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Blanco Center Policy Brief:

Child Care and the Economy in Louisiana



High-quality early care and education is critical for children, parents, and employers. The benefits that children receive from high-quality early care and education start early and can last for decades. For parents, lack of access to reliable child care may lead individuals to choose to leave the workforce, make employment decisions that reduce their opportunities for advancement or that come with a financial cost.^{1,2} Employers suffer from the loss of talented workers who leave the workforce and endure costs from replacing workers absent due to child care breakdowns.

Research indicates that high-quality early care and education has a tremendous impact on the lives of children that can last through adulthood. Compared to children who did not participate in high-quality early education, children who receive high-quality early care and education are more likely to have a higher IQ at the start of preschool, improved reading and math skills in elementary and middle school, a reduced number of repeated grades during K-12, and higher likelihood of graduating from high school.^{3,4} Children attending high-quality early care start school ready to succeed. Pre-academic skills and language fluency in young children, both key elements of kindergarten readiness, are correlated with high-quality care. Young children enrolled in low-quality care score lower on benchmark tests.⁵ Many of the positive outcomes from high-quality care translate into long-term benefits in adulthood generating lifetime benefits. These outcomes include improved educational attainment, reduced incarceration rates and fewer total arrests, better health outcomes, and reduced welfare costs to society.^{3,4,6} Quality early education yields economic payoffs in the form of higher earnings, reduced wealth inequity, and decreased intergenerational poverty, as well as enhanced opportunities for social mobility.⁷⁻⁹ Benefits of quality early education among children from lower socioeconomic families are generally larger than gains for children from more affluent families.¹⁰

HIGHLIGHTS

- **Parental absences cost Louisiana businesses \$762 million annually from missed work, turnovers, and other related costs.**
- **The impact to the economy goes beyond individual employers. These absences have a \$1.3 billion total impact on the Louisiana economy.**
- **Lack of access to high-quality early care and education has amplified these costs during the COVID-19 pandemic. Disrupted schooling, quarantines, and unexpected job changes have illustrated the necessity of quality, stable child care to both working parents and employers.**
- **Although high-quality early care and education is linked to a trained and stable workforce, Louisiana's child care workforce receives some of the lowest pay in the nation and has limited education beyond high school. Workers tend to have a short tenure at their job and within the industry, influencing the quality of care for young children in Louisiana.**

In part because gains from early education accumulate for a lifetime, early interventions, such as high-quality preschool, have a higher rate of return than programs targeted at older children or adults.¹¹ A recent study found that high-quality early childhood education returns an average of \$12.90 for every \$1 of public funding invested.⁶

EARLY CARE AND EDUCATION IN LOUISIANA

The child care sector in Louisiana is primarily composed of two types of providers: child care centers and home-based providers, also known as family child care providers. The Committee for Economic Development (2019) estimates that Louisiana has 9,868 child care providers who earn \$520 million in annual revenue and employ 20,532 people. Most of these providers are sole proprietor home-based providers rather than child care

centers.¹² Child care centers, which serve seven or more children, are required by the state to be licensed by the Louisiana Department of Education (LDOE). As of 2018, there were 975 of these larger centers.¹² Home-based providers have no licensure requirements. Of the almost 9,000 home-based providers,¹² only a small portion enter into the voluntary registration program offered by LDOE.

Most children under age six attend some kind of early care or education program. In Louisiana, about 61 percent of children age birth to five spend at least 10 hours per week in non-parental care, yet only 33.5 percent are in paid care. These percentages are slightly higher than the national average. Nationally, 58.7 percent of children under age five have regular non-parental child care and 31.9 percent are in paid care.¹²

According to the LDOE (2020), 124,866 children attended paid early care in a provider setting, including 123,469 at licensed child care centers, 1,368 at licensed-exempt family or in-home settings, and 29 at licensed-exempt school-based centers.¹³ Since registration is optional for family-care providers who serve fewer than seven children, the LDOE estimates of children in paid care underestimates the total number of children receiving paid child care. A total of 18,343 children received public support for their care in January 2021, including 17,845 through the Child Care Assistance Program (CCAP) and 498 foster children. About 10 percent of all child care providers, or 889, received some public funding through the CCAP and foster care programs.¹⁴

CHILD CARE COSTS COMPARED

High-quality early care and education leads to kindergarten-ready students and has a high return on investment for society, yet it is still out of reach for many families. Even though the average cost for child care is lower in Louisiana than in the United States, the cost is still quite high. A single parent with an infant would spend about 42 percent of their income on child care at a child care center or 37 percent for child care in a family-style care setting. Higher quality programs generally cost more than other programs due to lower teacher-to-child ratios and other programmatic investments.

Many families struggle to pay for quality child care, given the high cost. In the report, *Balancing Act: The Financial Challenges of Child Care Facing Louisiana's Working Families*, the Louisiana Policy Institute for Children and LDOE concluded that finding quality,



Caption: Children developing numeral familiarity through art at Children’s Palace Learning Academy in New Orleans, LA

Photo Credit: Louisiana Policy Institute for Children

affordable child care is difficult for 78 percent of working families. About 65 percent of working families borrow money to pay for early care and education costs and over half spent less on other household costs to afford care.²

Table 1, Full time annual child care costs¹⁵

	Louisiana	US Average
Infant		
Child care center	\$8,580	\$11,896
Family child care provider	\$7,540	\$9,027
4-year old		
Child care center	\$7,800	\$9,254
Family child care provider	\$6,500	\$7,976

On average, infant care at a child care center costs \$8,580 per year (Table 1), more than the average annual cost of attending a public university in Louisiana (\$8,292).^{15,16} However, while many opportunities exist for students to defray the cost of college, there is only a limited set of opportunities to defray the cost of child care. Lower income parents who are working or attending school or training are eligible to apply for one of the limited number of slots in the Child Care Assistance Program, Head Start, and Early Head Start. However, the breadth of scholarship, grant and loan programs that have been developed to support college

students is not available to help offset the cost of child care.

ECONOMIC IMPACT ASSESSMENT OF TURNOVER AND ABSENTEEISM FROM CHILD CARE-RELATED ISSUES

The Louisiana Policy Institute for Children’s (2017) *Losing Ground* study identified the cost of employee turnovers and absences from work as a result of child care breakdowns.¹⁷ Using more recent data and a similar approach, we illustrate the continued importance of child care related absences to Louisiana’s economy.

About 10 percent of Louisiana’s workforce, or 225,127 people, have children under age 6.¹⁸ Working adults with young children are employed in every industry and at companies of all sizes. Access to early care and education allows parents to be productive employees. Without a reliable child care arrangement, employees earn lower incomes to support their family and employers face higher operating costs. Employer-related costs for individual employees include time lost from late arrivals or early departures, absences from work, and decreased productivity while at work. Additionally, employers may be required to pay other workers overtime to make up for lost productivity or hire replacement workers, temporary workers, or contractors. Employers also accrue losses from human resource administration of absences, hiring, and paid benefits. Furthermore, employers observe indirect costs from co-worker and supervisor productivity losses who are less able to complete their own work because they must also cover work missed by absent employees. Another indirect cost is potentially lost time if replacement workers must familiarize themselves with missing worker’s tasks or progress, or added supervisory time adjusting schedules and managing workflow.¹⁹

Parental absences cost Louisiana businesses \$762 million annually from missed work, turnovers, and other related costs (Table 2). We calculate losses from absences using a 14-day absence rate for parents in Louisiana from the *Losing Ground* study, 2,087 annual expected working hours, and \$104 billion in annual wages and salaries in Louisiana.^{17,20,21} We calculate the cost of turnovers using the total number of parents expected to quit their job and the average cost to replace these workers. Using Montes and Halterman’s (2011) assessment that 2.8 percent of parents quit their job due to child care challenges,¹ we determine 6,304 Louisiana parents likely quit their job as a result of child

care issues. These data do not include likely quits due to additional challenges posed by the COVID-19 pandemic. To calculate the replacement cost for these workers, we use Boushey and Glynn’s (2012) median replacement cost calculation of 21.4 percent of annual salary for all workers. Other costs to businesses for paid time off were calculated using a rate of 20.9 percent of annual payroll identified by the Society for Human Resource Management (2014) applied to the estimated wages and salaries lost by absent parents.¹⁹

Table 2, Total losses due to child care breakdowns

Category	Loss (millions)
Absences	\$577
Turnovers	\$64
Businesses Other Costs	\$121
Total	\$762

The effect on the economy goes beyond the direct impact to individual households and employers. When thinking about the broader linkages across the economy, a discrete set of disruptions or increased costs can generate ripple effects through the economy. In the context of child care-related costs, decreased purchasing power from lost income and decreased productivity spill over into other industries. We assume that child care challenges are distributed throughout all industry sectors. Pairing U.S. Bureau of Economic Analysis RIMS II multipliers for all industries with employment and wage information for each industry sector,²²⁻²⁴ we assess the impact of child care breakdowns on payroll and employment to determine the total impact across Louisiana’s economy. In total, parental absences and turnovers are estimated to have a \$1.3 billion impact on the Louisiana economy.

ECONOMICS OF THE CHILD CARE SECTOR

The child care sector in Louisiana faces pressure within their own market to provide quality care while keeping costs down and ensuring families in their communities can afford child care tuition. However, staffing costs are a major component of expenditures at child care centers and the labor market brings its own challenges with attracting and retaining talent in a lower paying occupation.

Compared to other states, Louisiana ranks second to last in average hourly pay for child care workers – Mississippi pays its child care workers the lowest wage in the country. In Louisiana, child care workers earn an average of \$9.77 per hour. In contrast, the average hourly wage of child care workers in the United States is

\$12.27.²⁵ Amongst Southern States, child care workers earn an average of \$10.97 per hour.^a

For early care and education caregivers, higher levels of education and training are correlated with higher quality care for children.²⁶ In Louisiana, over 42 percent of child care teachers have a high school diploma or less and only 23.1 percent have an associate degree or higher.²⁷ Efforts to increase the education and training level of child care workers may help to improve quality, but workers will demand higher pay to stay in those positions. The pressure centers face to keep costs and worker pay down given the prevailing market rates in Louisiana also increases the risk of worker turnover.

A statewide study conducted by the LDOE (2021) in response to Senate Resolution 29 found that turnover was quite high among early education teachers at publicly funded early care and education sites. After one year, 35 percent of early education teachers left their school or center and after three years, two-thirds of teachers had left. Most teachers left the profession as well as their center; after three years, almost 60 percent of early care and education teachers had left the profession.²⁷

COVID-19 ADDS STRAIN TO A BURDENED EARLY CARE AND EDUCATION SYSTEM

The COVID-19 pandemic has magnified the costs and highlighted the need for high-quality early care and education. Disrupted schooling, quarantines, and unexpected job changes illustrate the role that high-quality, affordable, and stable care plays for both working parents and employers. Across the United States, 63 percent of child care centers receiving federal funding closed and 27 percent of family-style child care providers closed during the COVID-19 pandemic, according to a national survey of state agencies by the U.S. Department of Health and Human Services.²⁸ According to the study, all states issued additional guidance on appropriate guidelines that early childhood providers should adhere to including recommendations such as physical distancing, intensified disinfecting and cleaning, and screening procedures prior to entry.²⁸ These recommendations often came with price tags for low-margin centers, including costs for purchasing of additional sanitation, health, and safety-related supplies and workforce changes due to altered staffing procedures.

Many states updated their flexibility for reimbursement procedures and eligibility thresholds to help counter losses that child care providers encountered during the pandemic.²⁸ In Louisiana, concerns about financial losses child care providers could potentially suffer from changes due to COVID-19 appear justified. A series of surveys by the Louisiana Policy Institute for Children throughout the COVID-19 pandemic illustrate significant losses for child care providers. As of June 22, providers estimated \$137.5 million in financial losses due to COVID-19, with losses averaging \$110,000 per center. By January 2021, those losses had climbed to \$245 million—a number that may not include the financial losses of permanently closed child care businesses. Many centers temporarily closed in 2020. In June, only 22 percent of the providers that remained open during the survey period indicated their business could survive with the reduced group sizes. Open providers served 30 percent fewer children in June than in January 2020.²⁹

In addition to revenue losses, there are concerns that COVID-19 may impact the child care workforce. Beyond closures at some centers, stay at home orders reduced the number of job postings for early childhood education positions and those numbers remained below average, even after stay at home orders were lifted.³⁰ While the changes reflect a job market influenced by COVID-19, there is some concern that an unemployed workforce will be unlikely to return to the same low-pay job.²⁸

Parents have felt the strain of early care and education changes during COVID-19. Lack of available child care during the pandemic has influenced social determinants of health and posed extra challenges for working families.^{31,32} Working mothers are especially challenged by disrupted care situations. The loss of full-time child care is associated with employment disruptions including a statistically significant higher rate of unemployment among mothers.³³ The challenges to both parents were apparent in a survey conducted by the Louisiana Policy Institute for Children and partners in September and October 2020. The study found parents with young children faced changing child care and employment situations. Almost two-thirds of parents adjusted their work or school schedule to address changes to their child care situation. With these changes came concern about affordability of early care

^a Includes Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia



and education, especially among lower-income families. Across Louisiana, 38 percent of families were concerned about their ability to pay for early care and education due to a job change or loss.³⁴ In a study conducted by Sharma and colleagues (2020), African-American parents were more likely to be concerned about access to child care during the COVID-19 pandemic than other racial groups.³¹ Inaccessible, reduced, or unstable early care and education options during the COVID-19 pandemic pose a concern for parents and may contribute to financial or employment instability.

CONCLUSION

Research clearly demonstrates the importance and benefits of providing young children with access to high-quality early care and education. The benefits from high-quality early care and education influence kindergarten readiness and persist through adulthood. Child care also plays a critical role in the economy with broad immediate impacts. Child care instability leads to costly parental absences for businesses. In Louisiana,

child care related absences cost Louisiana businesses \$762 million annually from missed work, turnovers, and other related costs. The effect of child care-related disruptions goes beyond individual businesses and families and is estimated to have a total economic impact of \$1.3 billion on the Louisiana economy.

Despite the value of a strong early care and education system, Louisiana's child care employers struggle to find and retain talent while offering low pay in a low-margin, low-rate market. High turnover among early education professionals can lead to workforce challenges for employers and disrupt the quality of early education for young children. Lack of access to high-quality early care and education has amplified these economic costs during the COVID-19 pandemic. Disrupted schooling, quarantines, and unexpected job changes have illustrated the necessity of quality, stable child care to both working parents and employers. Increasing access to high-quality early care and education will benefit Louisiana's families, employers, and economy.

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