



Cuyahoga County
Office of Early Childhood



Child Care: A Broken, Critical Market

Published in Crain's Cleveland Business 1/22/2024 – Part of Crain's Forum on Child Care

Authors:

Shawna Rohrman, PhD, Director, Cuyahoga County Office of Early Childhood and Invest in Children

Renee Timberlake, Director of Economic Mobility, United Way of Greater Cleveland

Nancy Mendez, President & CEO, Starting Point

Katie Kelly, Executive Director, PRE4CLE

Michelle Rose, Executive Director, Cleveland-Cuyahoga Workforce Development Board

Tatiana Wells, PhD, Program Director, Early Childhood Education Program, Cuyahoga Community College

Child care is fundamental to our economy and an important factor in companies' ability to hire and retain staff. Parents without access to affordable care face difficult decisions like cutting work hours and leaving the workforce. However, business leaders are too often unaware that their employees are struggling—70% of business leaders assume that their lower-paid employees are the only ones impacted by high child care costs, but 50% of the top quartile of earners have left jobs due to caretaking responsibilities, according to the Harvard Business Review.

Why do cost and availability challenges plague the child care sector? Simply put, child care is a broken market. Teacher and staff wages make up more than half of providers' operating costs, yet their pay is notoriously low with an average wage of \$13 per hour. Child care workers are leaving the sector, with 3,000 fewer workers in Ohio in 2022 than 2019 according to the Bipartisan Policy Center. Raising wages either cuts into razor-thin or nonexistent profit margins or raises tuition prices, passing the cost to families' overburdened wallets.

The U.S. Department of Health and Human Services defines affordable child care as 7% or less of a family's income, yet estimates show families sometimes pay as much as 40%. States offer publicly funded child care programs like vouchers or subsidies to help families manage the cost, which averages \$8,000 to \$10,000 annually per child. Ohio's program has the second-lowest eligibility in the country, starting at 145% of the Federal Poverty Limit (FPL), which for a family of three is a monthly income of \$2,783. Although Ohio families may continue to receive subsidies until their incomes reach 300% FPL, their copay at higher incomes still amounts to more than 25% of their gross income. Often, Ohio parents cannot stay in the labor market without access to affordable child care options, whether they receive subsidies or not.

Subsidies challenge providers, too. Ohio's publicly funded child care program subsidizes parent's costs by sending a reimbursement to the child care provider. However, Ohio's reimbursement rate is among the lowest in the country and does not cover the cost of delivering quality services. This means the subsidy and copay together do not cover tuition, and providers are disincentivized to accept families with subsidies, drastically limiting care options for qualifying families. Ohio will increase its reimbursement rate this year, but this alone will not resolve the mutually reinforcing challenge of low wages and high tuition costs.

What's being done to address this growing crisis?

Locally, Cuyahoga County's Universal Pre-Kindergarten (UPK) program offers funding that addresses both affordability and wages: Scholarships are available to families earning less than 400% FPL (\$99,440 annually for a family of three), and quality enhancement funding is used by many UPK providers to modestly supplement staff wages. Currently, UPK reaches more than 4,000 children at 66 providers in the county.

In addition, efforts are underway to support more early childhood workers to join and stay in the field, such as through child care worker bonus and retention funds supported by the City of Cleveland, and scholarships for students to complete early childhood Associate degrees supported by the Cuyahoga County Workforce Funders Group.

Federally, the 2022 CHIPS and Science Act includes a requirement that companies applying for funding exceeding \$150 million must include a child care plan for employees that addresses affordability, accessibility, reliability, and quality. Additionally, the federal government has proposed a funding increase for Head Start to get teachers' pay closer to K-12 teacher wages.

Businesses and chambers of commerce across the country are also addressing the child care crisis, which the U.S. Chamber of Commerce Foundation calls a "two-generation workforce issue... essential to supporting the workforce of today and vital to developing our workforce of tomorrow." Businesses can be part of the solution in several ways. Colorado's Executives Partnering to Invest in Children (EPIC) brings business leaders together to advocate for state policy changes that support the "creation of family-friendly work environments," and increase "access to quality, affordable early child care and education." EPIC board members include PNC Bank's regional president, the CEO of Mile High United Way, and a partner at Ernst & Young. They have achieved huge success—EPIC members' action has resulted in a 50% tax credit for companies who make contributions to child care providers, and tax exemptions for companies who rent or utilize space for child care centers.

These examples illustrate that innovative solutions are possible when business leaders, child care experts, and policymakers work together. Northeast Ohio has a strong foundation to build on—but we must advocate for lawmakers and business leaders to prioritize finding solutions. Our workforce and economy depend on it.