



# The Economic Impacts of Child Care in Allegheny County

pre- and post-COVID | Updated 11.10.20



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# The Story:

## Child Care in Allegheny County

Quality child care is not only good for kids and families—it is also **critical for the economy** to function.

Even before COVID, **the system was broken**, with complicated, unsustainable funding models and inequity.

**COVID has exacerbated these cracks**, worsening inequality, forcing workers out of the labor force, and threatening the sector as a whole.

But **there are things we can do** moving forward to build the system back better than before.

“

Even before COVID-19,  
child care was critical  
for the economy to function.



# In Allegheny County...

The economy has long depended on child care.

**90,740**

parents in the labor force with children under the age of 5



**14%**

of the labor force are working parents

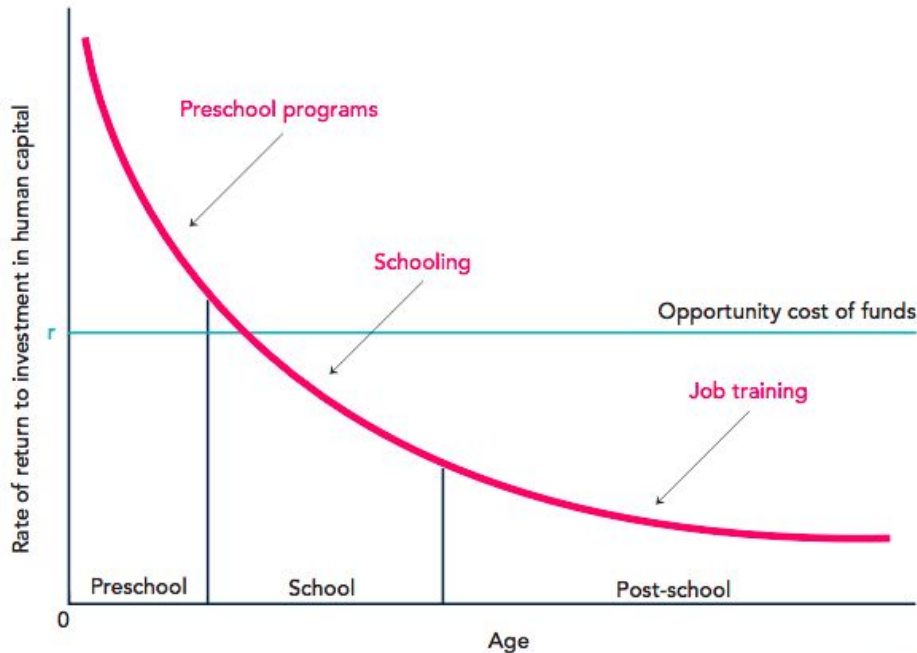


**\$3.7 billion**

in salaries are supported annually for those parents

# Investing in our youngest children pays off.

Figure 7. Rates of Return to Human Capital Investment



ROI is largest when investing in children at an early age.

“Some of these benefits are private gains for the children involved in the form of **higher wages later in life**. But the broader economy also benefits because individuals who participate in high-quality early childhood development programs have **greater skills** than they otherwise would, and they’re able to **contribute productively to their local economies**.”

# Child Care impacts the nonworking poor.



71%

of nonworking poor adults (nationally) with children under the age of 5 cite “taking care of home/family” as the reason they’re not in the workforce.

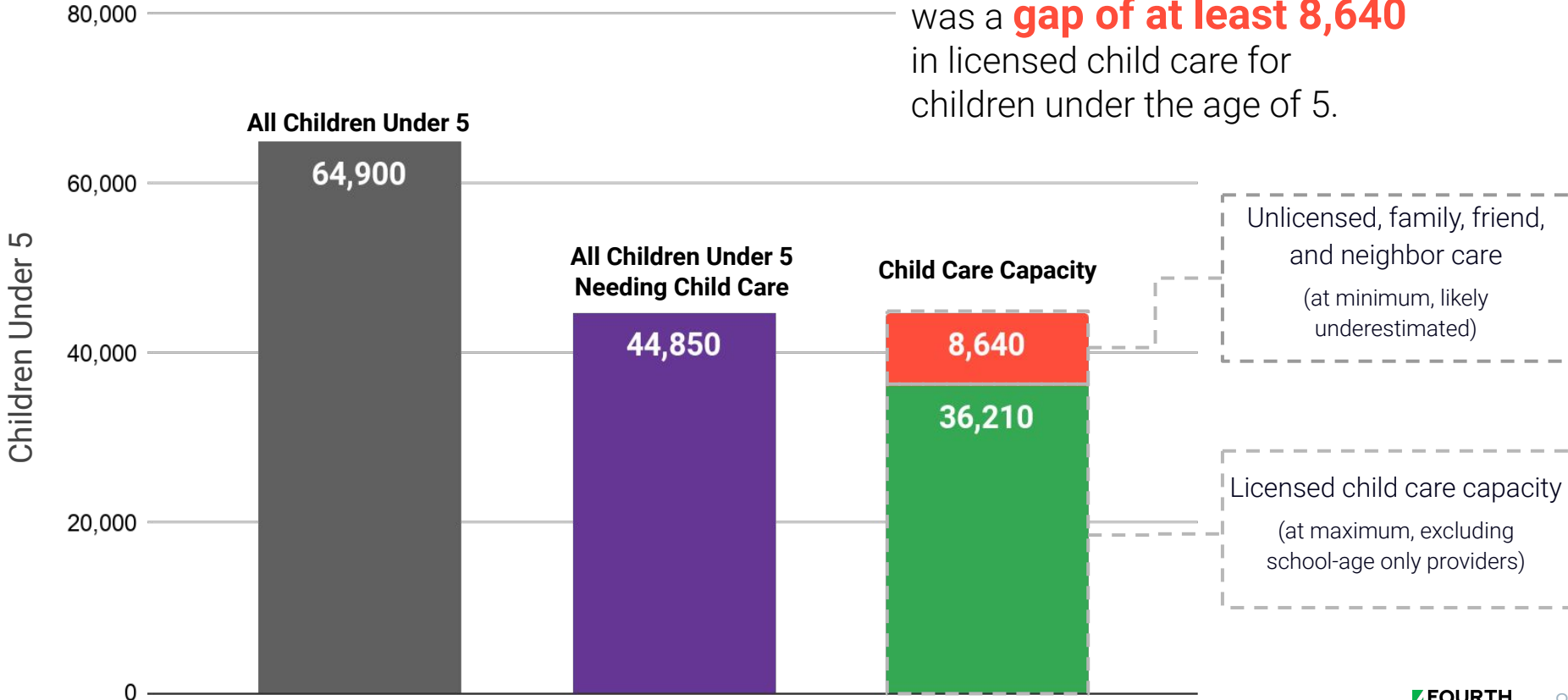
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Child Care was broken even before COVID-19, and now those cracks are growing.



# Child Care Need & Capacity

Allegheny County



Even before COVID-19, there was a **gap of at least 8,640** in licensed child care for children under the age of 5.

Sources: PA Partnerships for Children & PA Department of Human Services (July 2020)



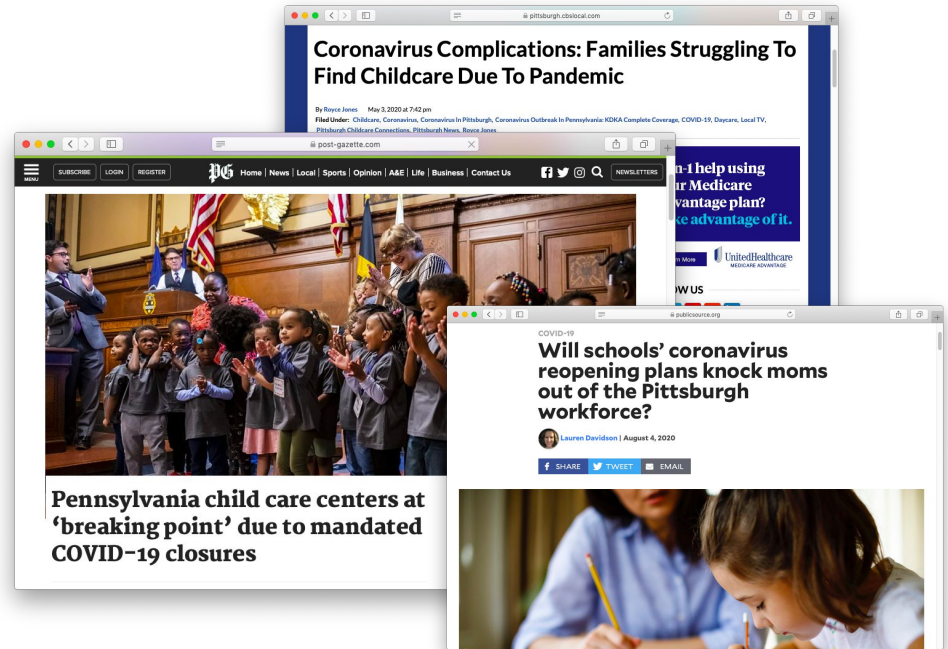
# COVID's Impacts on Child Care

COVID is causing dips in licensed child care capacity.

**March and April:** Mandated closures; at least 86% of providers close statewide.

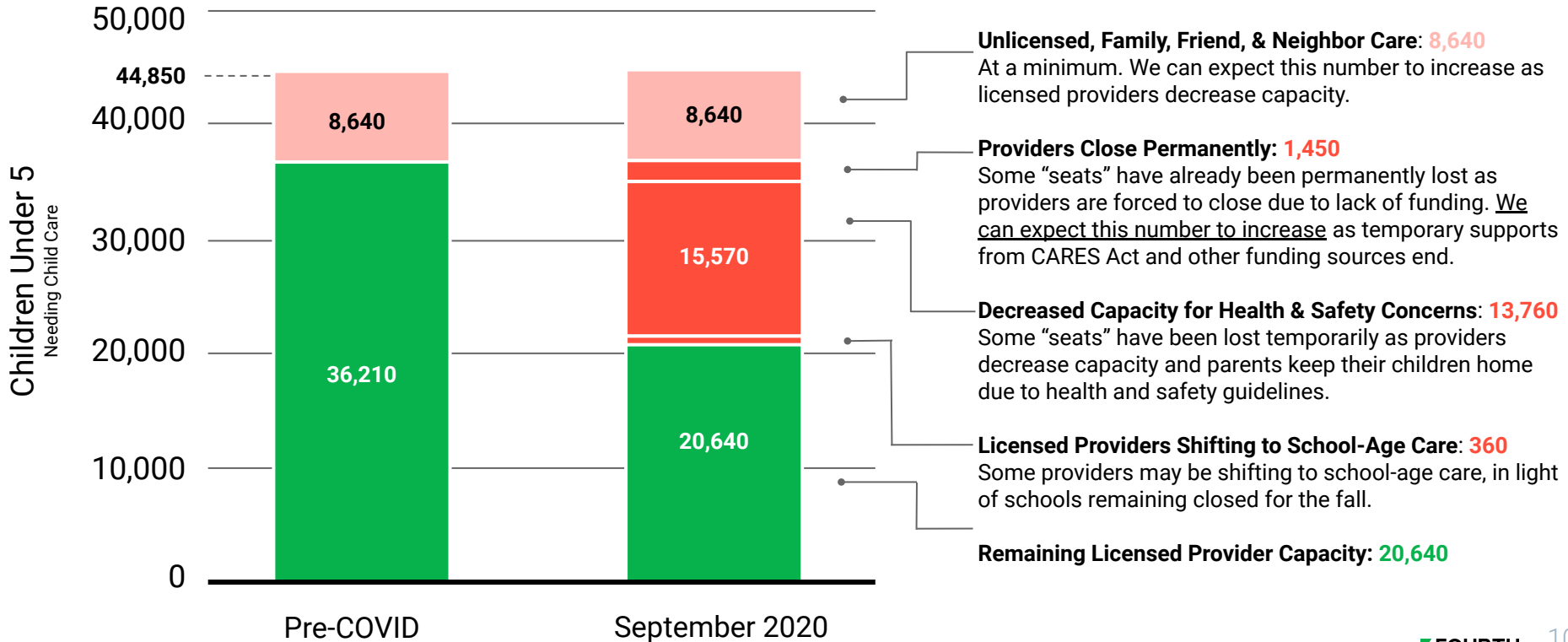
**May, June, and July:** Providers begin reopening, with decreased capacity for health and safety reasons. Parents are unsure about sending their children back to care.

**August and September:** Many schools do not re-open in person, putting further strains on the child care system.



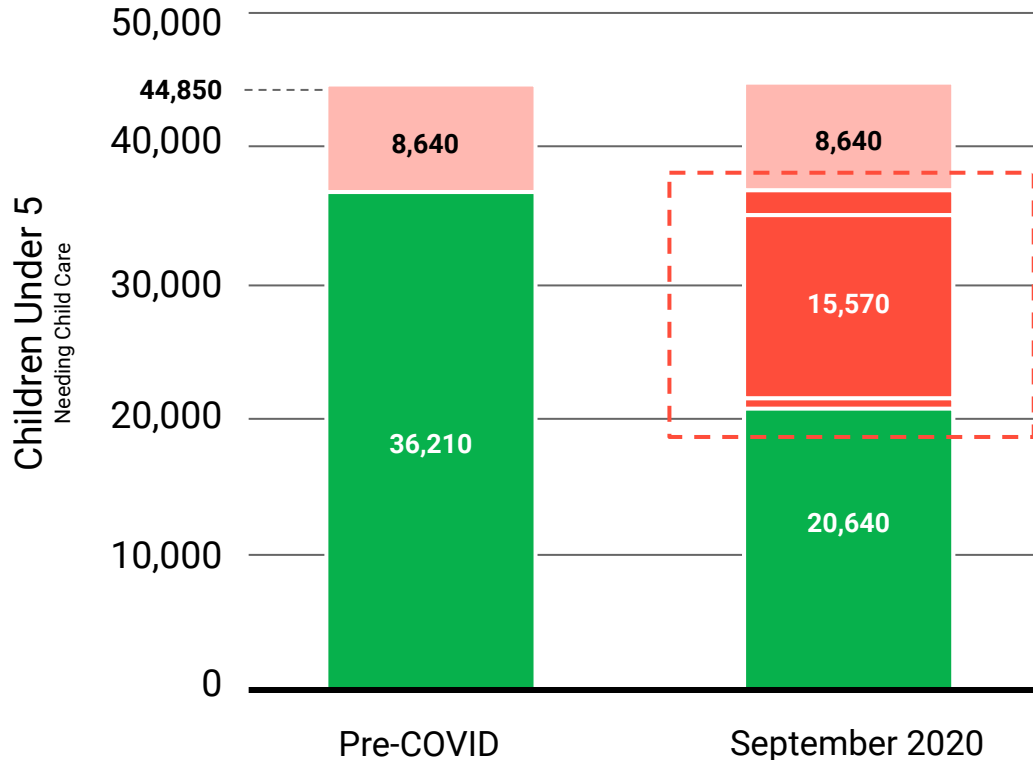
# COVID's Impacts on Child Care in Allegheny County

COVID is causing dips in licensed child care capacity.



# COVID's Impacts on Child Care in Allegheny County

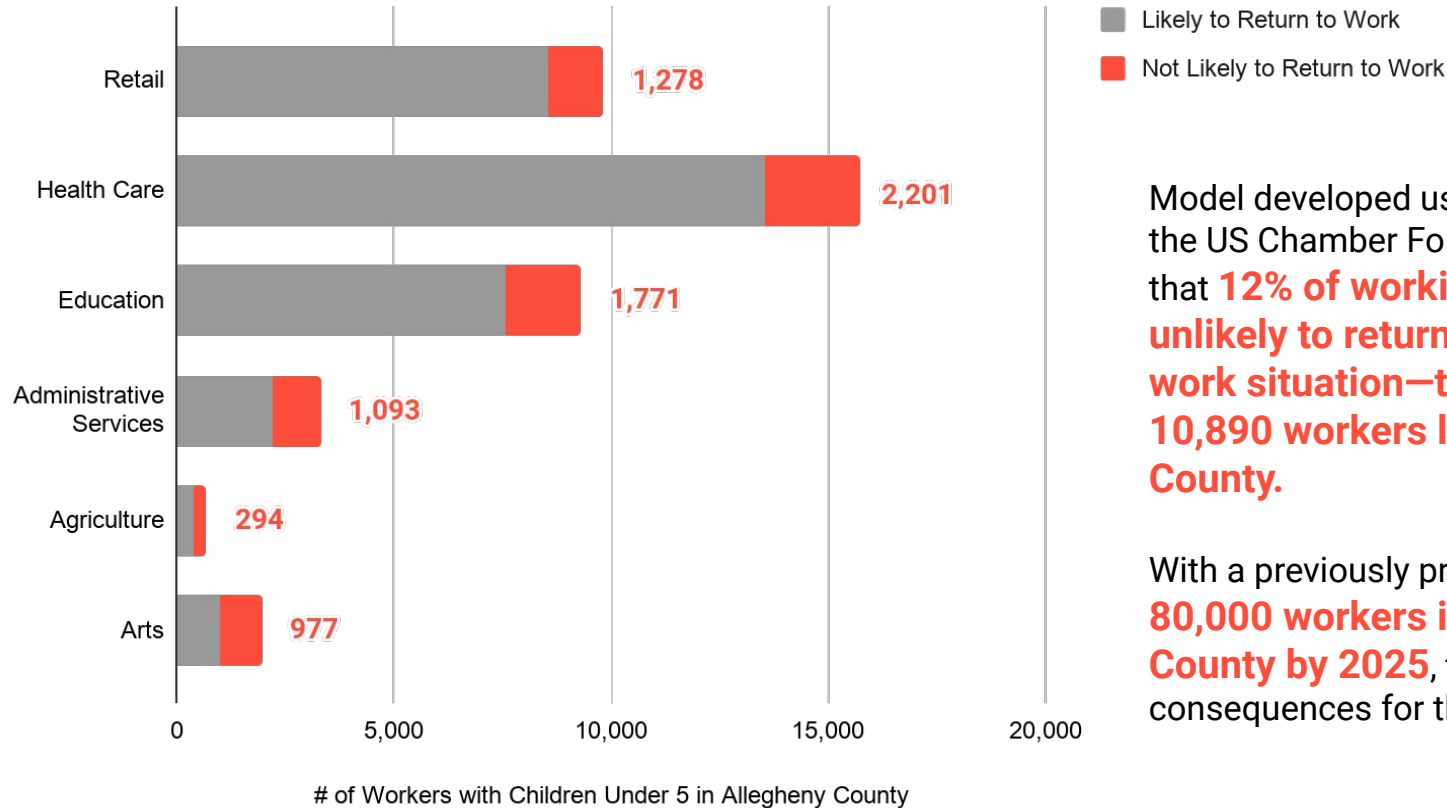
COVID is causing dips in licensed child care capacity.



What will happen to those **15,570 displaced children**?

1. Some parents (with flexible employers) will adjust to working from home with children.
2. Some parents will find alternative means of care (family, friend, and neighbor care).
3. **Some parents will leave the workforce. Some estimates say **12% of parents are unlikely to return to work.****

# Working Parents Not Likely to Return to Work, by Industry



Model developed using survey data from the US Chamber Foundation indicates that **12% of working parents are unlikely to return to their previous work situation—that could be 10,890 workers lost in Allegheny County.**

With a previously projected **shortfall of 80,000 workers in Allegheny County by 2025**, this could have dire consequences for the labor market.

# If 10,890 working parents leave the labor force in Allegheny County...

**-\$18 million**

will be lost in state and local income taxes

**-\$442 million**

will be lost in wages (annually)

**-\$93 million**

will be lost to employers over the course of a year, due to employee turnover costs

“

Child care providers differ in who they serve and their funding streams; and they may be seeing different impacts from the COVID-19 crisis.



# Types of Child Care Providers



## Child Care Center

The premises in which child care is provided at any one time for **7 or more children unrelated to the operator.**



## Group Child Care Home

A residence or another premise in which child care is provided for between **6 and 16 older school-age level children** or between **6 and 13 children of another age level** who are **unrelated to the operator.**



## Family Child Care Home

A home other than the child's own home, operated for profit or not-for-profit, in which child care is provided at any one time to **4, 5 or 6 children unrelated to the operator.**



## Family, Friend, & Neighbor Care

Usually unlicensed, family, friend, and neighbor care (FFN) is **provided in the child's or caregiver's home** by a person who is a **relative, friend, or neighbor, or a babysitter or nanny.**

# Child Care Capacity by Type, Allegheny County



Unlicensed (Family, Friend, & Neighbor Care)  
(at minimum, likely underestimated)

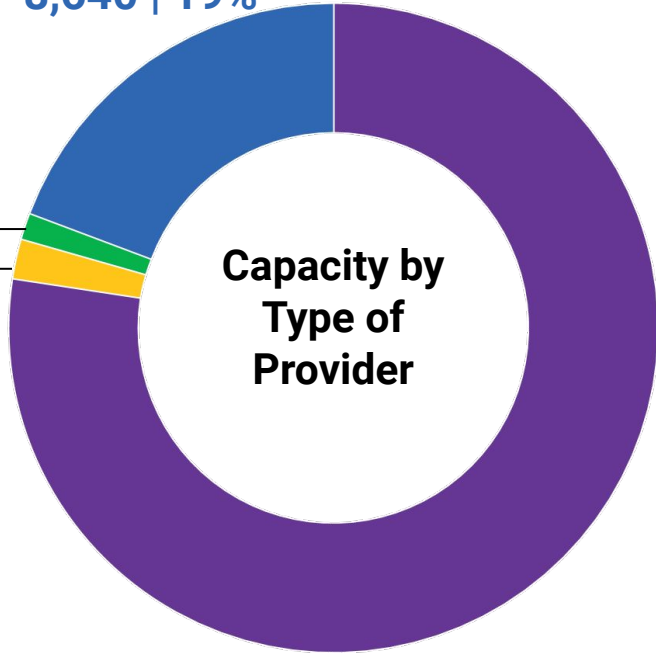
8,640 | 19%



Family Child Care Home  
590 | 1%



Group Child Care Home  
890 | 2%



Child Care Center  
34,730 | 77%

Before COVID-19, most licensed child care for children under 5 was available in child care centers.

**But a large portion of need (10,000 children at a minimum) was being filled by unlicensed and other home-based care.**

Source: PA Partnerships for Children & PA Department of Human Services (July 2020), with 4E analysis



# Home-Based Providers are Critical

- Home-based providers have been **critical to serving workers during the COVID-19 crisis**, with small group sizes, familial connections, and flexibility.
- They **disproportionately serve marginalized children and families** (low-income, minority, those with special needs, and those working shift schedules).
- They are **run primarily by low-income women of color**, who earn on average \$7,420 per year from providing child care.

# All Child Care is not Created Equal:

## Disparities in CCW-Enrolled Children (under 5, Allegheny County)

Child Care Works (CCW) is PA's subsidized child care program. Eligibility is directly tied to parents' workforce participation and earnings.

**Only 27%-33% of children who are eligible for CCW are enrolled.**

**30%**

of CCW-enrolled children are in high-quality\* care

**vs.**

**43%**

of all licensed child care capacity is high-quality\*

**67%**

of all CCW-enrolled children are Black or African American

**vs.**

**13%**

of Allegheny County is Black or African American

# Funding Streams Can be Complicated and Uncertain

Providers often receive funding from different sources and “braid” those streams together.

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## Public Sources

*for example:*

Child Care Works (CCW),  
Keystone STARS Tiered  
Reimbursement, Child & Adult  
Care Food Program (CACFP),  
PA Pre-K Counts, Head Start

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## Private Sources

*for example:*

Private Pay Tuition, Independent  
Fundraising, Scholarships

Some funding streams are more steady and reliable than others. **As enrollment declines for child care providers due to the COVID crisis, less stable funding streams could be impacted**, like CCW and private pay tuition.

# Increased Costs due to PPE

There are additional costs to implementing COVID-19 guidance. Most programs will expect increases in cost of between **\$15 and \$35** per child per week.



Family Child Care Home that serves 6 children  
**\$360—\$840** per month



Group Child Care Home that serves 12 children  
**\$720—\$1,680** per month

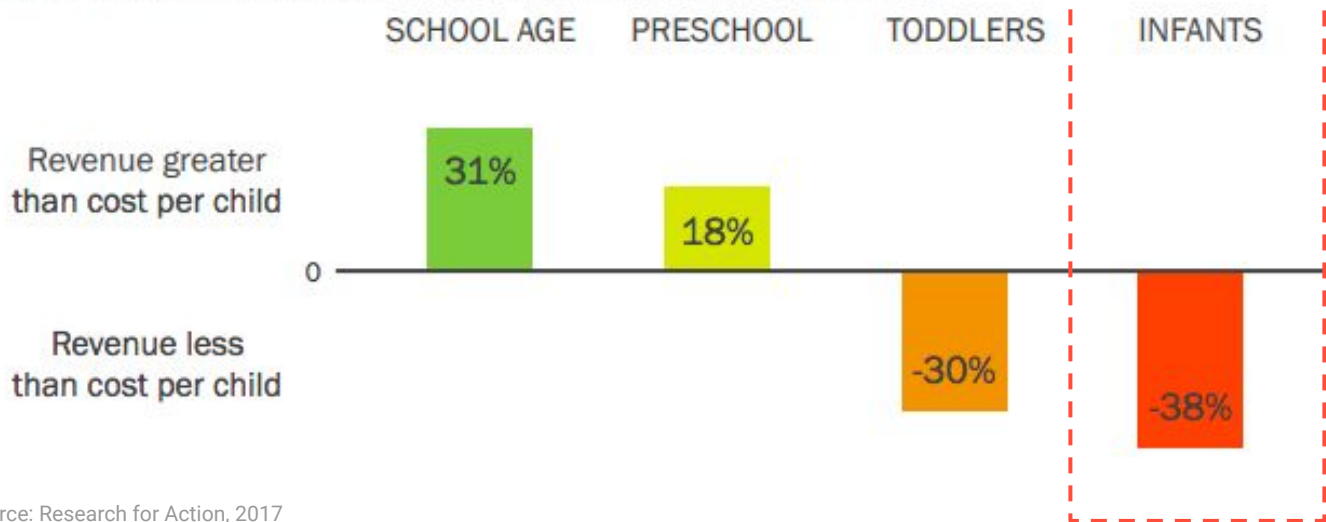


Child Care Center that serves 95 children  
**\$5,700—\$13,300** per month

# Child Care Businesses

Child care businesses already operate under extremely tight margins, especially for providers who serve our youngest children.

Figure 7. Average Gap between Available Revenues and Cost by Age Group



A [statewide analysis of child care funding](#), conducted by Research for Action in 2017, found that “for every infant served, centers face a shortfall of 38% between their cost and available revenues.”

**Child care workers** are not paid well, and many are women of color.

**\$24,200**

the average annual wage for a child care worker in the Pittsburgh MSA

(less than half the “ALICE survival budget” for a family of four)

**\$10.72**

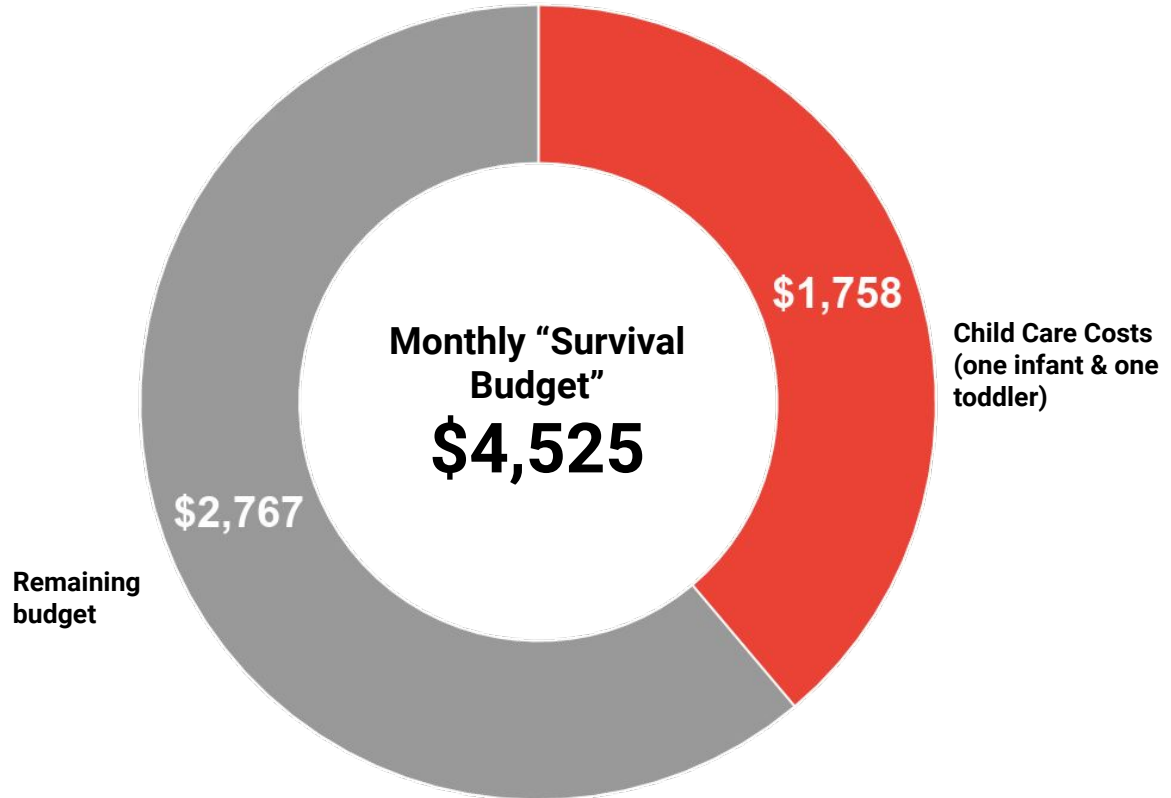
the average hourly rate for an early childhood teacher, nationally

**40%**

of the early childhood workforce are women of color = **2,680** workers in the Pittsburgh MSA

# And child care was already unaffordable for many families.

The average “survival budget” for a family of four in Allegheny County is \$4,500 per month. The average monthly cost to have an infant and a four-year-old in Center-based care is \$1,760 for the state of Pennsylvania. **That’s 39% of that household’s budget.**



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Building a strong child care system requires investments that begin **before babies are even born.**





# Paid Family Leave is Good for the Economy

Paid family leave can relieve some of the pressure we're seeing in parents being forced to leave the workforce—both before COVID, and especially now during the pandemic.



# The Benefits of Paid Family Leave



## Good for Babies & Families

- Improves babies' health
- Improves overall and mental health among mothers
- Allows for more father-baby bonding
- Increases paternal engagement in childcare activities



## Good for Employees

- Increases the likelihood that mothers will return to work after having a baby, improving labor market attachment and long-term earnings



## Good for Business

- Reduces employee turnover
- Increases employee satisfaction



## Good for Equity

- People of color, workers with less education, and low-wage workers are significantly less likely to have access to paid leave, compounding existing health and economic disparities
- Equitable leave policies can begin to turn the tide on historically unjust policies

# The Motherhood Penalty

Even pre-COVID, women faced a “penalty” at work for becoming and being mothers.



*Caretaking disproportionately impacts women's careers.*

**20%**

of women who have taken leave to care for family or for personal health say it negatively impacted their career, compared to only **10% of men**.



*Becoming a mother translates directly to lower earnings.*

Women's earnings **decrease an average of 4%** for every child they have, while men's **increase 6%** when they have children.

*Women who take time off from the workforce are penalized.*



15-year study by the Institute for Women's Policy Research

**42%**

of women workers had at least one year with no earnings, about twice the rate of men.

For those women who took just one year off from work, their annual earnings were 39% lower than women who worked for a straight 15 years (between 2001 and 2015).

# The Motherhood Penalty

COVID is exacerbating this penalty.

## 55%

of women have made career/workplace changes so they can afford or provide child care (vs. 49% of men)

(based on responses to a [care.com national survey](#) of 3,848 parents in May 2020)

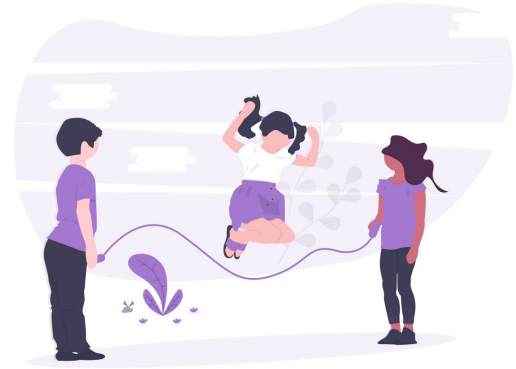


# Policy recommendations

to support child care now  
and to build the system  
back stronger than ever



*Let's be prepared: What opportunities and/or challenges will we face after the election this November?*



# Advocate for More Public Funding

## Short-Term:

- County CARES Act funding has already provided at least [\\$4.3 million](#) in funding to child care providers in Allegheny County, with more to come.
- The sector needs a bigger boost to ensure child care providers can remain open and cover costs for COVID-related expenses. *(Statewide, OCDEL estimates the industry may need at least an additional \$116 million.)*

## Long-Term:

- The continued instability and complicated web of “braided funding” is unsustainable. Stable public dollars will ensure a stable child care system.

# Increase Contract and Grant Funding for Infants and Toddlers

Grants and contracts represent agreements between the subsidy program and child care providers to designate slots for **subsidy-eligible children**. This is in contrast to the more typical “fee-for-service” model, and allows the subsidy program to pay providers directly, either before or after services are provided.

Contract funding allows for **predictable, consistent funding levels** that do not penalize providers for temporary shifts in attendance. Funding need not—and should not—come from private dollars alone.

Contracts and grants can increase **access to high-quality care, stabilize revenue for providers, and reduce the administrative burden** for the state, providers, and parents.

Grants and contracts can be designated for specific populations or geographic areas, and so can be used to help **increase child care access for underserved families**.

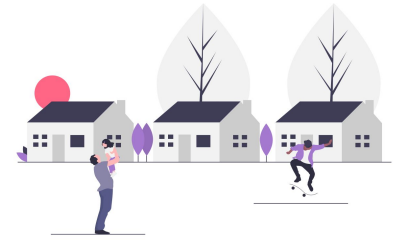
# Support Home-Based Providers

## Short-Term:

- Support and fund **home-based provider networks**, potentially through CDBG dollars. These networks [“provide the connective tissue between providers, families, and resources.”](#) They provide funding opportunities, training/coaching, and intentional ways for providers to connect with community resources.

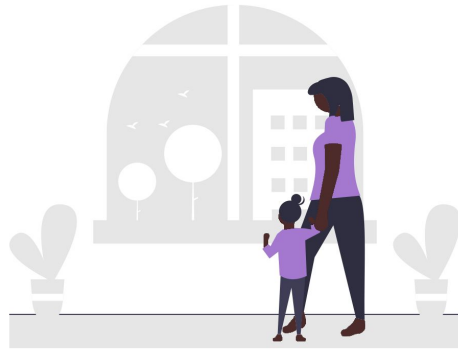
## Long-Term:

- Encourage community and economic development organizations to engage with and support home-based providers
- Build relationships with home-based providers through surveys, focus groups, and more; in order to best understand how to support them.
- Recognize that segmentation and differentiated supports are important: the needs of home-based providers vary widely.





# Build the Early Childhood Workforce, with Advanced Training and Better Pay



- Continue to invest in existing initiatives, like Carlow's Western Pennsylvania Early Childhood Apprenticeship Hub, to support and build the early childhood workforce.

[Carlow's Western Pennsylvania Early Childhood Apprenticeship Hub](#) is the first four-year apprenticeship model in early childhood education in the state. By addressing barriers that may prevent childcare workers from attaining their bachelor's degree or additional credentials, the Hub works to increase the quality of early childhood education centers and build high-retention and supportive pathways for teachers of color.

# Support Women Re-Entering the Workforce

## At the County level...

- Create an incentive program for regional employers to build [“returnship programs.”](#) which help parents reenter the workforce after an extended leave
- Host returning-to-work hiring days and workshops

- Structured like internships, they typically last 2-6 months
- Participants refresh their skills, gauge if they’re a good fit for the position, and update their resumes
- Programs host “Returning Talent” meet-and-greets or workshops
- Successful programs offer more robust benefits packages and flexible work arrangements

[AHN RetuRN to Practice](#) is a program for nurses seeking to return to practice, with terms that “fit their lifestyle.” Focused on successfully re-integrating nurses into the workplace, the program provides flexible scheduling, a paid refresher course, and a network of support.

# Encourage Employer-Supported and/or Subsidized Care

- Employers who reimburse or subsidize employees' child care pay all or part of approved arrangements and/or reserve slots at particular facilities for employees' children. Through child care referral, employers offer resources to parents to help them find child care in the area.
- At the County level, create a referral guide and engage partners who can support employers seeking guidance on subsidized or on-site child care options.



North Carolina's [Family Forward](#) NC initiative, housed in the North Carolina Early Childhood Foundation and funded by Blue Cross and Blue Shield of North Carolina and the North Carolina Institute of Medicine, offers educational resources and tools for employers. The [NC Child Care Referral Directory](#) helps employers find on-site or partnered caregivers.

# Continue to Fight for Paid Family Leave

## Short-Term:

- Encourage employers who don't qualify for the [Families First Coronavirus Response Act](#) (FFCRA) to provide additional paid family leave during the COVID-19 pandemic regardless.
- Advocate for FFCRA to extend into 2021, and to expand to companies with >500 workers, many of whom are essential workers.

Large tech companies, like Google and Microsoft, have provided additional paid family leave benefits for their employees to support balancing family and career during the COVID-19 pandemic.

## Long-Term:

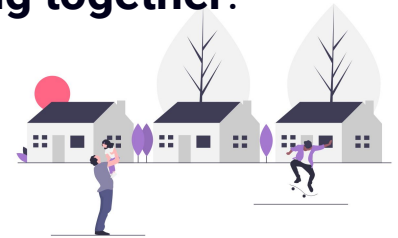
- Continue to advocate for the Family Care Act and push for paid family leave.

# To Summarize

Child care—besides being good for kids—is a **critical component of our economy** as a workforce support.

The child care system was strained before, and COVID-19 has exacerbated existing challenges—**the system as it exists now will fail without intervention.**

Leadership for change must come from **public and private leaders working together.**



# Thank You!



**Any questions? Comments? Feel inspired?**

Contact Megan Nestor:

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# Methodology Notes

## “In Allegheny County, the Economy has Long Depended on Child Care” (slide 4)

- Chamber Foundation Report cites 1,082,000 parents in labor force with children under 6 / 6,515,000 total labor force, 2019 = ~16.6%; ~13.7% [nationally](#)
- 652,100 Allegheny County total labor force, 2019 (not seasonally adjusted, from [PA labor force report](#)) x 16.6% = 108,300 parents in the labor force with children under 6
- [Factor down](#) by # of kids under 5 = **90,742** parents in the labor force with children under 5 (**13.9% of total labor force**)
- 90,742 x [\\$40,560](#) (annual median wage in Pittsburgh MSA, for all occupations, 2019, BLS) = **\$3.7B in salaries annually**

## “Child Care Need & Capacity” (slide 8)

- “Need care” = all available parents in the workforce
- Sources: under 5 needing care — PA partnerships for children, 2019; capacity — DHS list as of 7.27, excludes school-age-only providers
- Note that not all “spots” may be for under 5’s — if they are reserved for older children, the gap widens
- Note that unlicensed care numbers are underestimates, based on remaining need after maximum licensed capacity is accounted for.

## “COVID’s Impacts on Child Care” (slide 10)

- So far, per Trying Together, in Allegheny County, 16 providers have closed permanently (~3%). [OCDEL reports 4% statewide](#). BPC reports 9% nationally. And there may be a delayed closure due to CARES funds, grants, etc. **Used a conservative 4% here.**
- Anecdotally, per Trying Together, have not heard of any providers switching to school-age care. **Used 1% here.**
- [OCDEL reports “slow reopen” of 83% re: capacity](#). July and August surveys show Allegheny County respondents operating at an average of 50-58% capacity. **Used conservative 60% here.**

# Methodology Notes

## “Working Parents Unlikely to Return to Work” (slide 12)

- Apply percent “likely to return to work” by industry (from Chamber Foundation) to Allegheny County’s jobs in select industries – first factor # of total jobs down by workers with children under 5.
- Assumes an equal distribution of jobs among all workers and those with children under 5.
- NOTE that the survey asks about “likely to return to **previous work situation**” (so this could include not returning FT or not returning to in-person work) – 12% unlikely & 10% are unsure; the industry percentages are both “unlikely” and “unsure” combined
- 12% feels like a strong estimate, considering there are 13% annually who exit before COVID; [WP survey found 13.3% of workers lost a job or reduced hours b/c of child care](#); Census survey found “in [the United States, around one in five \(19.6%\) of working-age adults said the reason they were not working was because COVID-19 disrupted their childcare arrangements](#)”; CCW enrollment dropped 16% in September

## “If 10,890 Working Parents Leave...” (slide 13)

- $10,889 \times \$40,560$  (annual median wage in Pittsburgh MSA, for all occupations, 2019, BLS) = **\$442M in salaries annually** [\*we are assuming that people who leave the workforce are, on average, making lower wages than the workforce at large]
- Cost to employers – cost of turnover (21%) = **\$93M** (\$8,518 per employee turnover)
- Taxes: In PA, for those earning \$40,560: 4.1% of income is paid in income tax (state and local); 10,889 leave the workforce:  $40,560 * 10,889 * 4.1\%$  – 18.1M in income tax (state and local)