CARING FOR ERIE'S ECONOMY

CHILDCARE IS ECONOMIC DEVELOPMENT

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JEFFERSON EDUCATIONAL SOCIETY

July 2021

Editor's note: Following is part of an ongoing series of JES articles on sustainability issues written by Court Gould, an Erie resident and a professional in the field.

The Erie County Redevelopment Authority illustrates an important point in its recent investments: Childcare is economic development.

The authority's $1 million loan in April to help build the Child Development Center's new early childhood center in downtown Erie, Pennsylvania will enable many more parents to hold down jobs while 130 children in the new facility will receive quality, affordable daycare. Quality childcare is a highly valued commodity. Parents know it. Burdened by the pandemic, employers are now highly sensitized to the issue.

If Erie could pioneer its way to universal childcare, it would win in the competition for attracting and retaining talent. Some cities are dangling cash to attract new residents. More sustainable than a one-time incentive would be institutionalizing a system of childcare that pays forward multiple dividends. Invest in kids. Grow a prosperous community.

First to mind when thinking about economic development are investments in business expansion, tech incubators, real estate, roads, etc. Revealed during the pandemic, however, is that such traditional views of what chalks up as economic development is all for not without adequate numbers of workers. Childcare, or lack thereof — we appreciate now more than ever — is a determinant of economic growth. Due to the cost of quality childcare, many workers forgo jobs. They can't afford to work, so to speak. Or their work essentially is to cover the care. During the Covid-19 pandemic, many parents (especially mothers) who did have childcare had to quit their jobs when the care locations shuttered operations.

Andrea Heberlein, executive director of PA Early Learning Investment Commission, explained during a webinar presented by the Erie Chamber and Growth Partnership that 55 percent of parents pre-pandemic reported they missed work due to issues of childcare which led to a $3.7 billion impact in lost revenue. During the pandemic, 40 percent of businesses across Pennsylvania reported they lost employees to causes directly related to childcare issues. Covid-19 has sensitized the nation, again, to the economic ramifications of childcare.

In Pennsylvania, ChildCare Aware of America reports that single parents pay 43.9 percent of their income for center-based infant childcare. Married parents of two children living at the poverty line pay 84.1 percent of their household income for center-based childcare.

The situation in the city of Erie is no doubt extreme. Census Reporter indicates 45 percent (2019 census data) of youth under 18 years live in poverty. City-Data.com highlights the crisis in reporting 71.9 percent of Erie's 5-year-old male children live below the poverty level.

Childcare Goes to War

Covid-19 is not the first time the U.S. has been jolted to attention regarding the imperative of childcare as an economic enabler. In response to World War II's enlisting much of the male workforce into service, the U.S. acted to fill the gap with working women. But Rosie the Riveter was already hard at work caring for children. This led to America's short-lived, universal childcare program. An article presented by Friends of the National World War II Memorial explains that in 1943 the U.S. Senate passed the first, and thus far only, national program to provide for public care of children whose mothers were employed for the duration of World War II. "The program was justified as a war expedient necessary to allow mothers to enter the labor force and increase war production," Thalia Ertman writes. By the end of the war, between 550,000 and 600,000 children are estimated to have received some care.

Canada did something similar. With wives taking care of the domestic economy while their husbands were fighting overseas, the federal government established a national system of "day nurseries" to care for the kids. From 1942 to 1946, the Dominion-Provincial Wartime Agreement allowed for subsidized day nursery care for mothers working in essential wartime industries. Considered ahead of their time by childcare advocates, these wartime day nurseries featured organized play, regular outings, and other features of what would soon be known as "early child education." The costs for these centers were shared 50-50 between the federal government and the participating provinces.

Fast forward to 2021. The Canadian government appropriated $30 billion to launch a long-term, sustained national daycare plan with an eventual 50-50 share by the provinces. The ultimate goal is to get the price of regulated daycare down to $10 a day, on average, within five years, similar to the Quebec cost in which daycare has been a priority for years.

Quebec, one of the 13 provinces and territories of Canada, "has been running a subsidized daycare program since 1997, offering lucky parents daycare costing $8.35 a day, if you can find a space," according to a recent iPOLITICS article. "It's been praised for giving children an educational head start and encouraging higher female participation in the workforce. Quebec taxpayers have paid for the program with their taxes, which is the way federalism should work. But the Quebec daycare system is not without its problems. There is a persistent waiting list of 50,000 children. … Parents who don't win the daycare lottery are forced to look for unsubsidized private spaces, which are much more expensive."

But, according to Policy Options, "the major thing that Quebec got right – the transformational change – was making licensed childcare extremely affordable for Quebec families, both at preschool and school ages. It did this by funding services directly, so centers did not have budgets largely reliant on parent fees. This transformed Quebec childcare into a publicly funded service."

With the pandemic exacting a devastating economic toll and claiming more lives than the number of American soldiers killed in combat during the Vietnam War, World War I, and World War II combined, the economics of childcare is understandably back on the table.

So how is the U.S. performing now? "The world's largest economy notoriously lags other industrialized countries in investing in childcare and early education: The U.S. spends less than 1 percent of its gross domestic product, putting it ahead of only Turkey and Ireland among member nations of the Organization for Economic Cooperation and Development," writes Cynthia Koons for Bloomberg Business Week. "Almost all developed countries have things like subsidized childcare, paid family leave, universal health care," Sandra Black, an economist at Columbia University, told Koons in "The U.S. Child-Care Crisis is Torturing Parents and the Economy." "The economics make sense."

"To date, childcare policy in the United States has focused on providing financial assistance to a small fraction of working families with low wages, providing a small tax credit for those with higher incomes, and largely ignoring the low wages that early educators are paid.2 These policies have been inadequate to meet the growing need for high-quality childcare options that don't break the bank," argue Julie Kashen and Katie Hamm in "Child Care for All: A Blueprint for States" published by The Century Foundation.

An August 2020 article in The Washington Post makes the case that today's childcare crisis "may have been fueled by the outbreak (Covid-19), but it is not new. It has been simmering below the surface for decades and can be traced back to President Richard M. Nixon's 1971 veto of federally funded universal childcare, which created our bifurcated approach to childcare that considers the needs of some and not others." Whether or not the political forces the article relates continue today (conservative backlash), the one constant is the high economic stakes.

As the maxim goes, a crisis is a terrible thing to waste. With the pandemic having shaken the business community, it is understandable that leaders are speaking up in favor of childcare and acting within their enterprises and in the public policy arena. We rose to the occasion in the past. With no intent to diminish our cherished veterans in any way, Covid has elevated childcare as another national emergency call to service.

Business Leaders See the ROI

With the pandemic touching everyone, the starkly visible link between economic development and childcare presents a moment to bolster public and private policy. Happily, powerful voices are connecting the dots and urging action. For example, in September 2019, Governor Tom Wolf's Ready to Start Task Force presented its "Four-Year Framework to Support Pennsylvania's Infants and Toddlers." Making the linkage to enabling workers, it calls for an increase in availability of high-quality childcare. The report states, "Access to high-quality care helps improve workforce participation and employment opportunities for working families, especially women." This necessity is made again recently by the PA Workforce Development Association in a May 2021 webinar at which Gene Barr, president of the Pennsylvania Chamber of Business & Industry, stated, "The business community used to look at childcare through an early learning lens but now sees it clearly as a workforce issue." In such good company, the Erie Regional Chamber and Growth Partnership has joined in coalitions with the PA Chamber, US Chamber, and Start Strong PA to support investment in childcare and early education and strengthen the message and advocate for state legislative priorities. In identifying childcare as a key issue material to Erie's equitable growth, Amy Murdock, the Erie Chamber's director of Government Affairs, noted that support for early learning centers is called out specifically in the chamber's recently adopted Public Policy Agenda (adopted March 2021).

The U.S. Chamber of Commerce Foundation presents that the lack of access to quality and affordable childcare is a significant barrier that limits the supply of talent. Companies that take an active role in helping their employees secure these services generate billions of dollars a year in revenue due to increased workforce participation. The U.S. Chamber of Commerce Foundation presents that the lack of access to quality and affordable childcare is a significant barrier that limits the supply of talent. Companies that take an active role in helping their employees secure these services generate billions of dollars a year in revenue due to increased workforce participation.

Of note:
- Turnover as a result of lack of childcare costs businesses 20 percent of an hourly employee's salary and up to 150 percent of a manager's salary.
- When companies provide childcare, employee absences can decrease by 30 percent and job turnover can decline by 60 percent.
- $1 invested in high-quality early childhood education programs can lead to $16 back in the pockets of the community. That return can be seen in the form of reduced special education needs, higher rates of grade level retention, reduced incarceration rates, improved health, positive education, and employment outcomes.

Specific to Pennsylvania, the U.S. Chamber of Commerce Foundation reported in February 2020 (pre-pandemic) that childcare issues result in a total estimated $3.47 billion annual loss for Pennsylvania's economy.

According to that report:

- The state misses out on an estimated $591 million annually in tax revenue due to childcare issues.
- Absences and employee turnover cost Pennsylvania employers an additional estimated $2.88 billion per year.

Such triple bottom-line benefits of quality childcare as essential to individual business success and cumulatively for Pennsylvania's competitiveness are the focus of The Pennsylvania Early Learning Investment Commission (founded in 2007). It is a partnership of business leaders dedicated to making the success of every investment in children by fostering public and private sector investment in educationally, economically, and scientifically sound early learning programs. Among its goals are to increase the availability of high-quality childcare through childcare subsidies for at-risk children and for parents who are working or pursuing education or job training. Other goals are to increase investments to improve childcare quality and increase the number of high-quality providers serving at-risk children.

A discussion of the rising need for business and civic leadership is timely as the pandemic revealed that the childcare system was already in crisis, a point made by Michelle Harkins, executive director of Early Connections in Erie, and Jill Simmons, vice president for youth development at the YMCA of Greater Erie in their January 2021 op-ed in the Erie Times-News. In calling for increased childcare subsidies, they wrote, "Our industry was chronically underfunded and operating with razor-thin margins before the pandemic. … The economy will not recover without high-quality childcare options for working parents."

Such providers, however, are disappointed that Gov. Wolf's budget seemingly misses the mark. The June 26, 2021 press release by Early Learning Pennsylvania, a statewide coalition of advocates that galvanized the Start Strong PA campaign, asserted that the 2021-22 state budget (ultimately signed by Wolf on June 30), while maintaining prior year investments in childcare and providing modest growth for pre-k, ignores *recommendations prioritizing childcare with funding increases and fails to expand evidence-based home visiting services. For example, coalition members, the Pennsylvania Association for the Education of Young Children and Pennsylvania Child Care Association, had called on state legislators and Governor Wolf to invest in early high-quality childcare in the state budget noting that hundreds of thousands of young children each year do not have access to high-quality early learning opportunities due to limited funds. The Pennsylvania Association for the Education of Young Children stated that "only 34 percent of infants and toddlers in subsidized childcare are being served in a quality setting and we have a waiting list for subsidized childcare. Despite citing the lack of high-quality childcare as a major barrier to participation in the workforce, the budget proposal did not include any new state funding to serve children on the childcare subsidy waiting list or any funding to support and/or increase the supply of high-quality programs. We must do better for Pennsylvania's working families."

*According to the Pennsylvania Child Care Association:

> While Governor Wolf's 2020-2021 budget address highlighted childcare as a critical workforce support and as one of the priorities of this year's budget, his budget proposal included no new state funds to increase access or quality. This is deeply disappointing after lawmakers cut $36 million in state funding from the FY 2019-2020 and relied on the influx of new federal funding to make it work. The Governor's Keystone Economic Development and Workforce Command Center in its recently released report identified barriers to employment for Pennsylvania citizens and provided recommendations for action by the governor, Pennsylvania General Assembly, and the private sector. Increasing access to affordable high-quality childcare was recommended as a top priority to all three!"

Rescue and Rebuild

Responding to the increasing understanding of the connection between childcare and the economy, a not surprising state budget win is a provision that allocates federal American Rescue Plan Act of 2021 stimulus funding (ARPA Child Care Stabilization Funds) to create a new grant program in the state Department of Human Services for the full federal rescue amount available of $729 million. Under this new PA Child Care Stabilization Grant Program, according to the PA House Appropriations Committee, Human Services is instructed to provide grants, on a rolling basis, to qualified childcare providers for their operating costs until either funding is exhausted or the federal deadline of September 2023 for using the money has been reached.

The Center for Law and Social Policy characterizes the federal rescue funding to be part of the nation's economic recovery because COVID-19 pushed the childcare sector to near collapse. "These critical direct investments are how we begin to bring the childcare sector back from the brink, yet it will take additional significant investments to undo the damage of long-standing under-investments and build back a better, more equitable, accessible, and affordable system that meets the needs of children, families, and early educators." Indeed, our nation cannot return to the same broken system of childcare that existed before the pandemic.

Child Care Aware of America is committed to ensuring the rescue funds are used to rebuild and improve the childcare system.

How States Can Support Childcare Providers

- Increase compensation and access to benefits for early childhood educators.
- Delink payment from attendance and base it, instead, on enrollment (learn more here).
- Expand the use of contracts and grants to provide services.
- Increase provider reimbursement rates to match the true cost of care. And, conduct cost of quality studies to set payment rates that cover actual operational costs.
- Provide funding that enables providers to connect with health and mental health consultants.
- Cover the costs of federally required fingerprinting and background checks.
- Provide grants to cover startup costs.
- Support the expansion of family childcare and other programs that will increase childcare options for infants and toddlers, families seeking nonstandard hour care, children with disabilities, families in rural communities, and multilanguage learners.
- Provide more training and technical assistance about safe and healthy childcare environments.

How States Can Support Children and Families

- Reduce or cut family copayments.
- Increase the income limits for subsidy eligibility.
- Broaden the definition of qualifying activities.
- Relax child absence and eligibility redetermination periods.
- Allow essential workers to access subsidy assistance throughout the duration of the pandemic.

What Can Erie Do?

As the job market rebounds and need for workers intensifies, Erie's employers are reminded of the childcare-available worker pinch. This is particularly the case given that Erie County's overall population has steadily declined every year since its peak in 2012 (then 281,532, today 266,096). As important is that this local trend reflects a recent national demographic change toward declining population of working-age people. Surely, Erie's decline won't be reversed soon. But wait: What if Erie became the leading American city where childcare is universal?

With 9,100 eligible workers in the county now unemployed, one wonders how many are inhibited from holding down a regular job due to lack of childcare. The Governor's Ready to Start Task Force indicates that Erie County has 9,484 children through age 2 (the number rises to more than 20,000 under the age of 6). Of them, 31.6 percent are in early childhood programs. That leaves 6,487 not in a program. The question to answer is what is the relationship between the 6,487 children through age 2 not in an early childhood program and the county's 9,100 unemployed eligible workers? In other words, if quality childcare were not a barrier, how many more people would be gainfully employed? The seeming inability to nail this data is perhaps telling and suggests the need for a concerted fresh look at possibilities. And it is likely the case that the community is already expending what it would otherwise cost to provide universal childcare but instead buy having to involuntarily absorb the high business costs of employee shortages and reduced productivity due to lack of childcare.

One thing is for sure, communities like Erie are wise to not wait for federal or state solutions. While the American Rescue Plan monies are a great boost, they are temporary. To create sustainable solutions, bottom-up innovations are necessary. A city of Erie's modest size and with its oversized resources is well-positioned to make a great stand and become a national role model for eliminating childcare as a barrier to work. Erie has a unique abundance of public, private, university, philanthropic, and civic leaders who, when focused on a problem, can pioneer solutions. The case is clear that childcare is critical to not just Covid recovery but equitable economic progress upon which Erie's aspirations depend.

Recommendations

Erie County and the city of Erie are in the news for extraordinary measures to rebound from Covid, redevelop downtown, and attract employers. Of the many investments, childcare is increasingly appreciated for its profound importance and multiplier effect on contributing positively to economic development. To the multiple bottom-line benefits, James Grunke, President of the Erie Regional Chamber and Growth Partnership, stated, "Childcare is not just an early childhood developmental win that pays down the road, but a present term economic imperative to enable people to work on whose productivity Erie's prosperity rides."

Given the high stakes and clear path to progress, Erie would be well-advised to double down on strategies to provide quality childcare to all children in need. The following recommendations provide a blueprint to make good on the economic wins of childcare:

Erie Childcare Task Force

Convene an Erie Childcare Task Force to serve as localization of the statewide PA Early Learning Investment Commission but with a laser focus on childcare (infant and toddler care ages 0-3) vs. preschool and pre-K (see terminology below). The makeup of the task force should include private, nonprofit, and civic sector leaders charged with developing measurable goals and strategies to make Erie a national role model in universal childcare. Among the wide range of strategies to develop include:

- Data: Find and crunch the numbers to determine how many children are wanting for childcare and how many parents could be working if they had it. Develop the costs of universal childcare and means to annually cover the costs. The data likely will show Erie is already paying for the costs in terms of economic drain, lost revenue at job sites, etc.

- Care Providers: Engage Erie's workforce development providers to streamline systems and accreditations to increase recruitment, retention, development, support and training of childcare professionals.

- Diversity: Create a pipeline for new Americans and people of color to become caregivers. This honors Erie's great diversity of children who benefit from culturally rich developmental care.

- HR: Engage Erie's private sector to better understand the childcare needs of its employees and develop formal HR support approaches. There are many ways businesses are providing assistance. See exemplar chart below published by the U.S. Chamber Foundation.

- Funds: Examine the existing Erie Future Fund for its potential to become the platform for universal childcare via all-sector investment. This would entail expanding scholarships to include childcare at earlier ages than the program's current focus on ages 3 and 4. Also, a change in state rules is needed to allow use of the Pre-K Education Tax Credit by businesses for support of infant/toddler care ages 0-3.

- PA Child Care Stabilization Grant Program: Focus on engagement with the state per this new grant program (in the state Department of Human Services) for expenditure of federal rescue funds to ensure Erie gains its full share and leverages the onetime monies to build a sustainable childcare system and with a goal of universal infant and toddler care in Erie.

- Lobby: Engage the Erie business community to advocate to the state government (executive and legislative branches) for funding, cutting red tape, innovating, and ensuring Erie's fair share of assistance. Do so in collaboration with the many existing such statewide initiatives.

- PR: Mobilize a nationally reaching communications campaign to position Erie as the nation's leader in universal daycare as a means to attract and retain talent to build back better and grow an equitable economy.

- Federal Funds: Mount a successful application campaign for Erie to be successful (reversing past failed efforts) to gain federal subsidy through the Early Head Start program.

- Buildings: Repurpose underutilized buildings in Erie to affordably meet the high barrier, otherwise prohibitively expensive needs for space for providers of viable, quality childcare.

- Equitable Allocation: Rationalize funding formulas in order to enable enrollment of children in available childcare slots appropriate for their families' income level to ensure fairness and maximize enrollment while not otherwise shortchanging providers in an overly competitive system.

Perhaps there is no better way to frame that moment of opportunity and call for Erie to lead the way than to quote the concluding summary statement of the 2018 report by the National Academies of Sciences, Engineering, and Medicine titled, Transforming the Financing of Early Care and Education:

> Reliable, accessible high-quality early care and education for young children from birth to kindergarten entry, including a highly qualified and adequately compensated workforce, can be achieved, and there is great urgency in beginning the work to realize such a vision. The committee recommends that this be accomplished through greater harmonization and coordination among multiple financing mechanisms and revenue streams and through greater uniformity in standards to incentivize quality. It will require significant mobilization of financial and other resources shared across the public and private sector, including a more equitable distribution of the share from family contributions and a commitment to major increases in public investment.

In addition to the benefits to children, parents, employers, and the overall economy, imagine the national buzz if Erie were to ensure quality childcare for all infants and toddlers. Then, Erie would both nurture its future and address an immediate need whereby quality childcare is essential economic development.

Terminology:

Preschool vs Daycare: What is the Difference?

The words “preschool” and “daycare” or “childcare” may be used interchangeably among parents, but this is actually incorrect. … One of the most notable differences is the ages of the kids who attend either program. Childcare programs typically accept children in the age range of about six weeks and older, while preschool is typically for children ages **2-5 years of age. In a preschool program, learning pre-academic skills is the main objective, with the program focusing on the educational needs of the children to prepare them for development in the years that follow. For the most part, childcare is about providing services to parents when they need it most — during the working hours of the day. It focuses much more on games and free play than a preschool does. Babies, toddlers, and children have a safe and secure place to go where they will receive daily necessities, such as feeding, napping, and activities.

(**Note other definitions refer to ages 3-5 defining preschool.

“Daycare” is the term many still use to refer to out-of-home care for children during the day while their parents are at work. Most childcare and early education professionals no longer use the term “daycare” because it describes only when they work, not the scope of their responsibilities. The term “childcare” is more inclusive. Childcare can be provided in a childcare center, in a family childcare home, or by family, friends, or neighbors. Many parents need childcare in the evening, at night, or early in the morning because of variations in their work schedules. The term “childcare” includes all of these types of care.

Many childcare programs offer care for children through age 5, and do provide concrete early learning experiences. … Childcare is early learning. Childcare providers are early educators.

Non-traditional childcare (NTCC) aligns with the reality that many jobs require non-traditional work schedules, which take place during evenings, weekends, and overnight. As demand has grown for these jobs in the labor market, there is also an increased need for childcare during non-traditional hours. Demand in Pennsylvania for high-quality affordable non-traditional childcare spans economic class and exceeds supply.

Preschool and Pre-K (short for Pre-Kindergarten) most typically encompass children ages 2.5 to 5, may be mixed age or more specifically age-related (such as a classroom for 3-year-olds, a classroom for 4-year-olds, etc.) and typically have teachers who meet their state’s qualifications for being an early learning teacher.

U.S. Chamber Foundation

SUPPORTING YOUR EMPLOYEES AND STRENGTHENING YOUR BOTTOM LINE

You can implement policies at your company to help parents obtain and provide the care their children need, while enabling children to reap the benefits of that care. In the end, these policies bolster your bottom line through increased productivity and the ability of your company to attract and retain the talent it needs to succeed. For those with the financial resources, these provide examples of different ways that you can support your employees.

WHAT	HOW
Find out what your employees' needs are	Survey your workforce on their work-family needs and collect data on utilization rates of your existing programs.
Offer flexible work arrangements	Policies such as telecommuting and flexible start-stop times enable employees to better integrate their work responsibilities with their caregiving responsibilities.
Educate your employees about their tax and subsidy eligibility	Many of your employees may not be aware of which local, state, and federal tax breaks and programs they may be eligible for to help with the cost of care. Work with your accountant to conduct an educational session or compile a fact sheet for your employees.
Create a Flexible Spending Account (FSA) for your employees	An FSA provides a tax break for families and is available through the benefits package offered by a company. An FSA can be used to pay for up to $5,000 of childcare-related expenses using pretax dollars.
Contribute to or subsidize childcare	Contribute up to $5,000 of the cost of each employee's child without the subsidy being added to their taxable income. This also saves you from paying employment taxes on that portion because it is not taxed as income.
Provide access to a care marketplace or resource and referral service	Provide membership to any number of online marketplaces or resource and referral services that can help your employees identify care in their area.
Provide backup care options	Some companies can set up a service for both in-home and center-based backup care for when employees' regular care arrangements fall through.
Provide on-site childcare	Build an on-site childcare center; think about the broadest possible swath of your workforce that could have access to this center.

About the Author: *Court Gould, who lives in downtown Erie, served 20 years as founding executive director of Sustainable Pittsburgh. He established the organization as a leader in accelerating the policy and practice of sustainable development borrowing from cities around the world regarding local strategies for Smart Growth, Regional Equitable Development, DEI, Transportation for Livable Communities, Energy Visioning and Strategy, Outdoor Recreation, Sustainable Community Development, Blight and Abandonment, Sustainable Business Strategies, and more.*

After three years with the Erie Community Foundation as vice president of Community Impact, Gould is a sustainable solutions consultant and certified professional coach. His education includes an MPA from the University of Southern California, and a BA in Political Science from Tufts University. He attended the Stanford Graduate School of Business Executive Program for Nonprofit Leaders and earned Professional Coach Certification from Duquesne University.