

Written Testimony of Elliot Haspel

To the House Select Committee on Economic Disparity and Fairness in Growth

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Good morning, Chair Himes, Ranking Member Steil, and other distinguished members. My name is Elliot Haspel. I am a child care policy expert and author of the book *Crawling Behind: America's Childcare Crisis and How to Fix It*, as well as the Program Officer for Education Policy & Research at the Robins Foundation in Richmond, Virginia. I am also the father of two young daughters.

It is not hyperbolic to say the American child care system – a term I use to mean all child care settings for children below age five, including what is known as early childhood education or preschool – is on the brink of collapse. Today, I would like to talk to you about the consequences of allowing that collapse to occur, the economic benefits of establishing a functional child care system – as well as family supportive policies like paid family leave and a robust child tax credit – and the ways in which the Build Back Better Act accomplishes these goals.

The Child Care System is Collapsing

Child care today is inaccessible and unaffordable for many if not most working parents. It was an already-scarce resource prior to the pandemic due to what the U.S. Treasury Department calls an “unworkable” business model, but COVID has irrevocably broken the fragile equilibrium that existed.¹ The sector’s employment remains 10% below its ugly pre-pandemic levels, and thousands of programs have closed permanently or reduced their capacity. An October poll conducted by NPR, the Robert Wood Johnson Foundation, and Harvard University found that *one in three* families with young children are “facing serious problems finding child care when adults need to work.”²

The collapse is not bounded by geography or ideology. The closures and reduced capacity are impacting community-based programs, faith-based programs, and family child care providers. Over just the past few months, I have collected local news stories about the struggle of parents to secure child care in major urban centers, rural areas, and even Sitka, Alaska.³ In a just-released study of programs across Louisiana this summer, one of the most robust data sets we have to date, nearly half “indicated that they served fewer children or turned away families due to staffing challenges, and nearly two-thirds indicated they currently had a waitlist.”⁴

Even when a slot can be found, the cost is often a huge burden on young families – something myself and my peers are experiencing right now. If you think back to the old compound-interest games from high school math class, imagine how much future financial security is being sacrificed by shelling out

¹ <https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf>

² <https://www.npr.org/2021/10/19/1047019536/families-are-struggling-to-find-the-child-care-they-desperately-need>

³ <https://www.ktoo.org/2021/06/06/as-parents-return-to-work-child-care-providers-want-a-more-sustainable-model/>

⁴ <https://www.brookings.edu/blog/brown-center-chalkboard/2021/12/01/staffing-and-compensation-are-at-the-heart-of-building-a-better-early-childhood-system/>

\$10,000 or more each month for child care. Savings, retirement, the fund to buy a house or start a business: hardworking families struggle because we treat child care as a private responsibility instead of an educational and workforce support that powers the American Dream.

The cause of the breakdown is simple: there is not enough money in the system. Child care is necessarily expensive because it is very personnel heavy, requiring a low child-to-adult ratio. Despite how much money parents are paying out of pocket, programs take a loss on most children, and are forced to respond by cutting educator wages to the bone. Hence, staff make a median wage of \$12.24 an hour, or a little more than \$25,000 a year, and programs – most of which are small businesses – have no ability to raise compensation to keep pace with employers like Amazon, McDonalds, or Walmart. In the Louisiana study, program leaders reported an inability to offer competitive wages as the key driver of their staffing challenges. This is not a pandemic artifact. This is the new normal.

Parents cannot be asked to pay more. Programs have nowhere else to turn. Public funding, like that in the Build Back Better Act, is the only way forward.

The Damage of Child Care Breakdowns on the Current and Future Workforce

The consequences of the lack of affordable, accessible, high-quality child care are manifold. I want to briefly touch on the economic damage. It should be noted that this is not a controversial or partisan assertion: in 2017, the U.S. Chamber of Commerce Foundation published a report written by a then-American Enterprise Institute scholar entitled “Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare.”⁵ Former President Trump held a White House Summit on Child Care and Paid Leave in December 2019 where he stated, “In more than 60 percent of American homes, both parents work. Yet many struggle to afford childcare, which often costs more than \$10,000 per year. And it's devastating to families, frankly.”⁶

For the current workforce, child care breakdowns are hampering our economic recovery. A group of scholars wrote in *The Washington Post* that “As recently as this September, 4.4 million women with children under 5 reported that the pandemic had disrupted their access to child care in the past month.”⁷ In addition, many families with school-aged children rely on child care programs for before- and after-school care, so these disruptions impact further millions. Child care breakdowns are, quite frankly, costing states buckets of money. A new Chamber report shows that when you combine lost tax revenue from child care-related absences and turnover with parents leaving the workforce or reducing their hours, a state like Arizona loses an estimated \$1.77 billion a year, Texas an estimated \$9.39 billion.⁸

For the future workforce, while it can be a bit awkward to think of toddlers as units of future economic productivity, the fact is high-quality early childhood experiences and financially stable families – both of which are deeply influenced by the presence of a functional child care system – shape child development and show up in later life outcomes. As the National Academy of Sciences has shown,

⁵ <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>

⁶ <https://www.presidency.ucsb.edu/documents/remarks-the-white-house-summit-child-care-and-paid-leave>

⁷ <https://www.washingtonpost.com/politics/2021/11/08/why-havent-us-mothers-retained-work-child-care-infrastructure-they-need-is-still-missing/>

⁸ <https://www.uschamberfoundation.org/reports/untapped-potential-economic-impact-childcare-breakdowns-us-states-0>

children's brain architecture develops cumulatively, like building a house: the foundation for academic skills, socioemotional skills, behavior, and health are all set in the earliest years of life.⁹

It is because of this last fact that paid family leave and the expanded child tax credit should be thought of as policies which complement child care and also enhance the future workforce. Children do not develop in a vacuum but in the ecosystem of their family and other caregiving settings, and their development is primarily driven by warm, responsive relationships with unstressed caregivers; in this sense, family support begets school readiness. Studies have found, for instance, that introduction of paid leave policies in other nations have led to a decline in the high school dropout rate and "a five percent increase in earnings at age 30."¹⁰ Similarly, research is clear that even modest increases in family income, like those offered by the expanded child tax credit, can be strongly beneficial for children's educational outcomes and adult earnings.¹¹

The Economic Benefits of a Functional Child Care System

The benefits of a functional early care and education system are difficult to overstate. Earlier this year, we got the results of a natural experiment from Boston, where a lottery determined which students got into a public preschool program. Comparing demographically similar lottery winners to lottery losers, winners were six percent more likely to graduate high school, significantly less likely to be suspended or incarcerated, and significantly more likely to take the S.A.T. and to attend and graduate college. As *The New York Times* reported, "These positive effects were similar across racial groups and income groups."¹²

Indeed, it is clear that, as Minneapolis Federal Reserve economists Arthur Rolnick and Rob Grunewald have written, "Policymakers rarely view early childhood development as economic development. They should. Careful academic research demonstrates that tax dollars spent on [early childhood development] provide extraordinary returns compared with investments in the public, and even private, sector. The potential return from a focused, high-quality [early childhood development] program is as high as 16 percent per year."¹³

These benefits even extend to national security, a powerhouse economic sector in itself, as well as the sector that of course protects our entire economy and country. Mike Petters, the President and CEO of Huntington Ingalls Industries, the nation's largest military shipbuilder, has talked about this surprising perspective on multiple occasions. In one speech I attended, Mr. Petters stated:

"A few years ago, I heard the then-Secretary of the Navy talk about the service's recruiting challenges. Look at the United States' population between the ages 18 and 25, he said. Then take away anyone without a high school diploma, take away anyone with physical fitness issues, take away anyone with a criminal record. What you're left with is about 25 percent of the population." Mr. Petters continued, after noting the benefits of effective early childhood programs, "Think about how much stronger we

⁹ <https://thesciencebehindit.org/does-quality-early-childhood-education-lead-to-more-successful-lives-as-adults/>

¹⁰ https://www.nber.org/system/files/working_papers/w23069/w23069.pdf

¹¹ <https://www.srcd.org/research/reducing-child-poverty-can-promote-childrens-development-and-productivity-adulthood>

¹² <https://www.nytimes.com/2021/05/10/briefing/universal-pre-k-biden-agenda.html>

¹³ <https://www.minneapolisfed.org/article/2005/early-childhood-development-on-a-large-scale>

could be if we were recruiting from a talent pool not of 20 percent, but of 50 or 75 or 100 percent. Early education for all can get us there.”¹⁴

How Build Back Better Will Help

The Build Back Better bill will salvage the child care sector and begin building an effective, choice-based, high-quality system that works for parents and children while supercharging the American economy.

Even beyond finally making child care affordable for working families, the bill will enable a flourishing supply of different child care options. By ensuring states set wage scales with a living wage floor and opportunities for advancement, and by paying child care programs at the true cost of quality, programs will be finally able to offer competitive compensation. Major facilities funding will also contribute to the rapid improvement of supply.

These improved workforce and facilities pipelines matter for more than the mere existence of slots. They also matter for the quality of those slots. Quality is the key mediator of how an early childhood experience impacts child development, and quality is, again, defined first and foremost by the relationship between caregiver and child in a stimulating environment. Stress levels among child care practitioners is very high, with half qualifying for public assistance and many struggling to secure child care for their own children.¹⁵ What’s more, turnover levels are catastrophic, with some estimates showing that between one-third and one-half of teachers are leaving each year, a particularly damaging fact considering how important stable and reliable relationships are for young children.¹⁶ Providing living and eventually family-sustaining wages, in addition to increased training, will raise quality across the board.

Importantly, the legislation also puts parent choice front and center. Parents have a wide variety of preferences and needs when it comes to child care, both in terms of the type of care and the hours and days of care. Build Back Better uses the bones of the existing subsidy framework, which is pluralistic and implemented in all 50 states, and puts enough money behind it so that parents have real options rather than being handed a coupon for milk at a store with empty shelves.

We know that public investment works. For instance, Germany began a major expansion of their child care system in 2005 that has resulted in the creation of several hundred thousand new slots.¹⁷ While the particulars of the German system do not precisely mirror the U.S. proposal, a study found that by 2014, between 85% and 91% of parents reported being either satisfied or very satisfied with their child’s care.¹⁸ Overall, German efforts have resulted in a 6.5% increase in maternal labor force participation.¹⁹ Studies from Germany, as well as countries as far afield as Chile and Norway, confirm that high-quality care can improve children’s cognitive, motor, and socioemotional skills.²⁰

¹⁴ <https://newsroom.huntingtoningalls.com/speeches/mike-petters-hunt-institute-early-childhood>

¹⁵ <https://cscce.berkeley.edu/workforce-index-2020/>

¹⁶ <https://www.brookings.edu/blog/brown-center-chalkboard/2021/02/16/stabilizing-child-care-requires-more-than-emergency-covid-19-relief-funds/>

¹⁷ <https://www.econstor.eu/bitstream/10419/171274/1/1002895146.pdf>

¹⁸ <https://www.econstor.eu/bitstream/10419/123101/1/839992777.pdf>

¹⁹ <https://www.americanprogress.org/article/effects-universal-preschool-washington-d-c/>

²⁰ <https://www.sciencedirect.com/science/article/pii/S0047272718300148>

Conclusion

The alternative, it should be reiterated, is nothing less than the full disintegration of the U.S. child care system. The trends we are currently seeing – program closures, long waitlists, high turnover, women dragged out of the workforce – will only accelerate. We should not expect this collapse to be linear, either, but instead a runaway-train effect is on the horizon: as more staff exit for higher-paying jobs, the remaining staff must pull longer hours with fewer days off, administrators are pressed into service as teachers or cooks, all generating a hotbox of stress that leads to further departures. The consequences for the American economy would be truly dire, and no state will be spared.

We have an opportunity to avert this fate and instead massively strengthen our nation's families and both our current and future workforce. I'd like to close by again quoting Mike Petters of Huntington Ingalls Industries: "We know that the debates of the day will rage on, as they always have. We live in a time bogged down by cynicism and despair and divisiveness, and it is easy to lose hope, lose belief and lose faith. But one of the great strengths of America is that we've always looked forward with hope and determination and imagination, even while fighting the battles of today ... We may feel like we're giving something to these children. But the truth is they will give us infinitely more in return."

Thank you for your time, and I will be happy to take your questions.