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# High-Quality Early Child Care: A Critical Piece of the Workforce Infrastructure

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## Abstract

With 65 percent of children under age six having all of their parents in the labor force, most families with young children require some form of nonparental early child care.<sup>1</sup> Considering trends in the familial division of labor, family structure, and the composition of the labor force, reliance on early child care will likely increase.<sup>2</sup> For the most part, contemporary policies and the modern economy necessitate that all parents work and yet, early child care is not part of the workforce infrastructure. Relative to comparable developed nations with more supportive family policies—such as paid family leave, protections for demanding a change to part-time work schedules, and publicly provided child care services—the labor force participation rate of women in the United States has fallen behind, coming in between 2 and 14 percentage points lower than 19 other developed nations in 2016.<sup>3</sup> Evidence shows that in the United States, options for licensed early child care have been persistently deficient in meeting the needs of working parents.<sup>4</sup> Despite successful experiments with nearly universal care and multiple attempts at passing legislation in support of comprehensive universal early child care in the United States, there has been little progress in addressing the need for high-quality early child care to support working parents.

The purpose of this paper is to develop a collective understanding of the shortcomings of licensed early child care in the United States, to lay out the challenges for meaningful reform, and to convey the need to make high-quality early child care accessible to all working parents of children under age five, with special consideration of low- and moderate-income parents in New England. The paper also provides a glimpse of historical efforts to enable parents to work by addressing child care needs, shares elements of a proposed research agenda, and offers a high-level perspective on a possible pathway to change.

The main components of this paper are the following:

1. An overview of the U.S. early child care market on dimensions of quality, affordability, and availability
2. A review of the literature on the effects of child care access on labor force participation and employment outcomes
3. Historical analysis of the early child care arena and successes and failures of reform attempts
4. Research on the effects of early child care on the economic and employment advancement of working parents
5. A possible pathway to change

## Executive summary

Contemporary policies and the modern economy require the majority of parents to work, yet child care is not part of the work infrastructure. As a result, parents are on their own to figure out child care arrangements that do not jeopardize their employment or put their children at risk. In the United States, economic burdens attributable to child care problems has been estimated to cost working parents and employers billions of dollars annually.<sup>5</sup> A major challenge to fixing this problem is that it is multifaceted—encompassing the dimensions of affordability, quality, and availability, which at times conflict, as in the case of quality and affordability.<sup>6</sup> This contributes to access problems for working parents and a conundrum for policy makers and invested stakeholders. Understanding the economic and employment implications of this problem and the reasons it persists are required steps to solving the problem in ways that address the needs of working parents. The purpose of this report is to draw attention to this missing piece of the work infrastructure and to frame the problem through a working-parent lens.

## Background

This paper presents an overview of early child care for children under five years of age in the United States that is meant to draw attention to the problems posed by the inaccessible nature of early child care, which many parents need in order to work. Furthermore, this paper attempts both to explain why the problems with early child care have persisted in the United States and to justify fixing them. With a commitment to improving economic conditions for low- and moderate-income residents of New England, the Boston Fed's approach to this work places these working parents at the center. This means the report examines child care based on its impact on working parents and assesses solutions according to how they affect working parents. As problems with early child care cannot be reduced to a single dimension, such as affordability, applying a working-parent lens is a way to see the multiple dimensions of early child care and where there may be some fundamental misalignments between what working parents need and the options they can access. Likewise, it provides a way to assess the inclusivity of opportunities for high-quality early education that may be motivated by aims of reducing educational inequities.

While the focus of the report is on early child care for children under five years of age, it is widely acknowledged that many working parents also rely on before- and after-school care for their school-age children. However, since the problems and solutions differ for parents as their children enter the K-12 system—when, at a minimum, access to a block of time when children are supervised within school settings is an option—this report maintains a focus on the early years. For children under five, parents may use one or more care arrangements that include free informal care by friends, family, or neighbors and full-price or subsidized formal care. Two prominent types of formal care include center-based care, serving large groups of children in established facilities, and family child care, serving small groups of children, usually in a provider's home. In most cases, these formal types of care must be licensed by the state in order to operate, and if they want to participate in the child care subsidy system funded by the Child Care and

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Development Block Grant for children from lower-income families, they must also meet state-specific requirements. For a fee, providers may also pursue national accreditation that goes above and beyond state licensing.

The findings presented in this report emerged from an examination of early child care from a multidimensional perspective. The report is split into five main sections: (1) an overview of the early child care market in the United States, focusing on the dimensions of quality, affordability, and availability, (2) a review of the literature on the effects of child care access on labor force participation and employment outcomes, (3) historical analysis of the early child care arena and successes and failures of reform attempts, (4) research on the effects of early child care on the economic and employment advancement of working parents, and (5) a possible pathway to change.

### Methodology

The contents of this report were informed by conversations with at least 20 stakeholders,<sup>7</sup> including early care and education researchers, feedback from a subset of this group, and a review of a cross-section of literature, data, and reports on the state of early child care in the United States and in the region of New England. We employed this method with the purpose of developing a broader understanding of early child care in the United States, of inaccessibility problems for some working parents, and of the implications of inaccessibility. Below, we organize the main points from the report around an orientation of the problem: why it is important, understanding the problem and its persistence, some implications for working parents along with questions that remain, and a commentary on recommendations for change. There is no one solution mentioned in this report but, rather, a means by which to assess solutions.

### Main points

**Statement of the problem:** High-quality early child care for children under five years of age that working parents can access is in limited supply and largely unaffordable.

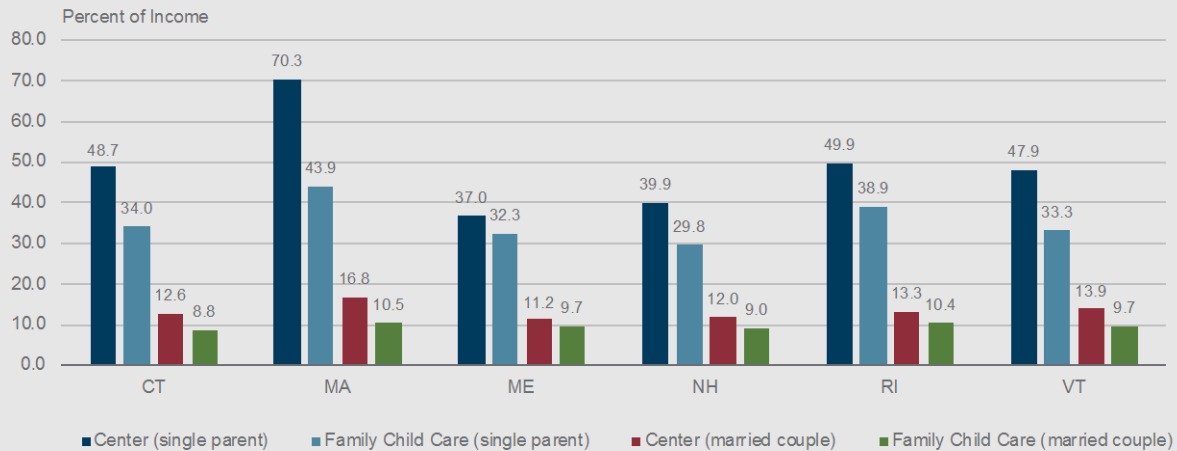
**Why the problem is important:**

- More than 65 percent of children under age six have all parents working, making child care a required support for much of the workforce.<sup>8</sup>
- An aging workforce and growth of immigrant families indicate that workers dependent on child care will represent an increasing share of the workforce.<sup>9</sup>
- The labor-force participation rate of women in the United States has been surpassed by Organization for Economic Cooperation and Development nations with more family-supportive policies, such as paid leave, universal child care, and part-time allowances.<sup>10</sup>
- Productivity losses, in the form of absenteeism, and economic burdens attributable to inadequate child care have been estimated as costing U.S. employers billions of dollars annually.<sup>11</sup>

**Understanding the problem:**

- Child care is expensive. The cost of full-time center-based care for infants is greater than 27 percent of the median income of single parents,<sup>12</sup> while the Department of Health and Human Services benchmark of affordability is care costing no more than 7 percent of median family income.<sup>13</sup>

### The Cost of Full-Time Infant Care as a Percentage of Median Income in Six New England States in 2018, by Type and Family Structure



Source: *The US and the High Cost of Child Care Appendices: 2018 Report.*

- Studies have found the quality of early child care to vary considerably, with a prominent study rating the majority of providers as “mediocre” at best and another rating most providers as “fair.”<sup>14</sup>
- Child care “deserts” (defined as neighborhoods or communities that are either lacking any child care options or have so few child care providers that there are more than three children for every licensed child care slot<sup>15</sup>) are prevalent in low-income areas and rural areas as well as areas with high concentrations of Latino families. Child care deserts exist most notably during nonstandard work hours.
- Child care assistance programs for low-income families who meet program requirements (e.g., working, participating in training/education, actively looking for work) are oversubscribed, with the Child Care Development Fund serving just 15 percent of the eligible population nationally.<sup>16</sup>
- Early child care access problems are multidimensional: it is not just unaffordable, as the quality of the majority of child care has been rated as less than “good”; it is not just a problem for low-income families, as those above the eligibility limit struggle to afford it; and it is not just about increasing the supply geographically, since limited hours/days of operation could still block access.

**Persistence of the problem:**

- Child care is multidimensional and at times those dimensions conflict, as in the case of trying to deliver care that is both affordable and high quality or delivering care that is in short supply, such as infant care, in an affordable way.
- Efforts to research or address child care problems are often one dimensional, with a focus on quality or affordability, for instance.
- The market is mostly private, where parents bear the costs of paying for child care and providers may need to compromise on quality—as indicated by persistently low child care worker wages—in order to make child care affordable for parents.<sup>17</sup>
- Child care is labor intensive, with regulated low child-to-staff ratios and small group sizes, driving up the cost of the provision of child care and undermining providers' ability to invest heavily in quality improvements as well as the effectiveness of mechanisms intended to increase quality (e.g., Child Care Development Fund regulations, licensing, and quality rating and improvement systems).
- Historically, values in the United States have conflicted with child care policies supporting mothers in the workplace and interventions perceived as government interference with child-rearing, as illustrated by the temporary nature of federally funded care at times of crises—World War II and the Great Depression—which ended when it was no longer an imperative for women to work.<sup>18</sup>

**A working-parent lens:**

- The use of a working-parent lens offers a way to think about the implications of early child care that, by its inherently conflicted nature, results in shortcomings and compromises for parents.
- Research demonstrates clear links between access to child care and workforce participation, but less is known about how specific access problems and experiences may impede how parents work in ways that could affect their economic and employment advancement.
- Research demonstrates that family income and employment stability are directly linked to cognitive and socio-emotional outcomes for children.<sup>19</sup>
- When assessing policies or programs, a working-parent lens that examines what is needed for a working parent to access a child care option can help identify what is missing so that implementation is not followed by low rates of utilization.

**Recommendations for helping to make early child care part of the workforce infrastructure:**

- Acknowledge that while much is known about how to deliver high-quality early child care, it is very expensive and thus a *financing challenge* in a mostly private market.
- Identify and highlight the platforms and infrastructures for the delivery and regulation of high-quality early child care that already exist (i.e., Head Start and Early Head Start for children from low-income families).
- Develop and share a deep understanding of how early child care impacts the economic and employment advancement of working parents.
- Assess efforts, policies, and practices through a working-parent lens to ensure strong utilization—for example, the highest-quality public preschool options may do little to address inequality concerns if working parents cannot access them because of limited hours/days.



## Overview of the U.S. early child care market

Parents of young, non-school-aged children rely on early child care to participate and thrive in the workforce.<sup>20</sup> The range of options for early child care includes licensed care—from home-based family child care serving small numbers of children to larger center-based care—as well as unlicensed informal care by friends, family, and neighbors. Additional early child care options include private nannies and, to a limited extent, care offered or sponsored by employers. Parents may use a combination of care types depending on costs, preferences, their family’s needs, and the types of child care available to them. Whether parents can select features they consider most important depends on the options they can access. For instance, if there are no open spots in licensed facilities that they deem acceptable and affordable, parents must figure out a way to make use of available options and may face the consequences of one or more trade-offs. From what we know about the supply side of early child care, which is heavily private in the United States, it is difficult for early child care to be affordable, high quality, and available when and where working parents need it and for whom they need it, with care for infants and children with special needs the hardest to find.<sup>21</sup> This work underscores the need for change to ensure that parents who need early child care in order to work can access high-quality care that aligns with their work demands.<sup>22</sup>

In response to research on child development, there is a growing emphasis on the quality of early child care programs.<sup>23</sup> There is an argument that too much emphasis on making sure working parents can access child care may come at the expense of quality, given the prohibitive costs of early child care, let alone high-quality care.<sup>24</sup> The logic is that no matter why parents use child care, no matter the age of the child, and no matter the environment, the child is developing and learning. In contrast, the approach in this paper acknowledges that in the mostly private market of early child care, quality care is unaffordable, with limited capacity, and does not necessarily meet working parents’ needs for times and locations that align with their work lives.<sup>25</sup> While the focus of this approach is not centered on how to improve childhood outcomes through care settings, it is focused on how to support working parents, who are critical for strong families. Research demonstrates that family income and employment stability are directly linked to cognitive and socioemotional outcomes of children.<sup>26</sup>

For early child care to function well for working parents, it needs to be affordable, be of an acceptable level of quality, and be available when, where, and for whom parents need it. These three dynamic dimensions of child care pose what Morgan referred to as a trilemma.<sup>27</sup> They are challenging to address because they often conflict. Higher-quality child care is costly to deliver, so in essence the higher the quality, the less affordable it is. Likewise, to achieve affordability, quality may suffer. This was the case with much of the care accessed with funding from the federal assistance program for lower-income families, the Child Care and Development Block Grant (CCDBG).<sup>28</sup> Preschool expansion efforts within public-school settings may present affordable quality options to parents of three- and four-year-old children, but availability constraints such as limited capacity and hours, let alone narrow age ranges, limit access.<sup>29</sup> Whether these constraints can be addressed is a matter of funding. In the meantime, the expansions may have an

inadvertent effect of disrupting the infant/toddler-care workforce since the more credentialed workers may find the higher-paying positions in public preschools more appealing. (See the “Challenges to increasing quality” subsection.) Needless to say, there is often misalignment with licensed early child care and the needs of working parents. Addressing this gap requires an examination of how these conflicting dimensions play out for these consumers of early child care.

## Quality

### Defining quality

Broadly speaking, definitions of quality include both structural and process features. Structural features such as health and safety, child-to-staff ratios, and staff training are quantifiable and often regulated by state licensing bodies.<sup>30</sup> Process features include aspects of the classroom and environment that children experience, such as interactions with teachers and peers along with activities and materials.<sup>31</sup> There are no federally established national standards of quality for care offered through the early child care market, though most centers and family child care homes must meet state licensing standards to operate. Likewise, providers who participate in the subsidy system that assists low-income families with covering the costs of child care through vouchers or contracted slots, funded through the federal CCDBG, must satisfy applicable state and local requirements that include health and safety.<sup>32</sup> Example requirements include certification in first aid and CPR, provider training in these areas, and comprehensive criminal background checks. Monitoring and annual inspections are also required.

While limited to children from low-income families, there are federal standards for Head Start preschool education programs for three- to four-year-old children and Early Head Start for zero- to three-year-old children.<sup>33</sup> Providers also have the option of pursuing national accreditation by meeting quality standards set by private accreditors such as the National Association for the Education of Young Children. Accreditors charge fees for different stages of the accreditation process, which providers must find ways to cover. The American Academy of Pediatrics and the American Public Health Association also promote quality standards in line with accreditation, which some states use as guidelines for licensing.<sup>34</sup>

Licensing tends to establish a basic floor of health, safety, and protection standards, while accreditation and certification build upon this basic floor.<sup>35</sup> Nevertheless, there is a great deal of variation in how states coordinate with local licensing in terms of things like zoning and health and sanitation codes, how they fund and structure regulatory agencies to monitor and enforce established standards, and how they define the population of providers that must be licensed to legally operate.<sup>36</sup> Part-day and faith-based care tend to be license exempt, meaning they can legally care for children without a license. Since accreditation and licensing measures of quality differ, it is possible to receive national accreditation while failing to meet structural requirements of state licensing.

Accreditation considers process features such as teacher-child interactions and the presence of best practices such as positive caregiving. These standards exceed those of licensing, which include state-specific child-to-staff ratios, criminal background checks for

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all staff, and compliance with other health and safety checks. Distinctly, Head Start requires well-trained, caring teachers as well as comprehensive and rigorous curriculum that is developmentally appropriate, though adherence to standards varies.<sup>37</sup> Fee-based accreditation is uncommon, especially among family child care, with only 1 percent of family child care providers receiving national accreditation in 2015, compared with 10 percent of center-based providers.<sup>38</sup> These exceptions aside, the setting of quality standards is left almost entirely to the states to decide.

The amount of state discretion in early child care quality is also reflected in new quality rating systems consisting of varying numbers of rating levels and definitions across participating states. Needless to say, states' quality standards and approach to quality differ.<sup>39</sup> For instance, despite the known positive benefits of lower child-to-staff ratios and smaller group sizes, states have ratios ranging from as low as three children for each staff person for infant care to six children per staff person, and some states do not regulate group size for any age groups.<sup>40</sup> While mechanisms such as licensing and accreditation are intended to protect and benefit children, there are no guarantees that programs are in compliance with either sets of rules or guidelines since programs can be cited for noncompliance while continuing to operate.<sup>41</sup> For instance, a 2013 study of licensed child care centers in Connecticut concluded that nearly half were in noncompliance with playground safety regulations.<sup>42</sup>

### Quality of early child care in the United States

Quality is an issue for early child care. Research has consistently found the majority of early child care in the United States to be less than “good,” with one study of 100 centers across four states finding nearly half of the infant/toddler rooms to be poor quality.<sup>43</sup> There are notable gaps between the standards of practice recommended by the American Academy of Pediatrics and the American Public Health Association, illustrated by one study's finding that just over a third of observed programs for six-month-old children had recommended staff-to-child ratios in place, and only 20 percent of programs for 1.5-year-old and 26 percent for 2-year-old children had the recommended ratios in place.<sup>44</sup> A similar breakdown was found for recommended group size, where the majority of programs in the study did not follow the recommendations. To better understand what quality means within a setting, a study of 38 programs across four states shared observations of programs rated as low, medium, and high quality according to program structure and instructional support scales.<sup>45</sup> Eleven programs rated as high quality included more emotional support to children, more scheduled and meaningfully sequenced activities to address different developmental skills, and child-appropriate environments. Among the nine programs rated as low quality, researchers observed features such as irritability of a teacher, much waiting by the children while a teacher took care of managerial tasks, and insufficient cots for children at naptime.<sup>46</sup>

Quality varies and parents differ in their ability to select care based on the quality. Considering the dramatic increase in prices paid by higher-income families from the 1990s onward, it is likely these families are selecting care that is of higher quality than the care selected by lower-income families, for whom prices have remained lower and steadier.<sup>47</sup> The use of lower-quality care by less economically advantaged parents is also

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supported by a 2016 poll of a nationally representative sample.<sup>48</sup> Those who described their financial situation as “not so good” or “poor” consistently rated aspects of their child’s care lower than parents who described their financial situation as “good” or “excellent.”<sup>49</sup>

In summary, the quality of early child care in the heavily private U.S. child care market varies, with most child care rated as fair.<sup>50</sup>

### Efforts to increase quality

A variety of efforts aimed at increasing the quality of early child care have met with varied success. Some of the different approaches include leveraging demand from parents, increasing stringency of regulations, tying funding levels to demonstrated quality, and targeting grant monies to demonstrated needs for quality improvements.<sup>51</sup> This section describes a few of these efforts.

Quality-rating systems and accreditation signal certain quality levels to funders and potential consumers of early child care, which may create a demand for higher-quality care and motivate providers to offer it. In theory, accreditation would appear to have marketing value, but it is uncommon for providers to pursue it.<sup>52</sup> Perhaps this is due to the costs exceeding the benefit, as a provider’s reputation may matter more to consumers of early child care than a provider’s accreditation status.<sup>53</sup> Quality-rating systems have clear standards, accompanying financial incentives, monitoring practices, and support for program participants and consumer education.<sup>54</sup> Yet evidence suggests that publicizing quality ratings to parents may not be having the intended effect of stimulating demand for higher-quality care among less economically advantaged parents, although ratings may induce higher-income parents to use higher-quality care.<sup>55</sup>

Another intention of quality ratings is to generate information that may be used to identify the need for process improvements through financial incentives and technical assistance, which has been shown to result in improvements in observed quality.<sup>56</sup> As of 2016, 39 states had rating systems in place.<sup>57</sup> Among the 33–34 states with reported data, provider participation rates ranged from 37% of licensed family child care programs to 48% of licensed center-based programs.<sup>58</sup> In the Boston Fed’s region of New England, all states, with the exception of Connecticut, have rating systems in place, with participation rates ranging from 58% of licensed family child care providers to 68% of licensed center-based programs. While the goal is to maximize provider participation in quality-rating systems, the reporting and accounting requirements may be burdensome for providers.<sup>59</sup>

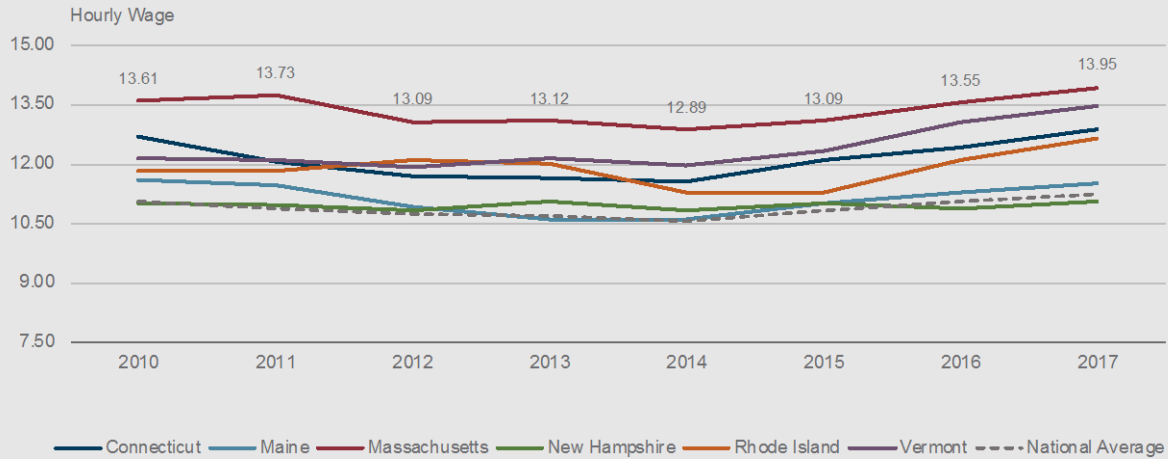
Finally, there is philanthropic activity surrounding quality improvements of early child care facilities deemed in need of repair or renovation, such as the Children’s Investment Fund in Boston.<sup>60</sup> However, the use of private philanthropic dollars tends to be a short-term strategy with limited scope. The Children’s Investment Fund also administers a state bond program that provides grants for new construction and renovations to nonprofit early education and care providers serving children from low-income families.<sup>61</sup>

Another approach to quality is to tie quality improvements to funding. In 2014, CCDBG introduced new quality measures in the reauthorization of the grant funding, with attention to health and safety and more family-friendly eligibility policies.<sup>62</sup> The measures were not initially accompanied by increased funding to cover the costs of compliance and have been implemented to varying degrees across states. At least 35 states requested waivers on one or more quality measures.<sup>63</sup> Naturally, the use of subsidy funding to improve quality only affects providers who participate in the subsidy system. In fact, an inability to comply with the new measures may have pushed some providers out of the subsidy system, as indicated by a trend in declining funding to providers.<sup>64</sup> The new law, which calls for establishing professional development and training requirements for child care providers, is a workforce-development strategy that ignores the larger issue: the quality of the job of a child care worker.<sup>65</sup> Another use of CCDBG funding to improve quality is to tie how much providers get reimbursed for subsidized slots to their quality rating. Referred to as tiered reimbursement, it has been implemented to some degree in at least 39 states and has been shown to be associated with higher quality.<sup>66</sup> While it is acknowledged that the difference between tiered and base rates must be significant enough to encourage providers to offer higher quality, the difference tends to be modest, and there is no consensus on how much higher tiered rates need to be.<sup>67</sup>

### Challenges to increasing quality

In such labor-intensive care work, not to mention one with persistently low wages, it is difficult to attract and retain workers with the qualifications shown to be associated with better outcomes for children.<sup>68</sup> On the one hand, higher-quality care demands low staff-to-child ratios and small group sizes, which are costly for providers. At the same time, the compensation for child care work must be high enough to attract and retain good teachers.<sup>69</sup> However, hourly wages of child care workers have remained flat, as shown in Figure 1. These data reflect the six New England states relative to the national average from 2010 to 2017. At both the national and regional levels, wages are low relative to the living wage—the hourly rate an individual must earn to meet a family’s basic needs and maintain self-sufficiency.<sup>70</sup> For one adult in 2017, the living wage ranged from \$11.60 to \$13.39 across the six New England states, and for one adult and one child, the range was \$24.21 to \$29.38.<sup>71</sup>

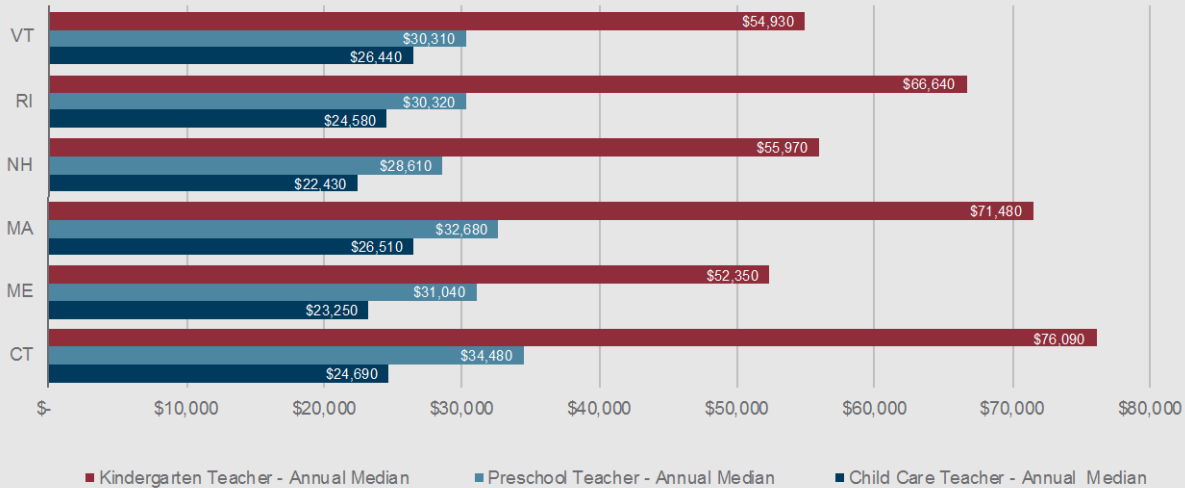
**Figure 1 | Average Hourly Wages of Child Care Workers, by State and Year (adjusted to 2017 dollars)**



Source: Bureau of Labor Statistics, Occupational Employment Statistics.

The low wages are associated with high turnover rates, regardless of skill level, but workers with more credentials may be particularly drawn to other educational jobs.<sup>72</sup> Inadvertently, the public-school system is disruptive to early child care, given the status and benefits of working with older children, the promise of higher wages and benefits, and the shortened workdays and summer breaks. Figure 2 shows the differences in annual earnings by teacher type. Considering that in 2017 the official federal poverty level for a family of three was \$20,420 and twice the poverty level, a common indicator of low-income status, was \$40,840, child care workers may struggle financially.<sup>73</sup>

Figure 2 | Annual Median Earnings by Teacher Type and New England State, 2017

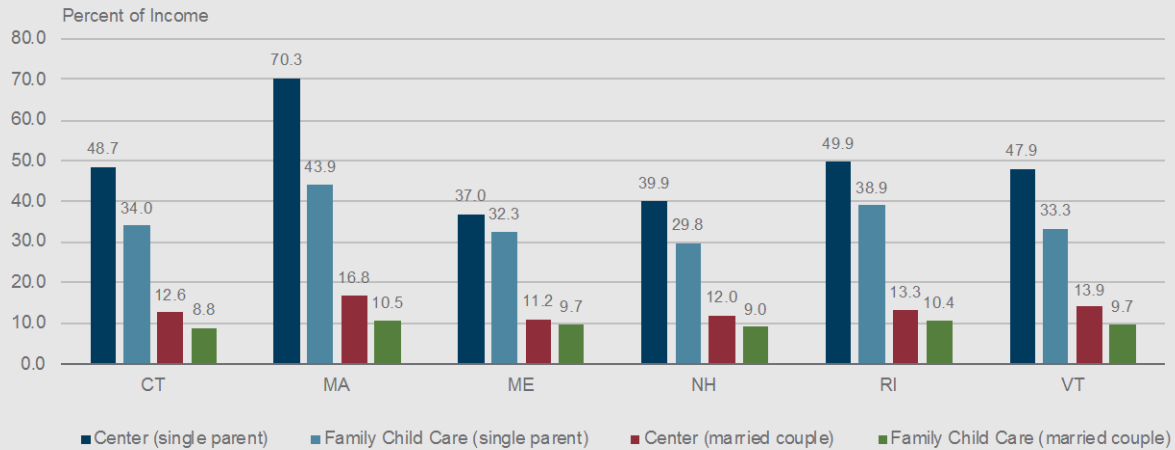


Source: Bureau of Labor Statistics (2017, May). Occupational Employment Statistics. Retrieved from [https://www.bls.gov/oes/current/oes\\_stru.htm](https://www.bls.gov/oes/current/oes_stru.htm)

## Affordability

Licensed early child care is a major expense for most working parents who use it. The cost of early child care often comprises a substantial share of family income, with the cost of two children in full-time center-based care comparable to annual college tuition costs at most states' public universities.<sup>74</sup> In nearly all states, relative to state median incomes, the average cost of full-time child care exceeds the federal recommendation of costing no more than 7 percent of family income.<sup>75</sup> This holds for married couples who purchase full-time care for infants as well as children up to four years of age. Across all states, on average, the cost of full-time center-based care for infants is greater than 27 percent of the median income of single parents.<sup>76</sup> In New England, on average, full-time care for infants would cost families more than 7 percent of their household income in 2018, reaching as high as 70 percent for single parents purchasing center-based care, as shown in Figure 3.<sup>77</sup>

**Figure 3 | The Cost of Full-Time Infant Care as a Percentage of Median Income in Six New England States in 2018, by Type and Family Structure**



Source: *The US and the High Cost of Child Care Appendices: 2018 Report.*

### Constraints of the private early child care market

The licensed early child care business model faces constraints that make offering affordable care challenging. The main output is service, and that service tends to have fixed aspects, including low numbers of children to each staff person, with the lowest ratios for infants and toddlers. The key input for the business model is child care workers, who are generally hard to attract and retain because of low wages. Offering low wages, however, gives providers more flexibility in setting rates.

The cost of care is influenced by funding sources, geographical area, and, to a large degree, staff salaries and compensation.<sup>78</sup> According to U.S. census data, there were 674,332 “child day care services” establishments in 2016. Of these, 91 percent were individual proprietorships and 89 percent had no employees.<sup>79</sup> Among the service providers with no employees (599,018 establishments), 85 percent had sales and receipts below \$25,000. Of those with employees (75,314 establishments), 37 percent employed one to four workers and 60 percent employed five to 49 workers. Thus, many child care providers are small businesses and face the pressures and risk factors that contribute to the high failure rates of small businesses.<sup>80</sup>

The combination of high start-up costs for equipment—for example, child-safe furniture, cribs, and playground apparatus—along with licensing, background checks, and facilities, can make market entry challenging for child care providers. Combined with the ongoing costs to cover the required staffing to enable an age-appropriate child-to-staff ratio, setting rates parents are able to afford can be a challenge for licensed providers. Infant care, which requires the smallest group size and lowest child-to-staff ratios, along



with more space for cribs and crib safety standards, is highly unaffordable relative to the federal benchmark of no more than 7% of family income.

### How higher-income parents engage with the early child care market

Parents with more education and income pay more for child care<sup>81</sup>. They tend to use more hours of nonparental care and are more likely to purchase licensed care and to pay for fees out of pocket. They pay more in absolute terms, but what they pay represents a much smaller share of their budget relative to less economically advantaged families.<sup>82</sup> Despite the greater array of options available to more-resourced families, there is a limit to the price this group will pay for child care. For instance, rising child care costs may help explain a reversal in decades of declining rates of stay-at-home mothers, which rose from 23 percent in 1999 to 29 percent in 2012.<sup>83</sup> Stay-at-home mothers are heterogeneous, but the largest share is represented by married women whose husbands work. In addition to shifting to more parental care, one researcher observed that in response to rising child care costs between 1985 and 2010, even high-income families shifted increasing numbers of hours of nonparental child care from market to nonmarket sources such as grandparents, albeit to a lesser degree than middle- and lower-income families.<sup>84</sup> Studies consistently conclude that child care costs have increased the most for more economically advantaged families, but the magnitude of the increase is debatable.<sup>85</sup>

An analysis using data from the Survey of Income and Program Participation reported that average weekly child care expenditures increased by 39 percent from 1990 to 2011.<sup>86</sup> However, as one researcher pointed out, it is unclear if parents simply worked more and thus used more child care.<sup>87</sup> To account for this, one study factored in hours worked and found that the average expenditure still increased, but only by 14 percent.<sup>88</sup> This varied significantly by income level, with more economically advantaged parents seeing increases of up to 48 percent while lower-income families saw little change. This is partly a function of the type of child care each group uses, as economically advantaged parents are more likely to purchase higher-priced center-based care than lower-income parents.<sup>89</sup> A recent study of 2016 data revealed that even when comparing the cost of center-based care that parents pay for without help, the hourly cost of child care increased with parental income and education.<sup>90</sup> This means that even when controlling for the type of care parents purchase, higher-income families are paying more for care. Lower-income families tend to spend less because they cannot afford expensive, higher-quality care.<sup>91</sup>

### How low-income parents engage with the early child care market and subsidy system

While lower-income families pay less for nonparental child care in absolute terms, the cost represents a much larger share of their household income than that of higher-income parents.<sup>92</sup> Family structure matters as well. A comparison between single-parent and two-parent households reveals that the former, who are more likely to be lower income, allocate more than twice as much of their income to licensed child care than the latter in many states.<sup>93</sup> For these reasons, lower-income families are more likely to use

less costly forms of child care, such as informal child care through friends, families, and neighbors or family child care, serving smaller numbers of children than center-based child care. Studies have revealed that lower-income parents prefer licensed home-based care and center-based child care, but may feel priced out of these options.<sup>94</sup> Compared with higher-income families, lower-income families using informal care, including relatives, are more likely to pay for these forms of care.<sup>95</sup> Because of the limitations to what lower-income parents can afford to pay for child care, their children have a greater chance of being cared for by unlicensed providers than children from higher-income families.<sup>96</sup>

Subsidies such as those offered through CCDBG are an attempt to put higher-quality child care within reach of lower-income families, but it has continued to fall short of meeting their needs, with just 15 percent of the nation's eligible families receiving the subsidy in 2016.<sup>97</sup> Even among families lucky enough to receive this limited resource, there is no guarantee that providers in their area, let alone ones aligned with working parents' needs, accept child care vouchers. If vouchers fall below the tuition charged to parents who pay privately, those paying with vouchers may be responsible for a co-payment to fully or partially make up the gap. There are also challenges related to keeping a subsidy when a parent's job search, job status, or income level changes, for instance. These challenges may be particularly acute depending on how assistance is structured within a given state. As is customary with means-tested benefit receipt, benefit amounts go down as incomes rise, and in the case of child care, at certain wage levels the reduction in benefits is larger than the increase in income.<sup>98</sup>

CCDBG has been persistently underfunded, as demonstrated by long wait lists in states that maintain such lists<sup>99</sup>. In 2014, 18 states had waiting lists or froze intake for child care assistance.<sup>100</sup> In Massachusetts alone, wait lists for assistance have exceeded 40,000 applicants.<sup>101</sup> One survey of parents on the wait list for assistance in Massachusetts revealed that the majority of parents preferred formal care and that while continuing to await assistance, 75 percent of respondents indicated paying for care in a formal setting or by friends or relatives.<sup>102</sup> Beyond the size of the assistance program, there are other factors affecting utilization by eligible families. For instance, a study of eligible nonrecipients found that lack of knowledge about the subsidy system and how to navigate it also contributed to low utilization of the subsidy.<sup>103</sup>

### Complexities of the subsidy system

A combination of rules and state discretion make CCDBG implementation rather complex and varied across the states. With a set of eligibility criteria and operational requirements at the federal level, states have discretion within these boundaries. For instance, the maximum eligibility limit for family income at the federal level is 85 percent of the state median income, but most states set income eligibility well below 85 percent, possibly to prioritize families with the greatest needs and/or to avoid wait lists for those who are eligible but for whom there are not enough resources to serve.<sup>104</sup> Despite the low percentage of eligible families served, spending levels declined by 17 percent from 2000 to 2012, adjusting for inflation.<sup>105</sup> In an effort to reverse this trend, a bill was passed in February 2018 that includes an additional \$2.9 billion of funding for CCDBG in fiscal

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years 2018 and 2019, which could result in serving an estimated 230,000 more children nationally and 9,170 in New England.<sup>106</sup>

In addition to large wait lists, there are complexities to the multitude of funding sources that may be contingent on higher-priority or entitlement-oriented needs. For instance, in Massachusetts, the lowest-income residents with child care needs who are enrolled in Temporary Assistance for Needy Families (TANF) are entitled to free child care through TANF. The state can allocate a portion of its TANF funds to the CCDBG-funded slots for families with incomes that exceed TANF eligibility but are within the eligibility limits of CCDBG, referred to as “income-eligible” in Massachusetts (50 percent of the area median income). However, doing so requires an ability to accurately estimate the child care needs of the TANF population. Not wanting to shortchange TANF, states tend to be conservative about transfers to CCDBG, but this can and often does lead to TANF child care dollars left unspent while parents who could benefit from assistance continue to wait.<sup>107</sup> In fiscal year 2015, in Massachusetts, an average of 14,650 children per month received child care assistance through TANF and 29,500 through CCDBG.<sup>108</sup> These subsidies cover eligible children up to age 12. Thus, it bears noting that there were 137,237 children under 12 living in poverty in Massachusetts during this time.<sup>109</sup> Though the number of children receiving assistance through CCDBG is double that of child care through TANF, the waitlist, which averages more than 20,000 parents at any given time, signals an unmet need.

### Availability

To be useful as a work support, child care must be available to accommodate parents’ work schedules, their locations, and their children’s ages and needs. Child care offerings vary tremendously in meeting those needs. At a minimum, any measure of availability should include the type of care in the community—infant and toddler, care for children with special needs, full- or part-time hours of operation, convenience of location, and the ability to get into programs or remain on wait lists.<sup>110</sup> But unlike affordability and quality, there is little research on availability and its impact on working parents. This gap is important to address, given what it means for working parents. Furthermore, it sheds new light on past studies of parent decision-making and selection preferences, which may be influenced by the options to which parents have access rather than parents’ full set of needs and preferences.<sup>111</sup> Despite the shortage of research on the availability dimension of child care, it is clear that the options and supply are limited. Thus, it is possible that there is a flawed understanding of parents’ preferences.<sup>112</sup>

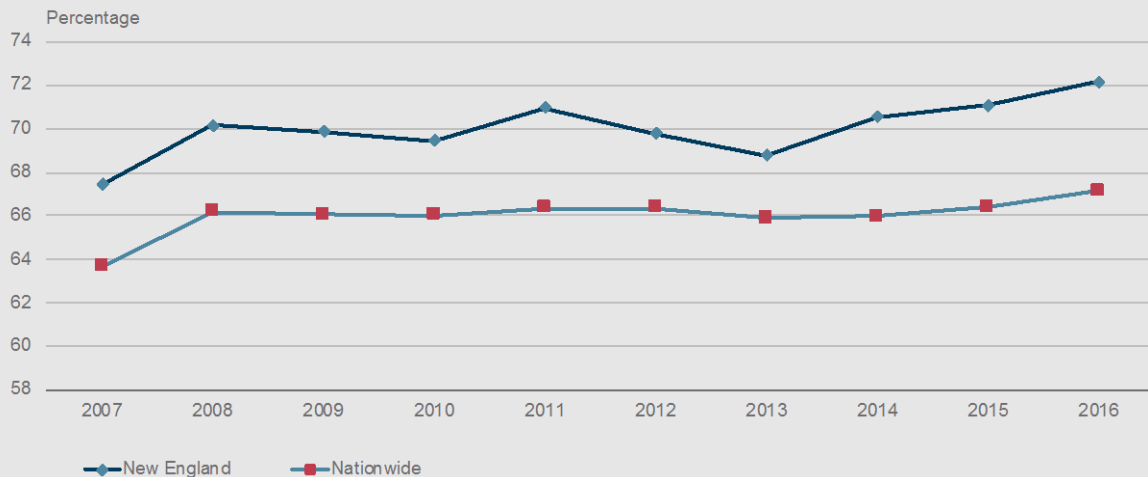
While affordability and availability are intertwined, availability is a separate dimension of child care, as we demonstrate below. A study of the supply of child care across 22 states found a high prevalence of child care deserts, defined as neighborhoods or communities that are either lacking any child care options or have so few child care providers that there are more than three children for every licensed child care slot.<sup>113</sup> The study, based on secondary data available through state licensing databases and the U.S. Census Bureau, found that 51 percent of the population across the 22 states lives in child care deserts. Of the three New England states included in the study (Connecticut, Rhode Island, and Vermont), the share of the population identified as living in child care deserts

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ranged from 37 percent in Vermont to 50 percent in Rhode Island. A more nuanced examination revealed that deserts were especially prevalent in lower-income areas and particularly lower-income rural areas, those with large shares of Latino residents, and for infant and toddler care. For instance, a study of one of the region's most rural states, Vermont, revealed large gaps in need for high-quality early child care.<sup>114</sup>

Any efforts to address gaps in availability must consider the number of children in need of early care. However, while we can examine the numbers of children of certain ages and income by location, estimating child care needs remains difficult. For instance, the number of children under the age of six in New England declined by approximately 1 percent per year between 2013 and 2016 (not shown), but the percentage of children under six years of age with all parents working increased steadily, as shown in Figure 4.<sup>115</sup> Thus, not only the numbers of children but the parents' need for child care must be part of the equation when estimating child care needs.

**Figure 4 | Average Percentages of Children under Age Six with All Parents Working in New England and Nationwide, by Year**



Source: U.S. Census Bureau, 2007-2016 American Community Survey 1-Year Estimates.

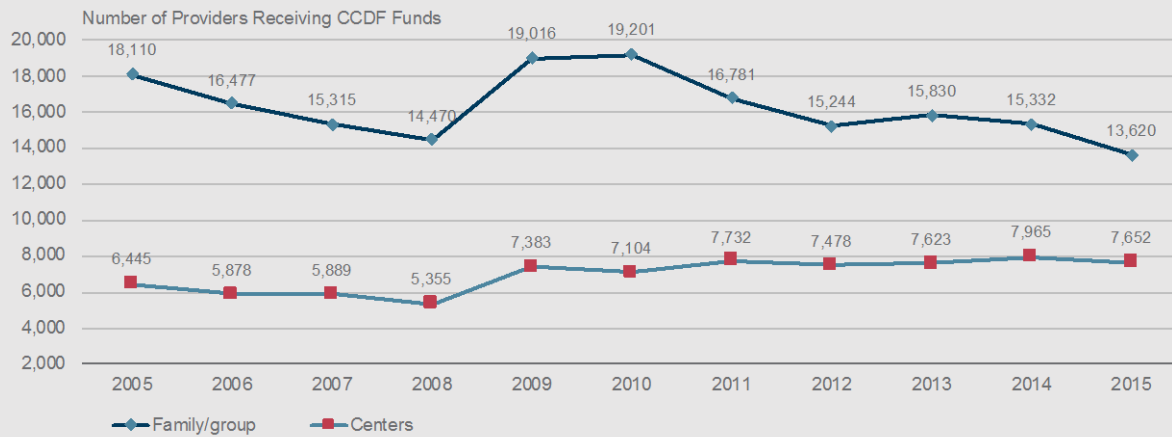
Furthermore, utilized care does not necessarily match needs, since care that is available may differ from care that aligns with the needs of working parents. Thus, even if data showed greater alignment between the number of children with all parents working and the capacity available, this may or may not include care at levels of acceptable quality, that serves the needed ages or special needs, during times or in locations parents need, or that is affordable to parents who struggle financially to afford care.

To get some sense of the supply of affordable care for low-income parents, consider the number of providers that received funding to offer or accept subsidized care as well as the number of children served by the CCDBG program. As shown in Figure 5, there has been a notable decline in the number of family child care providers receiving Child

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Care and Development Fund (CCDF) funding in New England since it peaked in 2010, on account of American Recovery and Reinvestment Act of 2009 dollars. This may have been offset by the slight increase in the number of centers receiving funding since centers serve more children per provider than family child care.<sup>116</sup>

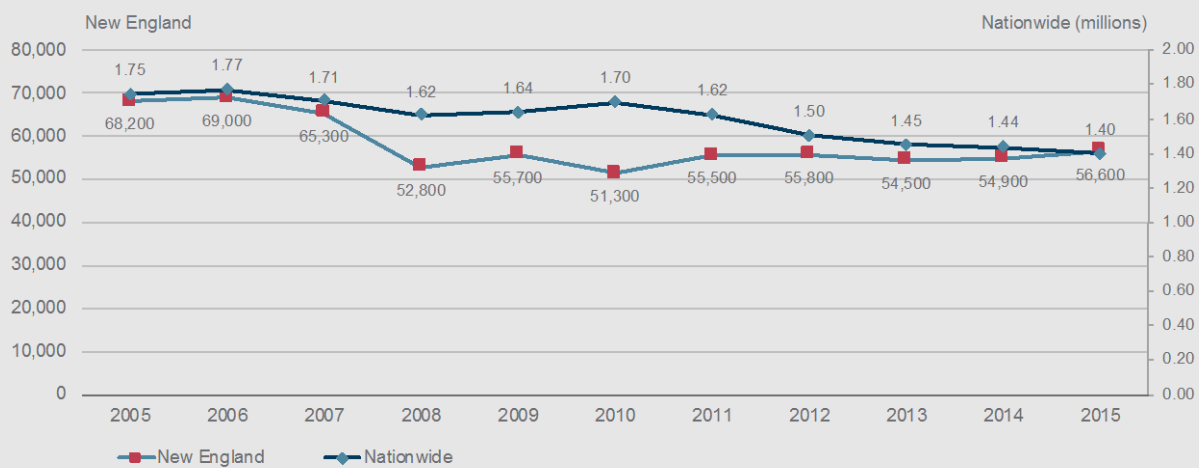
### Figure 5 | Number of New England-Based Providers Receiving CCDF Funding, by Provider Type and Year



Source: Child Care and Development Fund Statistics: FY 2005 - 2015 Data Tables.

Aside from the recessionary period, the monthly average number of children served by CCDF in New England has been steady relative to the national picture, as shown in Figure 6.<sup>117</sup>

### Figure 6 | Sum of Average Monthly Number of Children Served by CCDF Nationwide and in New England



Source: CCDF statistics.

The fact that declining participation of family child care providers has not resulted in a notable drop in children served in New England may mean that more children shifted from family and group providers to centers, but this has not been confirmed empirically. Nonetheless, the declining participation of family child care providers, whether due to funding cuts, challenges of participating in the subsidy system, or a lack of motivation to open or keep open these small businesses could be problematic for lower-income working families, who need this more flexible and lower-cost option, and problematic for middle-income families, who may see tuition increases at center-based care in response to this market shift.<sup>118</sup> A consideration of subsidy participation and utilization is a useful indicator of affordability for low-income parents, but the bigger picture of availability also includes location, time of day, and age and needs of children. Thus, even if all the care options within a location were affordable across income levels, this would not guarantee that the care matches the needs of working parents. More research is needed on the availability dimension and the implications of child care deserts on working parents.

## Summary

Because working parents with young children must consider all three dimensions of early child care, research and solutions must adopt this same lens to make any gains on making child care a functional part of the infrastructure that is supportive to work. Solutions have too often been conceptualized on the supply side, with competing aims of either supporting work or improving childhood outcomes. Both aims are clearly important; however, to align with the needs of working parents, solutions must be considered through the lens of working parents and designed and delivered with their needs in mind. A work-support conceptualization of child care may seem to undervalue childhood outcomes, but by upholding the three dimensions of affordability, quality, and availability, childhood outcomes are included. In contrast, starting with educational aims would not necessarily include a consideration of working parents' needs, for which there is much evidence to support meeting.

## The effects of child care access on labor force participation and employment outcomes: a literature review

Both single-parent and two-working-parent households are likely to need nonparental child care in order for parents to participate in the labor force. A study of child care arrangements in 2011 found that 61 percent of children under the age of five in the United States spend time in a regular care arrangement. On average, these children spend 33 hours per week in these care settings.<sup>119</sup> This includes care provided by relatives and nonrelatives (e.g., centers and home-based providers). Many studies have demonstrated the impact of reliable and affordable child care on mothers' employment.<sup>120</sup> There is also evidence of societal benefits and reduced public costs since access to child care is associated with self-sufficiency and tax revenues.<sup>121</sup> More specifically, many studies have examined the sensitivity of employment to child care costs, although estimates vary considerably, such that a 10 percent reduction in the price of child care

could lead to a 0.25 percent to 11 percent increase in maternal employment.<sup>122</sup> Others have investigated the impact of access to free full-day versus part-day care on labor market outcomes. Part-time care had no impact whereas free full-day care led to significant increases in the labor supply of mothers with eligible children.<sup>123</sup> While there are multiple dimensions to child care as expressed by the “trilemma,” studies have found price to be the top consideration for parents when searching for child care,<sup>124</sup> the high costs of which may discourage them from participating in the workforce.<sup>125</sup> This is not to oversimplify child care selection, which may involve other aspects, including social-network influences, language of staff, and cultural preferences.<sup>126</sup>

To narrow the focus to public-assistance recipients, one study found a substantial positive effect of child care costs on single mothers’ welfare reciprocity and a negative effect on employment.<sup>127</sup> Another study found that 40 percent of low-income mothers surveyed in California attributed an inability to retain employment to problems with child care.<sup>128</sup> On the employer side, a study of employers that analyzed job performance and retention rates of recently hired welfare recipients found pervasive absenteeism linked to child care and transportation.<sup>129</sup> These tendencies likely contribute to findings that job instability is common among parents transitioning from welfare to work, with high rates of return to welfare reported.<sup>130</sup> The high incidence of work in low-quality jobs with poverty-level wages by those returning to work<sup>131</sup> puts added pressure on the need to ensure that child care is a support, not a barrier.

The tendency for low-income parents to work in low-quality jobs, many of which offer variable or nonstandard hours consisting of nights and weekends, is difficult to support through traditional child care models. While there have been efforts to incent child care providers to offer care during nontraditional hours, there has yet to be a successful widespread demonstration of this approach. Large providers might be unable to justify operating for a handful of children in off hours, while smaller providers that may possess the nimbleness to respond to parents’ needs for off-hour care seem to be decreasing in numbers. (See “Availability” subsection, above.) While this problem has been recognized by policy makers, it may be less of a priority when child care during standard hours affects more families and has its own set of challenges.

Employers are directly impacted by their workers’ child care needs, whether or not it is explicitly known to them. A national study revealed that 45 percent of parents are absent from work an average of 4.3 days per six-month period because of child care issues and that 65 percent of parents’ schedules are affected an average of 7.5 times during this same time period.<sup>132</sup> Overall, the number of months and hours worked are negatively impacted by child care problems.<sup>133</sup> One recent study estimated the economic burden attributable to inadequate child care per working parent of a child under age three as costing U.S. employers \$12.7 billion annually.<sup>134</sup>

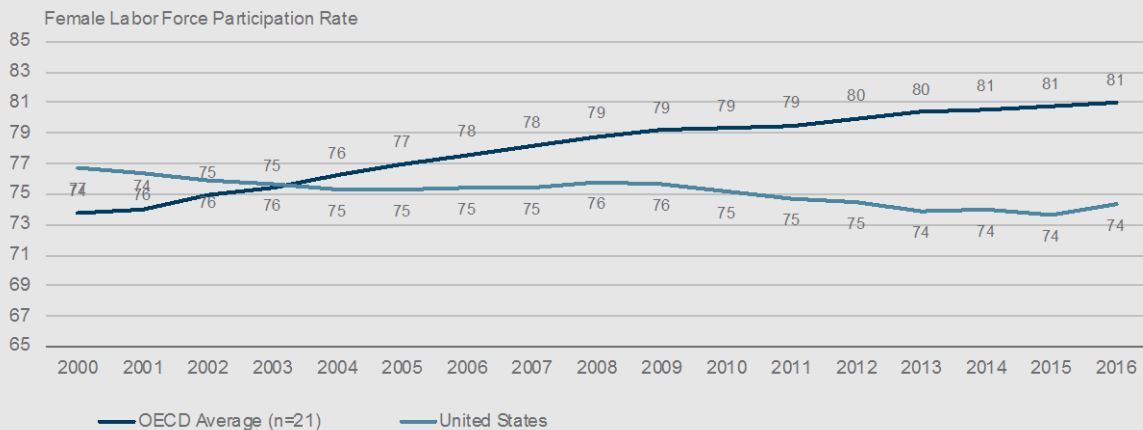
There is conflicting evidence about the causal direction of child care decisions and employment. One study found that one-third of parents who worked nonstandard hours did so to solve child care problems (i.e., working at a time when another parent or family member was available to provide child care).<sup>135</sup> Another found that subsidies may reduce single mothers’ employment in jobs with nonstandard hours.<sup>136</sup> Yet for some parents, it is

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possible that working nonstandard hours or being subject to variable schedules can interfere with their ability to secure quality child care.<sup>137</sup>

At a macro level, it is illuminating to compare the female labor force participation rates of 22 Organization for Economic Cooperation and Development (OECD) countries over time. The U.S. rate slipped from the sixth highest participation rate in 1990 to the 17th highest in 2010, which may be attributable to more family-friendly and generous child care policies—such as paid family leave, protections for changing to part-time work schedules, and publicly provided child care—in the comparable OECD countries.<sup>138</sup> It is worth noting, however, that while the average wages are among the highest in the United States relative to the 22 OECD countries, it has the highest share of low-pay workers, defined as earning less than two-thirds of median earnings.<sup>139</sup> The higher-ranking nations on female labor force participation rates consist of the Scandinavian and Western European countries and Canada. More recent data on the same 22 OECD countries demonstrate that starting in 2004, the female labor force participation rates of the other OECD nations have continued to exceed the labor force participation rate of women in the United States, as shown in Figure 7. Notably, in 2016, Sweden’s female labor force participation rate surpassed that of the United States by 14 percentage points.<sup>140</sup>

**Figure 7 | Labor Force Participation Rate of Females (ages 25-54) in the U.S. versus OECD Average, by Year**



Source: OECD Employment and Labour Market Statistics (database).

Note: The set of OECD nations from Blau and Khan's analysis were included (Blau and Kahn, 2013). The OECD average in Figure 7 is for 21 nations and does not include the United States.

One policy in particular that helps explain the higher OECD average rate relative to the United States is protections for part-time work in comparable nations. While larger shares of women work in countries with more family-friendly policies, they are more likely to work part time, as opposed to full time, in other OECD nations than in the United States.<sup>141</sup>



An illustrative example of a generous child care policy from one of the higher OECD-ranked countries includes Quebec's universal low-fee child care, implemented in 1997. The model subsidizes child care for parents across income levels and types of care so that parents initially paid \$5 a day and today pay fees ranging from a minimum of \$8.05 per day per child to a maximum of \$21.95, according to family income.<sup>142</sup> The government spends more than \$2 billion on the program annually and the inflation-adjusted cost per child has nearly doubled from \$4,874 in 1997 to \$9,823 in 2016.<sup>143</sup> A study using 2008 data attributed the labor force participation of 70,000 women to this policy, but the extent to which this figure is fully attributable to the child care subsidy is unclear.<sup>144</sup> Some claim Quebec's universal model pays for itself with the increase in women in the labor force and, with that, the increase in tax revenues and gross domestic product. Despite its popularity, Quebec's model is controversial among policy makers, given its cost and concerns such as wait lists and a tendency for higher-income parents to gain access to coveted spots, leaving fewer subsidized spots for lower-income parents. Private centers continue to fill gaps, but as in the United States, quality varies considerably because parents care about the price and reducing quality is a way to be price competitive.<sup>145</sup> Furthermore, studies of childhood outcomes have revealed evidence of a negative impact in noncognitive areas, such as obesity and criminal behavior among children participating in the subsidized system.<sup>146</sup> However, part of this could be due to children in other provinces being more likely to be cared for by a parent, which is associated with improved cognitive and social outcomes among children with more highly educated mothers.<sup>147</sup>

As in Quebec and other developed nations with more family-friendly policies, the relevance of child care to supporting work in the United States has been recognized since the early 1900s. Yet with few exceptions, we have made a conscious decision to allow the early child care market to serve the bulk of the need.

## Historical analysis of the child care arena and successes and failures of reform attempts

It is important to understand that the United States has enacted supportive child care policies for working parents at different times in the past, but ultimately has favored an early child care market supplemented by subsidies that require low-income parents to work and tax policies that reward middle- and upper-income parents for working. A look at history reveals that policy makers in this country have identified nearly universal child care as a work support and even have experience offering it, but there has not been the political will to sustain it.

Faced with soaring unemployment during the Great Depression, in 1933, the Works Progress Administration (WPA) established an emergency nursery school program.<sup>148</sup> The primary purpose was to create government-paid jobs in support of child care—from teachers, who delivered services, to carpenters, who helped to build facilities. It was targeted to lower-income families but served a large cross-section of the population since so many were eligible at the time. By 1938, \$10.7 million (\$190.1 million 2018 dollars) in federal funds had been spent on the program, which served upwards of 72,000 children

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between the ages of two and five annually.<sup>149</sup> Proponents pointed out the positive benefits to children and their families; however, the WPA funding was cut before the Depression ended.

War-production needs in World War II led to a heavy reliance on women for factory work, resulting in a need for other-than-mother care for their children. In this case, federal funding was provided for child care to support mothers participating in the labor force in areas with heavy war production. Accounts of children being left in locked cars while mothers worked led one federal legislator to testify that a mother could not be "... working in a war factory if she is worrying about her children and you cannot have children running wild in the streets without a bad effect on the coming generations."<sup>150</sup> The Lanham Act of 1940 authorized federal grants and loans to public or private child care facilities, which charged parents a maximum of \$.75 per day (\$13.42 in 2018 dollars). From 1942 to 1946, approximately 600,000 children were served across 3,102 centers supported by more than \$52 million in federal and \$26 million in matching state funding (totaling \$1 billion in 2018 dollars).<sup>151</sup> No federal regulations accompanied the funding. Despite the popularity of the centers, Lanham Act funding ended with the war. With the need for women to participate in war production dissipated, women quit their jobs or were laid off.

With values shifting in support of equity, women's rights, and women in the workforce in the decades following World War II, the Comprehensive Child Development Act of 1971 was passed by Congress with a bipartisan vote but was vetoed by the Nixon administration. This proposal for universal access to comprehensive child care programs included \$2 billion (\$12.4 billion in 2018 dollars) in annual funding and was designed to be free for families below a certain income and available on a sliding scale for families with incomes between the free threshold and a point approaching the median income at that time. Although the act was being considered during a time when maternal employment was more acceptable, there were still deeply held values about individualism and minimizing government's role in child rearing. And, in fact, rather than create more child care that was affordable for working parents at various income levels, by the 1980s, reforms consisted of placing restrictions on child care that was targeted to the lowest-income families.

Amid concerns that welfare recipients were mostly never-married single women, as opposed to widows, there was pressure to reform Aid to Families with Dependent Children, a federal program that provided financial aid for children of low-income families. In 1988, the Family Support Act was passed, which required welfare recipients with children over three years of age to participate in self-sufficiency activities and also allowed states to require participation of mothers with children over one year of age.<sup>152</sup> Child care subsidies were an entitlement under the Family Support Act and, for the first time, were linked to market rates. Subsidies were not to exceed market rates, leading to biannual market-rate surveys that continue at the state level to this day. Owing to pressure from "wage-earning middle class white women," a children's movement was formed, paving the way for the passage of the CCDBG in 1990.<sup>153</sup>

In 1990, CCDBG was 100 percent federally funded, with no required state match. Although assistance through CCDBG in 1990 was reserved for children from low-income families, 5 percent of the funding was to be used for quality improvements, which, because parents could select a provider of their choice, could benefit children across income levels, helping to generate legislative support. With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, new tighter time limits on Aid to Families with Dependent Children (now TANF) and work requirements led to a surge of mothers into the labor force and an increased need for child care among recipients.<sup>154</sup>

Tax policy is another mechanism to offset child care costs, but it has been exclusionary in many ways. Child care costs first became deductible from income for federal income-tax purposes in 1954, but this excluded never-married mothers and only benefited those with taxable income. In 1976, the deduction was changed to a tax credit to help parents in lower-income brackets regardless of marital status. Today, the Child and Dependent Care Tax Credit (CDCTC) covers 20 percent to 35 percent of child care costs, depending on family income. A nonrefundable tax credit that cannot reduce one's tax liability beyond zero, the CDCTC falls short of helping all lower-income parents. One analysis revealed that the CDCTC did not help families in the bottom fifth of the income distribution in 2013.<sup>155</sup> Another use of the tax code in support of parents working is through tax-savings incentives for employers who voluntarily provide dependent care reimbursement accounts (flexible spending accounts, or FSAs) and workplace-funded child care benefits.

As of 2014, only 39 percent of civilian workers had access to FSAs for dependent care. Employees can set aside up to \$5,000 of pretax income for the purpose of paying for dependent-care expenses, including child care. FSAs are more commonly offered by state and local government employers (54 percent) than by private-industry employers (36 percent). Far fewer employers offer workplace-funded child care that might include on- or off-site child care, the costs of which are deductible ordinary business expenses for employers, as indicated by 13 percent of state/local government employers and 10 percent of private-industry employers in 2014. Employer offerings of both FSAs and workplace-funded child care remained steady within a five-year period preceding the report.<sup>156</sup> In both instances, the government still leaves a great deal of discretion to the type and quality of care that tax policy supports.

## Research on the effects of early child care on the economic and employment advancement of working parents

Ensuring that working parents in the United States have access to early care that is affordable, high quality, and available when and how they need it for work requires additional research to understand how to address these problems effectively. The initial aim of such research is to specify how early child care needs intersect with parents' employment. Next, the aim is to use this information to spur discussions and innovations

in early child care. Addressing the early child care needs for those who are struggling most, including lower-income families, is crucial, though this problem is not confined to lower-income families and thus the research frame will be inclusive of working parents who are ineligible for financial assistance.

Decision-making often involves compromise, especially when multiple factors are under consideration. The constraints of the mostly private early child care market make it particularly difficult for early child care to be satisfactory along the dimensions of quality, affordability, and availability, yet very often parents persist in their employment. These parents are making trade-offs and may be giving up something of importance in the process. Yet what parents are compromising on and the consequences of such compromises are not well known. Costs may come in the form of negative effects to career trajectories or child well-being or to yet-to-be-identified factors. It would be valuable to know what the trade-offs are, along with their consequences for the economic and employment advancement of working parents.

Research on the lived experiences of working parents with children under the age of five will enable a deep examination of how some working parents balance early child care and their needs as workers. This will enable a close look at any trade-offs that working parents may be making, what those feel like in their family and work lives, and what they see as the consequences of these trade-offs in different dimensions of their lives. The goal is to study the lived experiences of a mixed-pay group of working parents in one or more policy contexts within New England. A subsequent step will be to conduct a large-scale study to assess the prevalence of phenomena that emerged in the qualitative work.

The goal is to inform decision-making, practices, policies, and funding decisions surrounding early child care in ways that put working parents' needs at the center of efforts to close gaps in early child care. This will ensure that the main consumer of early child care—working parents—can access this resource, which could benefit their children through higher-quality care settings as well as income stability and gains that might accrue from the parents' job stability and economic mobility.

## A possible pathway to change

Changes to the child care-assistance system along funding, standards, or policy dimensions do occur somewhat often, but these changes are incremental and, as such, may risk perpetuating rather than solving some of the problems endemic to child care in the United States. There have been and continue to be powerful efforts to increase access to care that is either of higher quality than a parent could afford independently or of higher quality than what constitutes the norm. Every attempt to expand subsidy dollars to help more parents access licensed care, every pay increase for child care workers who care for children in subsidized slots, and every triumph to secure preschool expansion dollars are movements toward fixing a problem that has been widely acknowledged. While bold, preschool-expansion efforts are not primarily designed to support working parents but to improve childhood outcomes. But if they can become better aligned with the needs of working parents, such efforts would likely net greater benefits for children and their parents.

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A working-parent lens illuminates what is missing to make these efforts succeed broadly. For instance, working parents who receive subsidies are reliant upon providers participating in the subsidy system, yet smaller providers who might be more flexible to some working parents' schedules may also be the most challenged to meet required quality measures necessary to participate in the system. Moreover, the child care-assistance system generally excludes working parents who are eligible for subsidies but who cannot access them due to a limited cap on child care-assistance dollars and working parents who are above eligibility but still cannot afford the care they want for their child. Child care workers who work for providers who do not serve children in subsidized slots are excluded from rate increases offered through subsidy funding, which is then ineffective in promoting higher quality through higher worker wages, thus limiting quality options for working parents. Working parents who cannot make the typically shortened hours of a public preschool program work with their work schedule are excluded from preschool expansion opportunities even if their child is of the right age.

While not discounting concerted and strongly fought campaigns for change, it is worth noting there may be costs to continuing to make incremental changes aimed at supporting working parents. Although this pathway of incremental change is the most likely scenario, considering the history of child care policy in the United States, an alternative option would be to support working parents more universally, in whatever form it takes. There is much known about how to provide early child care in ways that benefit our youngest residents but less about how to pay for making it accessible to all working parents. By examining the effects of early child care on the economic and employment stability and mobility of working parents, this work aims to fuel a movement toward broad change.

## Conclusion

Aside from a few rarely recalled historical instances, no one has fully taken responsibility to ensure that there is an adequate supply of early child care that, first and foremost, meets the needs of working parents in the United States. Theoretically, market incentives should solve this problem, but given the constraints of the current early child care model—which cannot be both high quality and affordable, let alone widely available because of staffing challenges even in highly populated places—intervention is needed to align the supply with the demand. Much of what has been put forth in this paper is known. There is nothing terribly revealing to those who are immersed in the early education and child care space except to point out that inaccessible early child care, along with how inaccessibility unfolds, may have consequences for the economic and employment outcomes of working parents. This is an empirical question the Boston Fed aims to answer. The timing is critical as our region and nation face a labor-force composition shifting more heavily toward working parents. In anticipation of the perspective that child care needs are temporary and not worthy of concerted efforts or investments since children age out of needing labor-intensive early child care, periods of exposure to poor quality care could lead infants and toddlers to experience poorer cognitive, social, and emotional-development outcomes.<sup>157</sup> There is also the possibility of negative effects on

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parental lifetime earnings as well as the work trajectory of parents who modify their engagement with the labor force during the years they need child care in order to work. These could operate in unique ways at different socioeconomic levels. Furthermore, the job stability and income generation of parents have implications for their child's development at various stages.

Our research aims to illuminate these important distinctions to ensure that efforts to meet the needs of working parents, employers, and the communities who rely on them are well informed and justified. We aim to fill knowledge gaps and shine a bright light on this problem through economic and employment lenses and with a firm acknowledgment of the critical role of the multiple dimensions of child care: affordability, quality, and availability. A successful long-term outcome for this work would be when all working parents have access to early child care that minimizes trade-offs for them and their children. Current options for licensed early child care exert serious limits on parental work.

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