and challenges in balancing competing priorities.⁸ These losses were significant to families, employers, and states when economies were strong and unemployment was low, and likely have only been intensified by this year's public health crisis.

This spring, following the dramatic changes resulting from the global COVID-19 pandemic, the Chamber Foundation began an in-depth study to understand the implications for families, the childcare industry, and employers. The report that follows, and its underlying research, serves to address how the pandemic has impacted families' priorities, needs, and behaviors in regards to their Childcare Equation and their ability to participate in the workforce. Additionally, this report explores how the childcare industry is adapting and navigating the evolving impact of COVID-19, and how employers have and are responding to the increasing childcare needs of their employees and communities.

\$497M — \$3.47B

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⁸ Federal Reserve. "The Beige Book: Summary of Commentary on Current Economic Conditions." October 21, 2020. https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20201021.pdf.

Key Themes Over Time

Continuously changing childcare arrangements

2/3

Two out of three working parents have changed their childcare arrangement due to COVID-19, and the majority have yet to find a permanent solution.

- In June, **two out of three** parents had changed their childcare arrangement within the last three months, and **60%** of parents expected to change their arrangement in the next year.
- That remained consistent throughout the year; **63%** of parents in August and **62%** of parents in October reported needing to change their arrangement in the next year.
- As of October, unemployed parents were more likely to need to change their childcare arrangement within the next year (**65%** compared to **61%** of employed parents), primarily because of the need to return to work.

More children staying at home with family and friends

75%

Up to 75% of working parents have children under six years old staying at home, and only 10% are using childcare centers.

- Before COVID-19, **52%** of parents had children under the age of six staying at home with a parent or guardian at least part of the work week.
- In June, that number jumped to **75%** and remained relatively stable throughout the year, with **73%** of parents reporting having a child at home in October.
- Before COVID-19, **25%** of parents used childcare centers, but by June that number had dropped to **11%** and remained at **10%** in October.
- However, slightly more parents are using family, friends, or neighbors for childcare than before COVID-19.

Parents leaving the workforce

40%

In June, 40% of employers were concerned that some of their employees would not fully return to work, and by October, 32% of employers had seen employees leave the workforce.

- In June, **22%** of parents were unsure whether they would return to work. By October, that number had dropped to **13%**, although it was significantly higher for women than men (**17%** vs. **6%**). The primary reason for not returning to work is childcare concerns.
- In June, **40%** of employers reported being concerned that some of their employees would not fully return to work. By September, **32%** of employers had seen employees leave the workforce due to COVID-19, primarily due to childcare and health concerns.
- In October, **20%** of parents reported being likely to quit their job if their school district adopts a fully online model, as they will need to care for their children at home.

Key Findings

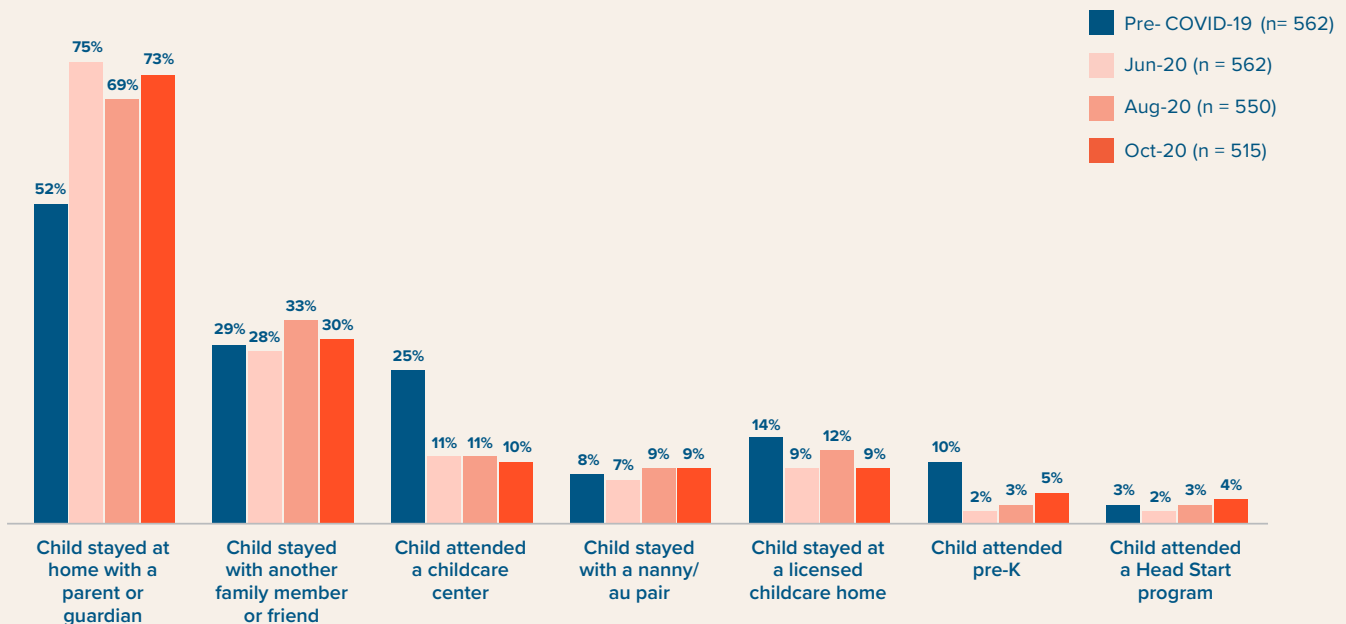
Parents have continued to adjust their childcare arrangements throughout the year

Prior to the pandemic, working parents had carefully constructed their Childcare Equation for their young children. While families often adjust their Childcare Equation over time based on needs, these are thoughtful decisions that take time and careful planning. However, due to a combination of childcare provider closures, health and safety concerns, and workforce changes caused by COVID-19, the majority of parents were forced to adjust quickly their childcare arrangement and look for alternative, temporary solutions. In June, two-thirds of parents reported having to change their childcare arrangement since March. Those arrangements were largely temporary – 60 percent of parents reported that they would need to change their current arrangement sometime in the next 12 months. When parents were surveyed again in August, most parents had yet to find a long-term solution, as 63 percent of parents still expected to change their arrangement sometime in the next year. By October, the situation had not changed, with 62 percent of parents reporting that they would need to change their arrangement sometime in the next year. Due to the long-lasting effects of COVID-19, parents have found themselves in a volatile situation around this most important decision about caring for young children.

At the beginning stages of the pandemic when most parents were quickly forced to find new childcare arrangements, many parents opted to keep children at home, especially if they also transitioned to working from home. Prior to the COVID-19 pandemic, 52 percent of working parents reported keeping a child at home with a parent or guardian. In June, that number jumped to 75 percent, while the number of parents with children at childcare centers dropped to 10 percent from 25 percent. Over the course of the year, that trend continued.

FIGURE 01

Percent of parents using each type of childcare arrangement



Childcare arrangements were changing in tandem with new work situations. By June, 79 percent of employers reported shifting a significant part of the workforce to remote work. While this may have made providing childcare easier for some, only a certain group of parents were afforded this flexibility. High-income parents were much more likely to have transitioned to remote work; in June, 73 percent of high-income parents reported working from home, compared to 24 percent of low-income parents. Those parents who did not have the flexibility to work from home but still had children at home explored alternatives such as taking unpaid leave or relying on extended family members and friends. However, these solutions, which were intended to be temporary, have become more permanent and less ideal as the pandemic drags on.

Working parents who have experienced unemployment are also struggling to find a long-term solution. Of the working parents we surveyed that are currently unemployed, 80 percent have children staying at home. Sixty-five percent report that they will likely need to change their childcare arrangement in the next year, primarily because they will need to return to work. However, lack of viable childcare solutions is impeding some parents from returning to work altogether. One in four currently unemployed parents are unlikely to return to work, and three-quarters of those parents cite childcare concerns as the reason they are unlikely to return.

For those parents who experienced unemployment and have now returned to work, many have had to completely reconfigure their Childcare Equation due to a change in job demands. Parents who worked in hard-hit industries such as retail or leisure and hospitality (where the unemployment rate remains at 16.3% after a peak of 39.3% in April)⁹ are now finding jobs in new industries with a very different work environment. For example, many jobs added during the pandemic, such as warehouse workers and customer service representatives,¹⁰ have non-traditional hours that are often not conducive to typical childcare arrangements, especially for single parents or dual-income homes that cannot alternate work hours.



⁹ Congressional Research Service. "Unemployment Rates During the COVID-19 Pandemic: In Brief." November 6, 2020. <https://fas.org/sgp/crs/misc/R46554.pdf>

¹⁰ The Wall Street Journal. "Millions of Jobs Have Been Lost, but Hiring Is Booming At These Companies." Oct. 15, 2020. <https://www.wsj.com/articles/millions-of-jobs-have-been-lost-but-hiring-is-booming-at-these-companies-11602768600>.

Temporary changes are having long-lasting effects

Without long-term solutions for childcare arrangements, working parents are beginning to make decisions that will have long-lasting effects on the workforce. As of October, 11 percent of parents report declining a new opportunity, such as a promotion or a new job, to provide childcare in the last three months, and six percent have left the workforce entirely. For those who have left the workforce entirely, the primary reason was the inability to find childcare solutions that meet their needs (64%). Twenty-nine percent reported not being able to afford childcare and 18 percent stated that they were unable to find work.

Thirty-eight percent of working parents have yet to return to work, and 13 percent are either unlikely or unsure whether they will return to work. While health and safety concerns are a factor in this decision, the most common reason for those who are unlikely to return to work is childcare concerns. For those that are unsure whether they will return, several factors may contribute to their decision, including the decisions of their local school district. The majority of parents (58%) agree that the decision of their local school district to adopt a remote learning model would influence their decision to return to work. As of October, **20 percent of currently employed parents report that they will likely quit their job if their school district adopts an online learning model.** Thirty-four percent report that they will need to reduce their hours, and 26 percent will need to find a new job.

Employers are also becoming increasingly concerned about their workforce's ability to return fully to work. In October, 32 percent of employers reported seeing employees leave the workforce due to the effects of COVID-19. Additionally, 29 percent of employers reported seeing employees transition to other employers. With so much volatility and uncertainty, 40 percent of employers are concerned that some employees will not fully return to work (e.g. they will need or want to work less hours). When asked what factors contribute to their employees leaving the workforce and seeking out other employment, employers point to health concerns and childcare concerns as the primary factors, which aligns with what parents themselves report.

“I am no longer able to work from home now that I have four kids in three different schools. My youngest is in pre-k and I have to do school with him, as well as monitor the other three. I am not able to work during the day as I would have before the pandemic, where my children were at school.”

– Single mother who has left the workforce

Industries are not impacted equally, as some of the most fundamental building blocks of the U.S. economy are impacted at a greater rate than others – most notably education, healthcare, and retail.¹¹ Forty percent of employers in the education industry have seen employees leave the workforce, and 61 percent of those education employers cite childcare concerns as a contributing factor to that departure. Similarly, 41 percent of health care employers have seen employees leave the workforce, and more than three-quarters of those employers point to childcare concerns as a contributing factor. As might be expected, the majority of retail employers have seen employees leave the workforce, primarily due to health/safety concerns (68%), lack of desire to work (40%), and childcare concerns (28%).

FIGURE 02

Percent of employers who have seen their employees do the following due to COVID-19

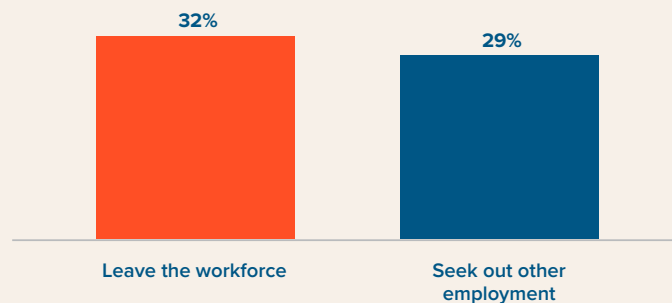
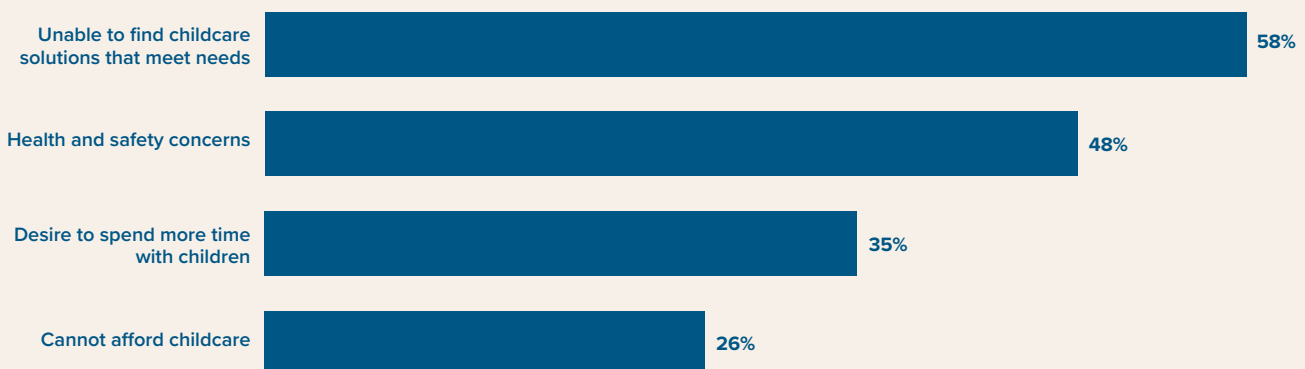


FIGURE 03

Percent of parents who report leaving the workforce for the following reasons



¹¹ IBIS World. Biggest Industries by Revenue in the US in 2020. <https://www.ibisworld.com/united-states/industry-trends/biggest-industries-by-revenue/>.

Women are being disproportionately affected

Census data reported in August explained how the pandemic was disproportionately affecting women’s current work situation,¹² which is corroborated by our data. Women are more likely to have declined a new job opportunity than men (13% vs. 7%) and more likely to have left the workforce (9% vs 2%). Among women who have left the workforce, the majority report childcare concerns as their primary reason for leaving. Only seven percent reported leaving because they no longer wanted to work. However, among the two percent of men who left the workforce, zero reported childcare concerns as their reason for leaving; instead, 100 percent left due to health and safety concerns.

In addition to the nine percent of women who have left the workforce, many more are at risk of leaving. Seventeen percent of women are unsure or unlikely to return to work, compared to six percent of men. Even for women who plan to return to work, their return is happening at a much slower rate than men. By October, 77 percent of men had already returned to work, compared to 54 percent of women.

Trends among working parents follow the larger unemployment trends we have seen unfold throughout the pandemic. Women are unemployed at a higher rate than men (9.5% vs. 8.6%), and the unemployment rates for Black and Latina women are significantly higher (12.7% and 11.6%).¹³ Additionally, it is important to note that 93 percent of childcare workers are women, and 45 percent are Black, Asian, or Latina.¹⁴ With two in five childcare centers certain they will close without additional public assistance,¹⁵ millions of women are at risk of losing their jobs.

FIGURE 04

Percent of working parents who have experienced the following due to COVID-19

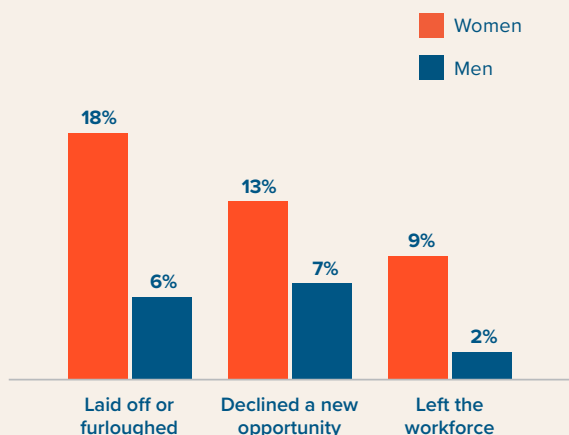


FIGURE 05

Percent of working parents who have returned to work



¹² U.S. Census Bureau. “Working Moms Bear Brunt of Home Schooling While Working During COVID-19.” August 18, 2020. <https://www.census.gov/library/stories/2020/08/parents-juggle-work-and-child-care-during-pandemic.html>.

¹³ U.S. Bureau of Labor Statistics. Labor Force Statistics from the Current Population Survey. E-16. “Unemployment rates by age, sex, race, and Hispanic or Latino ethnicity.” https://www.bls.gov/web/empst/cpsee_e16.html.

¹⁴ U.S. Bureau of Labor Statistics. Labor Force Statistics from the Current Population Survey. E-11. “Employed persons by detailed occupation, sex, race, and Hispanic or Latino ethnicity.” <https://www.bls.gov/cps/cpsaat11.html>.

¹⁵ NAEYC. “Holding On Until Help Comes.” July 13, 2020. https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/holding_on_until_help_comes.survey_analysis_july_2020.pdf

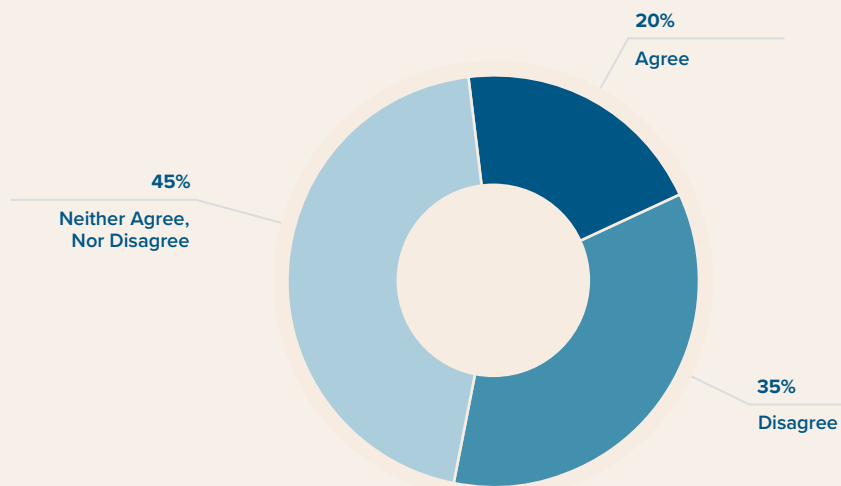
Parents, providers, and employers are all looking for more and better support

The effects of COVID-19 have left parents, childcare providers, and employers scrambling and looking for solutions. However, the role that employers play in alleviating that burden is still unclear. Seventy-one percent of employers feel that they provide adequate support for employees with young children, primarily by adjusting workplace conditions such as flexible work hours or remote work. However, just 38 percent of parents feel that their employer provides any type of childcare assistance, benefits, or accommodations. One potential reason for this discrepancy could be a difference in how benefits such as flexible work hours or remote work are viewed. While many employers may see them as childcare supports, that is not usually how they are communicated to employees or why they were originally implemented. While it's true that a large majority of employers shifted the workforce to remote work in response to the effects of COVID-19, only 44 percent of those employers say it was due in part to help with childcare assistance.

Employers and parents also differ on their perception of overall awareness of childcare needs. Eighty-nine percent of employers feel that they are aware of the childcare needs of their employees, compared to 73 percent of parents. Similarly, a lack of direct communication could be a driving factor of this divergence. Most employers report gathering information about childcare needs through informal feedback (62%); just 13 percent field surveys about the topic and 11 percent hold formal feedback sessions. Additionally, nearly half of parents report that their employer never talks about childcare or mentions it once or twice a year. This creates an opportunity for employers who are becoming increasingly aware of their working parents' needs to create intentional systems for feedback.

FIGURE 06

Percent of employers who agree with the following statement:
"I am willing to increase our organization's investment in childcare needs."



“Employers who are willing to expand their investment believe it helps them to retain a strong workforce, improve employee productivity, and attract new employees.”

As the majority of employers feel that they are aware of childcare needs and providing adequate support, they are largely hesitant to offer additional childcare assistance. Twenty percent of employers are willing to increase their organization’s investment in childcare needs, while 45 percent are unsure about taking that approach, and 35 percent are unwilling. Employers who are willing to expand their investment believe it helps them to retain a strong workforce, improve employee productivity, and attract new employees. Those employers unwilling to invest more in childcare are mostly constrained by funds or resources (72%). As employers consider their options for providing childcare assistance, they should also consider the financial implications of not meeting the childcare needs of their employees. With 13 percent of working parents unlikely or unsure whether they will return to work primarily because of childcare concerns, employers are facing significant costs related to employee turnover if those concerns are not resolved. By seeking feedback from employees to understand specific needs, employers can make informed decisions about the costs of providing and not providing additional childcare assistance.

However, there are a few scenarios in which employers would be willing to increase their investment. Almost half (48%) of employers would be likely to offer additional childcare assistance if the government provided additional incentives (e.g., tax benefits or subsidies). When the need is greater and inclusive of more employees, employers are more willing to provide assistance. Specifically, 37 percent of employers would be willing to offer additional assistance if more than 20 percent of their employees cannot return to work due to childcare concerns; the number of willing employers drops to 27 percent when only 10-20 percent of their employees are kept from work because of childcare accessibility.

When considering what additional assistance to provide, employers should survey their workforce to better understand their unique needs. Generally, working parents have varied views on the most important childcare benefits for an employer to offer. Thirty-six percent of parents view flexible working hours as a key benefit, followed by paid maternity leave (28%) and the ability to work from home (27%). One-quarter of working parents view onsite childcare as a key benefit, followed closely by a partnership with an offsite or nearby childcare provider (22%). However, desired benefits change based on the industry. The nature of work environments dictates that some childcare solutions are more appropriate than others. For example, employees in the retail industry are more likely to desire flexible working hours than employees in the education industry (50% vs. 25%). Additionally, employees in the information technology industry are more likely to desire onsite childcare than employees in financial services (45% vs. 10%).

Sustainability of Industry

While all employers are concerned about the effects of COVID-19, childcare providers have been especially impacted and are struggling to return to their pre-COVID levels. According to a survey by the National Association for the Education of Young Children (NAEYC), 86 percent of childcare providers are serving significantly fewer children than they were prior to the pandemic and, on average, enrollment is down by 67 percent.¹⁶ According to our interviews with childcare providers, the three primary reasons for this decrease in enrollment are (1) many states' public health guidelines have limited the capacity of childcare classrooms, (2) parents are concerned for the health and safety of the children and choose not to send them to childcare, and (3) parents have been laid off or directed to work remotely and either cannot afford or do not currently need the same level of childcare.

Even if all parents were comfortable going back to their previous childcare arrangement, most providers can no longer accommodate that capacity due to state regulations about staff-to-child ratios. In some situations, this has forced providers to make difficult decisions about which children they can care for; many providers report giving priority to children of essential workers or parents who cannot work remotely. Furthermore, while revenues have decreased, expenses have increased. Seventy percent of childcare centers reported incurring substantial, additional costs for staff, cleaning supplies, and personal protective equipment.¹⁷ This has left many providers in an unsustainable financial situation.

In many cases, small nonprofits that do not rely on public funding, such as faith-based centers, and large for-profit organizations reduced their workforce to continue operating. Some local for-profit organizations used the Payroll Protection Program (PPP) to pay staff and avoid layoffs. However, entire segments of the industry, particularly family childcare homes, have been “essentially unable to access the program and its benefits.”¹⁸ According to a NAEYC survey report from April 17, 53 percent of childcare centers and 25 percent of family childcare homes had applied for the PPP loan.¹⁹ Additional programs have likely applied since then, while others have chosen not to apply. Based on our research, many home-based providers did not apply for the PPP because they were confused by the application process, were afraid of the long-term tax implications, or did not have established banking relationships.

For many providers, the only remaining path to continue operating is to increase tuition. In June, 35 percent of childcare centers and home-based programs were already in a position where they needed to increase tuition.²⁰ When surveyed again in September, half of those programs had raised tuition rates. The average increase for centers was 11 percent (\$115 per child per month on average) while family childcare homes averaged 14 percent increases (\$88 per child per month on average).²¹ While childcare centers recognize the financial burden this adds to families, they would be forced to close otherwise. Already, 40 percent of childcare programs are certain they will close without public assistance.²²

¹⁶ NAEYC. “Holding On Until Help Comes.” July 13, 2020. https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/holding_on_until_help_comes.survey_analysis_july_2020.pdf

¹⁷ NAEYC. “Families Suffer Without Child Care Relief From Congress.” https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/resources/blog/raise_tuition_or_close.naeyc.pdf.

¹⁸ NAEYC. “Child Care & the Paycheck Protection Program.” May 12, 2020. https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/child_care_and_the_paycheck_protection_program.pdf.

¹⁹ Ibid.

²⁰ NAEYC. “Child Care Programs Are Being Forced to Raise Tuition or Close for Good.” https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/naeyc_policy_familiespaytheprice.pdf.

²¹ Ibid.

²² Ibid.

“We know at least in Washington state we had 120,000 fewer spots than we potentially needed going into COVID. When we’re at risk of losing half of that - how are families going back to work? What about families who are not able to work from home?”

– Local for-profit childcare provider in Washington

Estimating the Cost

As we know, the COVID-19 pandemic has had major repercussions for the U.S. economy, impacting employment and wages across industries. The parent, provider, and employer data collected through this research indicates several challenging short and long-term financial situations for working parents who are continually navigating their childcare equation in a pandemic and for the businesses and organizations that employ them. Utilizing the data collected in our research and recent data from the Bureau of Labor Statistics, Federal Reserve, and other sources, we estimated a few of the key economic and financial impacts to both parents and employers.

Cost to Working Parents

According to our August and October parent surveys, 27 percent of parents are paying for childcare that they are not currently using – largely related to health and safety concerns about their children returning in the current public health environment. On average, these families are paying \$370/month – or 6.4 percent of their monthly income²³ for this under-utilized childcare – not accounting for additional expenses if a family then pays for alternative childcare through a nanny/ au pair, home-based provider, or other external arrangement. The cost of this childcare is likely even more extreme in urban areas, where we see a wider range of reported childcare expenses.

Our data showed that more than one in four parents were paying for unused childcare. To estimate the national impact of those choices, we calculated this economic burden using an even more conservative approach, based on 20 percent of families paying for childcare they are not currently using. Those calculations result in an estimated \$1.04B spent on under-utilized childcare arrangements every month. The decision to continue paying for their pre-COVID childcare option is highly dependent on income, job flexibility and other factors. Parents are devoting these resources, reserving a place in a trusted environment, but not using the care due to concerns about the pandemic or public health risks. While potentially not yet reopened or operating at full-capacity, centers and childcare facilities require some level of financial stability to maintain staff and operational wages. Whether directly through expenses related to additional childcare, or indirectly through adjusting work schedules and reducing hours or productivity – more than a quarter of American families are spending vital financial resources on childcare that is not adequately addressing their needs at a time when job security and financial constraints are critical challenges for families.

“More than a quarter of American families are spending vital financial resources on childcare that is not adequately addressing their needs at a time when job security and financial constraints are critical challenges for families.”

²³ Based on a median income of \$68,703 (according to [Census data](#))

That is not to say that this money goes to waste. As the childcare industry struggled for operational sustainability prior to COVID-19, providers are facing new challenges including increased spending on cleaning materials and PPE and decreased enrollment due to demand or state and local guidelines. While a tough ask on families, the funds from those parents are critical to the operational sustainability of many providers across the country.

Another element of the financial impact of childcare on working parents is the potential income lost from turning down a new opportunity, such as a promotion or new job, in order to provide childcare. Our parent data collected in August and October suggests 11 percent of parents (and 13 percent of female parents) have declined a new opportunity at work since the onset of the pandemic – an increase from six percent of parents indicating that in June of 2020. Utilizing 2019 projected wage data from the Society for Human Resources Management and Willis Towers Watson for merit-based increases for both salaried and hourly workers, the data shared by parents indicates a potential \$3.09B in foregone wages as a result of declining new opportunities in lieu of childcare needs.²⁴ This has massive implications for both the financial prosperity of working parents, as well as indirect implications on spending power and state and federal income tax.

\$3.09B

in foregone wages as a result of declining new opportunities in lieu of childcare needs

20%

of families are paying for childcare they are not currently using



\$1.04B

spent on under-utilized childcare arrangements every month.

Those calculations result in an estimated

²⁴ William Towers Watson. 2019 Compensation Surveys - U.S.
https://www.willistowerswatson.com/assets/brochure/2019_WTW_CompensationSurveys_US_Brochure_EN.pdf.

Cost to Employers

This work (along with other previous reports) has established that adequate childcare access is an important factor in the income of working parents. Childcare accessibility also directly impacts the organizations and businesses that employ working parents. Parent survey data collected in October indicated that 13 percent of parents are unsure or unlikely to return to the workforce they participated in pre-COVID, with five percent of all parents citing childcare as the reason for not returning to the workforce. While this number is down from 22 percent in June – due to a high number of businesses reopening and returning to work between June and October, it still presents a significant portion of the working parent population and has severe implications for employers.

According to the Center for American Progress, the average cost of turnover for employers is about one-fifth of that worker's total compensation, including wage or salary and benefits.²⁵ If we consider the parent responses from the perspective of a small or medium sized business (SMB) – the potential losses due to employee turnover are substantial. For a hypothetical SMB of 30 employees, four are unlikely to return to work – resulting in potential turnover costs of more than \$60,000 in order to interview, hire, and train replacement staff. For a larger organization of 300 employees, our data suggests an estimated 39 employees could leave the workforce, with 15 of those being directly related to childcare challenges. For a business of 300, that turnover could cost more than \$600,000 with nearly \$250,000 of that being directly related to childcare-related turnover. Families are not alone in bearing the brunt of 2020's childcare challenges – employers across industries are wrestling with the challenge of supporting their staff's childcare needs to retain top talent and support the business needs of the organization.

“The average cost of turnover for employers is about one-fifth of that worker’s total compensation, including wage or salary and benefits.”

²⁵ Center for American Progress. *There Are Significant Business Costs to Replacing Employees*. <https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>.

Conclusion

With the U.S. continuing to report record daily cases of COVID-19 and many states experiencing a surge of cases and hospitalizations, we anticipate that our nation will be dealing with the effects of the pandemic for the foreseeable future. While many parents have been using temporary solutions such as working from home or getting help from extended family or friends, many parents express that at some point they will need to return to work due to financial circumstances, employer demand, or other reasons. Other parents will need to leave the workforce entirely if they cannot find a childcare situation that fits their needs. One thing is clear – “waiting out” the pandemic is taking a toll. Parents are already making career choices with long-term implications based on current circumstances, and employers have seen, and will continue to see, a lasting effect on their workforce.

Without intervention by stakeholders of all roles, current inequality among marginalized populations in the workforce will only worsen. Women, single parents, and Black and Latino parents are less likely to have flexibility in their job, more likely to leave the workforce, and more likely to point to childcare concerns as a primary factor for not returning to work. These parents are also less likely to use quick fixes such as alternating work hours with a spouse or working from home because their family or work situation does not allow it. These groups need targeted support from both employers and policymakers.

Additionally, many working parents are being significantly impacted by the decisions of their K-12 school districts. As it currently stands, many K-12 leaders are making decisions in isolation, which leads to uncoordinated implications for childcare providers and employers. Employers, K-12 leaders, and childcare providers in the community have an opportunity to work together to find sustainable solutions for working parents and the local economy.

To facilitate collaboration, we have outlined clear next steps that employers, state and local chambers, and parents can take to drive solutions and address the childcare dilemma:

“Parents are already making career choices with long-term implications based on current circumstances, and employers have seen, and will continue to see, a lasting effect on their workforce.”

What Can I/We Do

Employers

- Create systems of feedback to understand the childcare needs and priorities of your employees, such as manager discussions, staff surveys, and leadership feedback opportunities
- Evaluate turnover costs related to working parents and consider providing additional childcare assistance to help retain your workforce
- Consider what types of childcare assistance are most meaningful for your employees and specific work environment. Some options include subsidies for nearby care, providing more flexibility related to hours, or partnering with local childcare for partnerships or back-up care
- Clearly identify and explain the supports and benefits offered to working parents ensuring that policies such as flexible hours, personal and parental leave, etc. are clearly explained on multiple platforms rather than assumed
- Consider developing or supporting a [Shared Services Alliance](#) within the local community
- Establish touchpoints with groups that convene K-12 and childcare stakeholders and would be willing to add your voice to the conversation – you don't have to do this alone

Parents

- Connect with local parent organizations and early childhood coalitions to learn more about the resources that are available to you
- Reach out to managers and leaders at your place of work to discuss how your childcare situation has been impacted by COVID-19 and what support you need
- Consider reaching out to state and local policymakers to advocate for childcare assistance in your community

State and Local Chambers

- Proactively reach out to local childcare providers to ensure that they are included in your memberships and networks
- Serve as a convener of K-12, childcare providers, and the local business community
- Collect data about childcare availability in the community to inform discussions around potential solutions
- Support localized research into the needs and priorities of employers, providers, and working parents in your local community

Policy Considerations

Building upon the findings of this report, policymakers can seek input from parent groups, childcare groups, and K-12 groups to understand the cascading impact of policies in early childhood and K-12 education, as well as learn what types of childcare assistance would be most beneficial to working parents. It should be noted that the full array of provider types should be considered when reviewing policy to ensure that business owners, nonprofits, small entrepreneurs, and state and federal programs all have access and opportunity to additional supports.

FINAL THOUGHTS

While working parents are ultimately responsible for determining the Childcare Equation that meets their needs, their decisions impact business leaders, childcare providers, and local economies. Further, the pandemic has emphasized the interconnectedness of work, family and community. The effects of COVID-19 have left many working parents with few options, and without assistance from their employers and local communities, parents will be forced to make difficult decisions and tradeoffs around their short and long-term participation in the workforce. It will take consistent and intentional coordination between families, business leaders, childcare providers, and policymakers to develop cross-sector solutions that can benefit our communities, our economies, and our workforce. ■

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- Chamber of Gadsden/Etowah County
- Chesterfield Chamber of Commerce
- Cincinnati USA Regional Chamber
- Colorado Succeeds
- Columbus Chamber of Commerce
- Dallas Regional Chamber
- Delaware State Chamber of Commerce
- Eastern Shore Chamber of Commerce
- Effingham County Chamber of Commerce
- Greater Fort Myers Chamber of Commerce
- Greater New Haven Chamber of Commerce
- Greater Phoenix Chamber
- Greater Reading Chamber Alliance
- Greater Rochester Chamber of Commerce
- Greater Shreveport Chamber of Commerce
- Idaho Association of Commerce and Industry
- Iowa Association of Business and Industry
- Jackson County Chamber of Commerce
- Kentucky Chamber
- Metro Atlanta Chamber of Commerce
- Monroe Chamber of Commerce
- Montana Chamber of Commerce
- North Carolina Chamber
- Northwest Douglas County Chamber
- Taney County Partnership
- The Bridge of Southern New Mexico
- Renton Chamber of Commerce
- San Diego Regional Chamber of Commerce
- Santa Rosa Metro Chamber
- Sauk Valley Area Chamber of Commerce
- Schuylkill Chamber of Commerce
- Staten Island Chamber of Commerce
- Steamboat Springs Chamber
- Tacoma-Pierce County Chamber
- Tucson Metro Chamber
- Western DuPage Chamber of Commerce

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- All our Kin
- Central Georgia Technical College
- Community Action Council
- Early Matters Dallas
- EduCare
- Journey Discovery Center
- KinderCare
- Lionheart
- Lutheran Services Florida
- Maryland Department of Education
- Redlands Christian Migrant Association
- Stanislaus County Office of Education
- Start Early
- Teachstone
- WeeCare

APPENDIX A: METHODOLOGY

The U.S. Chamber of Commerce Foundation partnered with Cicero Group to collect data from working parents, employers, and childcare providers over the course of the summer and fall of 2020. These data were collected via five national surveys and a series of in-depth interviews.

SURVEYS

Three surveys (fielded in June, August, and October) were focused on currently or recently employed parents with children under the age of six. Two surveys (fielded in June and September) were focused on employers with more than one employee across a variety of industries and regions. All surveys were conducted online. Note: as data were collected via an online survey, access to the internet and available time were potential barriers to completion. While this is always true for online surveys, it is especially relevant during a time when consistent childcare is less available. This may have led to a slight increase in response rates for parents that have a higher income and are married or have consistent childcare.

INTERVIEWS

Eighteen in-depth interviews were conducted with childcare providers across the country. Childcare providers ranged from national organizations to local organizations and small home-based programs.

ECONOMIC IMPACT

After gathering data from each of these groups, Cicero Group estimated the economic impact of some of the childcare issues raised based the results of the surveys and secondary data sources, such as U.S. Census Bureau data.

This final summative report pulls from all five surveys, 18 in-depth interviews, and the economic impact study. Key findings from each line of research are included in this report, but in-depth reports from each of the studies can be found [here](#).

APPENDIX B: ECONOMIC IMPACT

The economic impact consists of two areas: 1) cost to working parents, inclusive of both money spent on underutilized childcare and on lost income due to declined opportunities, and 2) cost to employers, identified as the cost of turnover and hiring.

For the cost to working parents, we used data from the US Census to calculate the US median income of \$68,703 and determine a monthly median income of \$5,725.25.²⁶ We then used data from the Bureau of Labor Statistics to calculate the total number of families with children under the age of 6.²⁷ We applied the responses of working parents of children under the age of 6 who are paying for unused childcare (20% assumption of a 27% response rate) to arrive at the number of families with young children that are paying for unused childcare. We then calculated the total cost per month spent on unused childcare using the average monthly payment for unused childcare (\$370) from our survey data.

To determine the lost potential income due to declined opportunities, we began with responses of parents who indicated that they had turned down a new role or job due to childcare since the beginning of the pandemic (11%) and applied a more conservative 8% approach to correct for a slightly higher-income focused survey sample. Of respondents, 50% indicated they were paid hourly and 43% indicated they were paid with a salary. We used data from the Bureau of Labor Statistics to identify a median annual income of \$39,811.20 for hourly workers and a median annual income of \$105,664 for salaried workers.²⁸ We then used data from the Society for Human Resource Management to understand projected merit-based wage increases for both salaried and non-salaried employees,²⁹ with an assumption that individuals who are offered promotions are considered high-performers. We then applied a weighted average of the merit-based increase to our survey responses to calculate a \$2,985.79 value of a promotion, rounded to \$3,000 for simplicity. Utilizing the number of families with a child under the age of 6 and at least one working parent from the Bureau of Labor Statistics, we applied the 8% decline rate from our survey responses to calculate a total cost of foregone wages of \$3.09 billion.

To estimate the impact to employers, we utilized data from the Bureau of Labor Statistics to determine the average total compensation (inclusive of wages, salaries, and benefits) across industries and occupations for a standard 40 hour work week.³⁰ Applying Boushey and Glynn's cost of turnover (21%) we determined the average for turnover per individual.³¹ We then assumed a series of exercises with businesses of varying sizes applying survey response data that indicated that 13% of work parents are unsure or unlikely to return to work and 5% whom cited childcare as the primary reason for not returning to the workforce to arrive at the potential turnover costs to employers of varying sizes due to employees not returning to work.

²⁶ U.S. Census Bureau. *Income and Poverty in the United States: 2019*. <https://www.census.gov/library/publications/2020/demo/p60-270.html#:~:text=Median%20household%20income%20was%20%2468%2C703,and%20Table%20A%2D1>.

²⁷ U.S. Bureau of Labor Statistics. *May 2019 National Occupational Employment and Wage Estimates United States*. https://www.bls.gov/oes/current/oes_nat.htm#00-0000.

²⁸ Ibid.

²⁹ SHRM. *2020 Salary Budget Growth Expected to Notch Just Above 3%*. July 26, 2019. <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/2020-salary-budget-average-increase-just-above-3-percent.aspx>.

³⁰ U.S. Bureau of Labor Statistics. "Table 2. Civilian workers by occupational and industry group." https://www.bls.gov/oes/current/oes_nat.htm#00-0000.

³¹ Center for American Progress. *There Are Significant Business Costs to Replacing Employees*. <https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/>.

