



House Children & Youth Committee

Informational Meeting on the Challenges with Childcare in Pennsylvania

**Wednesday, March 29th @ 1:00 P.M.
515 Irvis Office Building**

Good afternoon, Chairwoman Donna Bullock, Chairman Barry Jozwiak, and other members of the House Children and Youth Committee. My name is Laura Manion and I am President of the Chester County Chamber of Business and Industry (CCCBI). ((With me is Alex Rahn, Vice President of Wanner Associates, the Chamber's Government Affairs Consultant)).

CCCBI represents a diverse and vibrant business community and is uniquely positioned in Southeastern Pennsylvania, which is an integral part of the Commonwealth's and the nation's economic engine. As the largest Chamber in Chester County, we serve as the voice for business on local, state and federal level issues that impact business. Developing our workforce and helping our businesses to succeed is at the heart of the organization and in the three years since the COVID-19 pandemic triggered the most catastrophic workforce decline in history, men have returned to work at a higher rate than women. In April 2022, the U.S. Chamber published data citing one million women missing from the labor force compared to pre-pandemic numbers.

There are a number of factors we attribute to the lack of women returning to the workforce: layoffs in the market, positions being consolidated or eliminated, and for many working moms — lack of childcare.

My son Nolan is now **7.5** months, and if this meeting was last week, he would be here with me in a pack and play.

When I first became pregnant, I paid little mind to friends and other mothers telling me I should begin my daycare search. I laughed then, thinking how crazy it would be to look for daycare a year in advance of when my child would need it. It turned out that was well-placed advice. When I originally toured daycares in April 2022, I never could have imagined that I would still be on a waitlist in January 2023. My son was born on Aug. 12 and when I returned to work on Oct. 31 from my maternity leave, with no daycare option, I was forced to bring him along with me to the office. Imagine replying to emails, joining conference calls and attending meetings as a new Chamber President with a baby in your lap. My workload was immense and my productivity was minimal.

When all three daycares my husband and I toured could not accommodate our son due to lack of capacity and staffing, I turned to a homecare option. Our son would go Monday through Thursday to a woman's home with 6 other children. Drop off is from 8 to 9 a.m. and pick-up is between 4 and 5 p.m. I'm sure many of you would have difficulties with that schedule, as most of us work past 5 p.m. My husband and I tag team Fridays at home with him, with one of us in a meeting while the other watches him. It's not an ideal situation, but when our local YMCA told us the room would be ready to accept Nolan in November, and then December, and then "most likely" January, until finally radio silence, it was our best option. I mentioned he would be here with me if this was last week, and that is because after she went away for vacation for a week, she came home with COVID19, so she was shut down completely for two weeks, leaving my husband and I in an absolute scramble for coverage.

According to the U.S. Chamber, "in the last two years, 16,000 childcare centers were forced to close their doors and many more were operating at limited capacity. This diminished the accessibility and affordability of childcare across the nation. In many cases, parents — most often women — stayed home to care for their children. Half of all workers and nearly 60 percent of parents cite lack of childcare as their reason for leaving workforce." Lack of access has resulted in millions of working families across the U.S. having to make the difficult decision between ensuring quality care for their children or pursuing a career.

Even before the pandemic, the need for childcare services had grown steadily over the years as more and more parents have entered the workforce. According to the Bureau of Labor Statistics, in 2020, 60 percent of families with children under the age of 6 had both parents in the workforce. As a result, many parents rely on childcare providers to care for their children during the workday.

The national average cost of childcare ranges from \$11,000 to \$29,000 annually. Averages in high-cost areas like Washington D.C. can reach \$35,000 a year. In some instances, it is more cost effective for a parent to stay home than to pay for childcare.

A table included in my testimony shows the average annual cost for certain types of childcare services in Chester County, as well as the cost as a percentage of median family income in the county. These figures tend to be higher than the national average. (The Department of Labor has given the same numbers for at-home care for all ages.)

| Care | Cost | % of median income |
|--------------------------|--------|--------------------|
| Infant, Center-Based | 17,120 | 13.1% |
| Infant, Home-Based | 11,583 | 8.8% |
| Toddler, Center-Based | 15,318 | 11.7% |
| Toddler, Home-Based | 11,583 | 8.8% |
| Pre-School, Center-Based | 14,044 | 10.7% |
| Pre-School, Home-Based | 11,583 | 8.8% |
| School-Age, Center-Based | 13,900 | 10.6% |
| School-Age, Home-Based | 11,583 | 8.8% |

The childcare industry is also a significant contributor to the economy, with a market size of approximately \$63 billion in 2019 in the United States alone, .3% of U.S. GDP. The industry employs a large number of workers, including childcare providers, teachers, and support staff.

In addition, the lack of access to childcare doesn't just disrupt the family unit — it also affects the economy. Without a healthy childcare system, tax revenue declines, workers leave jobs, and economic production suffers. The U.S. Chamber's data further shows that not only does lack of childcare affect the productivity of employees, but it also affects their bottom line. Employee turnover costs companies on average 33% of a worker's total

compensation to replace them while impacting the recruitment of skilled employees. Recruiting and retaining qualified employees continues to plague employers in 2022, with 10.7 million job openings in September – 5.6 million more than unemployed workers, according to recent job reports.

Absences and employee turnover costs employers anywhere from \$400 million to \$3 billion a year, according to a U.S. Chamber Foundation study.

- 60% of all parents cite a lack of child care as their primary reason for leaving the workforce
- Median annual wage for child care workers is less than \$30,000 (BLS)
- Median hourly wage is \$13.22
- 96% of childcare workers are women
- Women with children under the age of three have employment rates 28% lower than those of men the same age
- 58% of working parents reported leaving work because they were unable to find childcare solutions that met their needs
- 32% of women cited the need to be home to care for family members as a barrier to returning to work

If the pandemic showed us anything, it is that the benefits of addressing the work-life needs of employees greatly outweigh any drawbacks. While there is no one-size-fits-all approach, the future economic viability of our communities depends on addressing the childcare shortage. The issues need to be tackled head-on by public and private entities alike, with a combination of policy solutions such as the following:

- 1) **Childcare Tax Credit for Parents** – CCCBI commends former Governor Tom Wolf and the Legislature from last Session for including the new Child Care and Dependent Care Tax Credit in the FY2022/23 state budget for Pennsylvania. This is a benefit to working families with children in daycare who already qualify for the similar federal program. The state childcare tax credit encompasses 30% of the federally approved expense. Pennsylvanians paying for childcare services will be able to claim the credit when filing state taxes starting in 2023. Families are eligible for either \$180 (one child) or \$360 (two or more children) for households earning above \$43,000, or \$315 (one child) or \$630 (two or more children) for households earning less than \$43,000.

A total of \$24.6 million went into the program for last Fiscal Year and expanding this amount in future budgets could support working families by lessening their tax

liability and will allow more middle-income parents to return to the workforce. I believe several co-sponsors have been circulated in the House to consider an expansion including one by Rep Melissa Shusterman of Chester County.

- 2) **Retention and Recruitment** – The cost of childcare has risen significantly faster than inflation, but it isn't as though the cost of workers has risen tremendously. Childcare workers are some of the lowest paid in the nation and state, and many have left positions in the industry for work elsewhere. According to the Bureau of Labor Statistics, there are about 100,000 fewer workers in the industry than there were before the pandemic. Even as post-pandemic employment has rebounded, the childcare industry is nearly 10% smaller than it was in February 2020. Additionally, many providers were forced to close their doors or reduce capacity due to health and safety concerns during the pandemic, and have not returned.

Last year's budget allocated \$90 million in federal American Rescue Plan (ARPA) funding to provide one-time childcare staff recruitment and retention bonuses to address this issue. Governor Shapiro's budget proposal for this fiscal year offers rebates/incentives for **recruitment for** nursing, teaching and policing jobs and consideration should be considered to extend this program to the childcare community.

- 3) **Regulatory Reform**– In the United States, the childcare industry is regulated at both the federal and state levels. Regulations vary by state, but typically cover requirements for staffing ratios, background checks, health and safety standards, and curriculum requirements. Childcare providers may also be required to obtain licenses or certifications to operate legally.

Thus, the Chamber is advocating for favorable regulatory changes currently being considered by the Office of Child Development and Early Learning (OCDEL). Indeed, OCDEL must ensure proper stakeholder input from childcare providers with special consideration to the impact of infant care regulations. In addition, any changes that lead to increased costs for providers should be considered carefully and potentially include incentives for tax rebates/funding from the state.

- 4) **P3's** - Finally, policy makers should consider employee Child Care Public Private Partnership (P3) to create tax credits for employers who furnish employee child day care in the amount of the employer's cost in furnishing employee child day care. This will incentivize employers to fund childcare for their employees by splitting the cost with the state, and providing tax credits to employers who participate.

In their 2022 legislative session, the Kentucky General Assembly began addressing the issue by passing legislation that created a new pilot program, the Employee

Child Care Assistance Partnership, where the state matches an employer's contribution (up to 100%) for employers who subsidize the cost of childcare services for an employee according to the Kentucky Chamber of Commerce. For example, if an employer wants to assist employees with the cost of childcare services by contributing \$100 a month, and the state's conditions and guidelines have been met, the state will contribute an additional \$100 to match the employer's monthly contribution.

Offsetting the cost for employees positively impacts company culture, increases industry leadership and influence, and addresses a critical issue across the nation. Many small and medium-sized businesses, however, are unable to contribute these funds toward daycare, as they are already facing inflation, supply chain issues, and other financial burdens in the current economy, but for those medium and larger capacity companies, consideration should be given to such a program. Our legislature should work with employers across the Commonwealth to assess the need and value in funding this type of program.

Other options include reaching out to our school districts, youth development groups and community organizations, and economic engines such as the local chambers, to establish other pipelines to expand care. Employers should regularly survey employees and report their findings to local representatives and officials.

Another partnership option is for employers to consider implementing on-site childcare facilities or to partner with a local provider and/or fellow businesses to offer care for their employees. Onsite care or local partnerships build goodwill, not just within a company, but within the community. This type of investment in childcare will ensure positive outcomes for a business — recruitment and retention of employees, increased performance, and the creation of a positive company culture, which may inspire other companies to do the same.

I believe part of these recommendations are within a co-sponsorship memo currently being circulated by Rep Hanbidge.

The recommendations I list are from feedback I received from the members of the Chester County Chamber, which are both small businesses and large employers because childcare is truly an issue that impacts workers, employers and our economy. This is an economics issue as much as it is a societal issue. We, the private sector, government officials, and experts in the childcare field, must come together to address this crisis. This is a commitment to future generations that will lay foundation for a more prosperous economy.

In closing, this economic challenge facing families merits the attention of policymakers and on behalf of the members of CCCBI and fellow working mothers across the commonwealth, thank you for holding this hearing on such an important topic.