

# The Growing, Annual Cost of the Infant-Toddler Child Care Crisis in Maine

Impact on families, businesses, and taxpayers could cost the state \$403 million each year



## Acknowledgements

**Educate Maine** is a Maine-based, bipartisan nonprofit that promotes solutions to improve education in Maine by increasing educational attainment, championing career readiness, and helping students succeed in the workplace and postsecondary education. In August 2024 the Maine business leader membership organization ReadyNation, along with the Maine law enforcement membership organization Fight Crime: Invest in Kids and the Maine retired admirals and generals membership organization Mission: Readiness joined Educate Maine.

### **ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

Supported by tax deductible contributions from foundations and individuals.

### **Major funders:**

The Bingham Program

The John T. Gorman Foundation

The Maine Early Childhood Funders Group, which also includes the Sam L. Cohen Foundation, the Betterment Fund, Frances Hollis Brain Foundation Fund. and the Maine Community Foundation

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April 2023



## **\$403 million** Maine's estimated annual cost for the infant-toddler child care crisis

### **Summary**

**Maine's working parents know how difficult it is to find child care that's accessible, affordable, and high-quality. This problem is particularly acute for parents of very young children, as infant and toddler care is typically the least available and most expensive. Further, children under age 3 are experiencing one of the most crucial periods of brain development. Maine employers know the economic impact of these child care challenges, that will only worsen as the child care crisis continues.**

ReadyNation's new national study found that America's infant-toddler child care crisis now costs the nation \$122 billion in lost earnings, productivity, and revenue every year.<sup>1</sup> This staggering economic toll impacts working parents, their employers, and the nation's taxpayers. Our 2018 study found that the crisis was already severely damaging the pre-pandemic economy, exacting a cost of

\$57 billion annually. A combination of COVID-19 and insufficient policy action have now significantly worsened the crisis.

Maine's Gross Domestic Product (GDP) represents roughly 0.33 percent of the nation's GDP. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to an estimated \$403 million in annual costs for Maine.

Beyond its impact on the workforce and economy today, the infant-toddler child care crisis damages the future workforce by depriving children of nurturing, stimulating environments that support healthy brain development while their parents work.

As our data from the past four years shows, a failure to strengthen the country's fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers. State and federal policymakers must support evidence-based

policies and programs that enhance the availability and affordability of high-quality child care. In particular, Maine needs to increase compensation for the child care workforce, continue to expand public pre-K, expand eligibility for child care subsidies and Head Start/Early Head Start, improve data collection and examine the true cost of care, all of which will support quality improvements. With wise investments, policymakers can improve life outcomes for thousands of Maine children today and strengthen our state's workforce and economy both now and in the years to come.

## Parents of infants and toddlers are in the workforce and need child care

The majority of American parents with very young children are now in the workforce. In Maine there are approximately 37,000 children under age 3, and 70 percent of these young children have mothers who are in the workforce.<sup>2</sup>

Parents need child care so that they can work and build successful careers to support their families. To be productive at work, they also need to know that their child care program provides a safe, nurturing environment that supports their child's development and early learning during a critical period of brain development.

## The current child care system does not meet the needs of Maine families or employers

Interrelated challenges combine to build a child care crisis for children, families, and businesses:

- **Access:** While 22 percent of Mainers live in a child care “desert,” where there are more than three children under age 5 for each licensed child care slot, in rural communities the figure is 26 percent.<sup>3</sup>

Overall, availability is also especially limited for families who have infants and toddlers, have low incomes, or work non-traditional hours.<sup>4</sup> More than 10,000 pre-K-aged children are served in child care settings.

- **Affordability:** Infant care in a center in Maine averages \$11,960 per year, eight percent more expensive than the \$11,031 cost for in-state public college tuition.<sup>5</sup> This high cost makes child care unaffordable for many families, particularly those with low incomes. This cost represents 12 percent of the median annual income of a married-couple family in Maine, while seven percent is considered affordable. Maine provides subsidies to help make child care more affordable for parents with low incomes who are engaged in work or education. In January 2023, 247 infants and 1,059 toddlers received these subsidies;<sup>6</sup> however, the percentage of eligible infants and toddlers this represents is not known.
- **Quality:** Overall, only 17 percent of children receiving child care subsidies in Maine attend high-quality programs (rated 3 or 4 on the state's quality rating and improvement system).<sup>7</sup>
- **Workforce:** Between 2016 and 2020, Maine has experienced a 27-percent decrease in the number of child care workers (from 3,050 to 2,240).<sup>8</sup> Looking at current data, 6517 child care workers receive wage supplements. Since this figure represents 86 percent of the total number of workers, the current workforce is 7578.<sup>9</sup>

A new survey<sup>10</sup> done by the Maine Association for the Education of Young Children (MaineAEYC) of nearly 500 child care providers (both centers and family child care homes) statewide revealed that 40

percent of centers reported being understaffed, and estimated that more than 1,000 additional early educators are needed to reach full staffing levels. Due to this staffing shortage, actual enrollment fell considerably below licensed capacity, with a gap of more than 9,400. Looking just at infants, with approximately 12,000 babies born each year in Maine, about 71 percent of young children having all parents in the workforce, and an average of only 7 percent of child care slots dedicated to infants, an estimated 5,000 of our youngest children do not have access to child care.

Despite this workforce shortage, the pipeline for child care workers in Maine is not yet robust enough to meet the demand. For example, although enrollment has recently increased in the Maine Community College System’s ECE programs, just 400 students have graduated from these programs in the past five years.<sup>11</sup> Only 36 students are enrolled in T.E.A.C.H.<sup>12</sup> and only nine are enrolled in the new Maine ECE Registered Apprenticeship Program.<sup>13</sup> In addition, the University of Maine system and Maine’s community colleges offer various degree programs in early childhood education. However, only about 300 students graduated from these programs in 2022, less than one-third of the 1,000 additional early educators needed to reach full staffing levels.

Furthermore, not all of these graduates will work in the ECE field and some might teach pre-K in public schools, rather than work in child care settings. The Maine Department of Labor also lists four small Apprenticeship Programs for early childhood education, with a few students in each.<sup>14</sup>

### **The economic impacts of insufficient child care on parents, employers, and taxpayers**

When families do not have the child care they need, parents’ work productivity falls, resulting in costs to parents, their employers, and, ultimately, taxpayers. In December 2022, ReadyNation commissioned a national survey of working parents of children under age 3, repeating a survey previously conducted in 2018.<sup>15</sup> The 2022 survey yielded a nationally representative sample of 806 parents—both mothers (55 percent) and fathers (45 percent)—of children under age 3.

Almost three-quarters of working parents surveyed reported that access to child care is a challenge. And more than half said it is a significant challenge to find child care that is either affordable or high quality.

The survey provided evidence of the various ways in which parents’ time and effort at work, productivity, and career opportunities are diminished by problems with child care.

## **Maine’s child care gaps**

**9,442**

gap between licensed capacity and enrollment

**1,090**

child care teachers and staff need to be hired

**5,000**

infants estimated to not have access to child care

Merging the survey evidence with labor market data, we modeled how child care problems affect the economy.<sup>16</sup>

Overall, the costs of insufficient child care are immense. Each year a child is under age 3 without sufficient child care:

- **Families lose an average of \$5,520 per working parent** in lost earnings and in more time looking for work. Across the 14.1 million parents of children under age 3, this burden is **\$78 billion** per year.
- **Businesses lose an average of \$1,640 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on business is **\$23 billion**.
- **Taxpayers lose an average of \$1,470 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to **\$21 billion** each year.

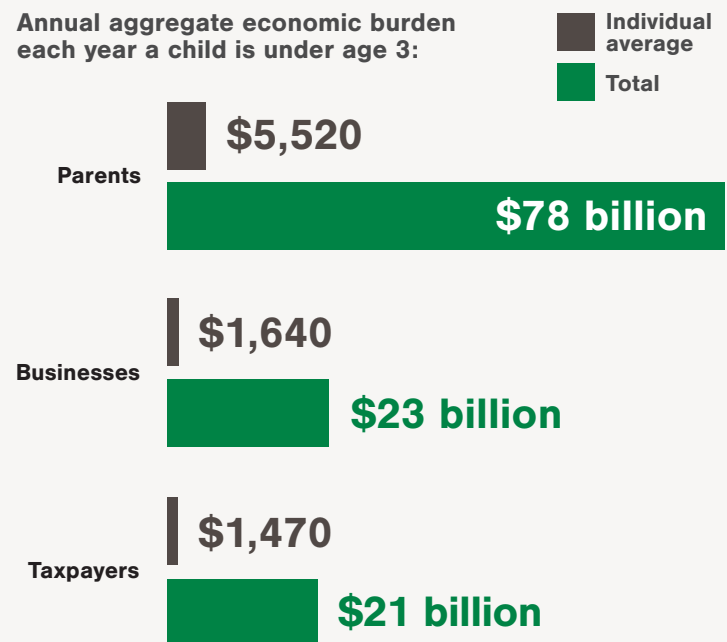
These losses experienced by families, businesses, and taxpayers nationwide sum to a total cost of \$122 billion each year due to the infant-toddler child care crisis. Maine's Gross Domestic Product (GDP) represents roughly 0.33 percent of the nation's GDP. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to an estimated \$403 million in annual costs for Maine.

### The impact of insufficient child care on families

The survey results provide a window on how the economic impacts occur. Parents were asked how child care problems affected their work. Child care problems decreased parents' effort and productivity at work, undermining their job stability. Parents reported spending less time at work, which can lead to reduced incomes. A significant number of parents reported employment disruptions, including one-quarter who

## The economic impacts of insufficient child care on parents, employers, and taxpayers

Insufficient care for children under the age of 3 costs individuals, businesses, and the country billions of dollars each year.



reported quitting a job or having been fired due to child care challenges. Further, problems with child care impacted parents' long-term career prospects: one-third or more reported having to turn down job offers or further education and training. Narrower career prospects reduce parents' future earning potential. And less parent income, along with parental stress, can have harmful short- and long-term impacts on children.

Comparing our 2022 results to those obtained in our 2018 survey, percentages of parents reporting each negative impact of insufficient child care are higher in 2022, for virtually all impacts, with some substantially

higher. For example, parents reported that the infant-toddler child care crisis had caused them to be fired or to have pay or hours reduced nearly three times more often in 2022 than in 2018. The crisis caused parents to be demoted or transferred to a less desirable job, or change from full-time to part-time work, more than twice as often. Rates of parents reporting quitting a job due to child care problems doubled. Overall, disruptions to parents' work lives due to child care challenges are much worse and more widespread now, compared with 2018. These findings suggest that a combination of COVID-19 and insufficient policy action have significantly worsened the infant-toddler child care crisis.

### **The impact of insufficient child care on employers**

For employers, insufficient child care results in reductions in revenue and increased hiring costs. A workforce with lower productivity and shorter tenure has major economic consequences. If an employer's workforce keeps changing, worker morale can fall, product quality can diminish, and clients can be lost. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience.

### **The impact of insufficient child care on taxpayers**

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues, increasing pressure on all taxpayers. Lower parental earnings impact federal income tax revenues, while state and local tax revenues are impacted by lower parental earnings and families' decreased consumption of taxed goods. These effects are also long-term, due to parents' decreased earning potential.

## **Maine policymakers should promote access to affordable, high-quality infant and toddler care**

Parents, particularly those with infants and toddlers, often have difficulty finding affordable, high-quality child care so they can build successful careers. The practical and economic consequences of insufficient infant-toddler child care are enormous, impacting parents, employers, and taxpayers. Losses total \$122 billion every year, more than double the \$57 billion found in 2018. As our data from the past four years shows, a failure to strengthen the country's fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers.

The business leaders of ReadyNation Maine call on state policymakers to support families' access to affordable, high-quality child care, particularly for infants and toddlers. In particular, Maine policymakers must increase compensation for the child care workforce to help make it competitive with other fields, so child care educators will join the profession and stay; expand eligibility for child care subsidies and Head Start/Early Head Start; expand public pre-K, including in child care settings; improve Maine's early childhood integrated data system; put a mechanism in place for an annual report to the legislature on plans to increase child care subsidy enrollment and reduce barriers for participation; and engage in a robust study of the true cost of care for working families. These improvements will support enhanced quality of care. Effective, well-funded policy initiatives, as well as continuing innovations at the federal, state, and local levels, will yield a child care system that will improve life outcomes for thousands of Maine children today and strengthen our state's workforce and economy both now and in the years to come.

## Endnotes

- 1 ReadyNation (2023, February). \$122 billion: The growing, annual cost of the infant-toddler child care crisis. <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>
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- 6 Early Childhood Education Data Dashboard (2023, January). Number of children with an open child care subsidy authorization by age group. <https://www.maine.gov/dhhs/ocfs/data-reports-initiatives/early-childhood-education>
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- 8 Bipartisan Policy Center (2021, August 15). National and state child care data overview. <https://bipartisanpolicy.org/report/national-child-care/>
- 9 Data provided by Maine Office of Child and Family Services on March 8, 2023.
- 10 MaineAEYC. (2023). Rapid survey Child care enrollment gaps. While this was not a representative sample of providers, nearly one-third (31 percent) of Maine providers responded, in proportions similar to their proportion in the state, with regard to both program type and geography. <https://maineaeyc.org/public-policy-advocacy>
- 11 Maine Community College System (2023). Spotlight on Early Childhood Education Programs
- 12 MaineAEYC (n.d.). T.E.A.C.H. Early Childhood. <https://maineaeyc.org/teach>
- 13 Data from University of Southern Maine.
- 14 Information from MaineAEYC.
- 15 ReadyNation (2019). Want to grow the economy? Fix the child care crisis. <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis>
- 16 For details on the survey and economic analyses, see the accompanying technical report at: <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>

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