

## ESTIMATED COST OF THE CHILD CARE SHORTAGE IN IOWA

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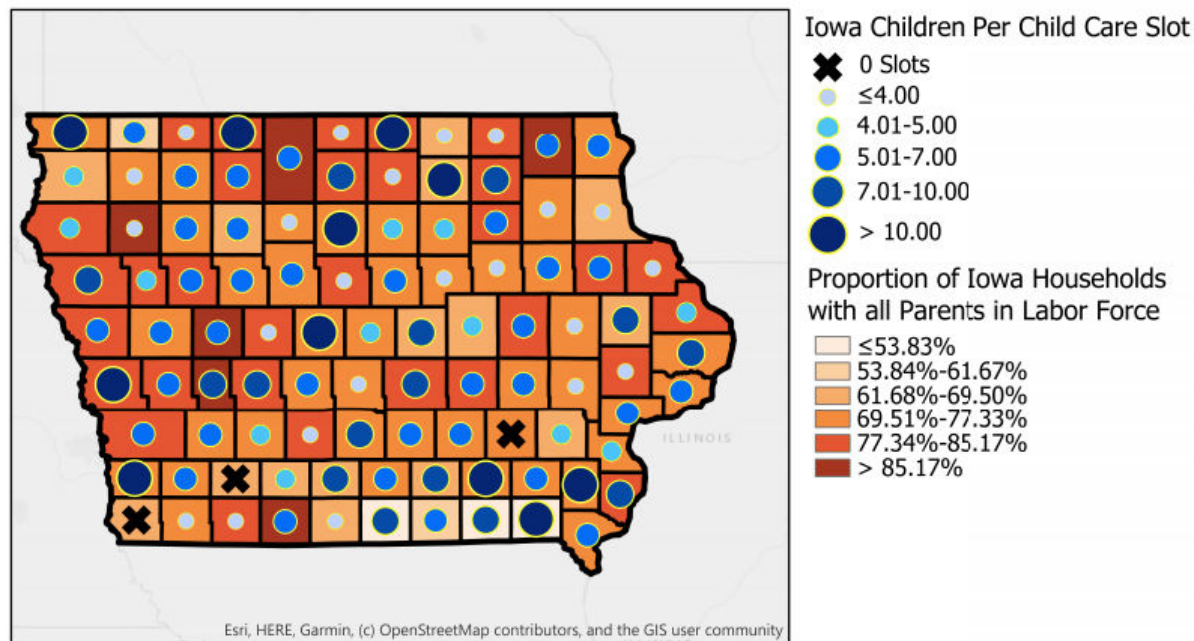
### Executive Summary

Lack of accessible child care not only affects individual families, but costs businesses and taxpayers. This is particularly problematic for Iowa, a state with the highest rate of parents with young children in the workforce. Using national estimates of these costs relative to Iowa's population of working families with young children, findings reveal a cost to Iowa of over \$241 million in lost annual earnings and an \$82.8 million annual loss to Iowa businesses.

### Background

Working parents with young children often do not have access to needed child care.<sup>a,b</sup> Lack of access translates into lost wages and productivity in the workplace. Iowa has the highest percentage of parents with young children with both (or the only) parents in the workforce (75% vs. 66%, nationally<sup>c</sup>); this means there are approximately 72,000 working parents in Iowa with children under the age of 3. In a state where 88 of 99 counties are identified as rural, Iowa has diverse gaps in child care access. Figure 1 presents the percentage of households with all parents in the labor force relative to the ratio of children per child care center slot for infants and toddlers. Counties with the largest circle indicate a ratio of over 10:1, meaning for every 10 children under the age of 3 in the county there is only 1 available child care slot. Findings also show important disparities in child care access for Iowa's youngest children across counties.

Figure 1. Infant and Toddler Slots in Iowa Child Care Centers and Working Parents by County



Source. Data were derived from 2020 Iowa Department of Human Services child care licensing information for providers of care for infants and toddlers and 2018 American Community Survey 5-Year Estimates, Table B23008. Infant and toddler slots are assessed at the time of the DHS licensing compliance visit. Child care centers may change locations of classrooms or decide to operate below maximum capacity on the basis of staff availability or quality assurance, thus altering the available slots. Early Head Start programs that offer varying hours of care are included.

\*This work was conducted in partnership between Early Childhood Iowa and ISU Department of Human Development and Family Studies. For more information please contact ISU faculty lead Heather Rouse (hlrouse@iastate.edu).

In September of 2018, ReadyNation released a report which outlined the national burden of insufficient child care and its cost to families, taxpayers, and businesses.<sup>d</sup> They found the child care crisis costs the United States \$57 billion annually and 86% of parents reported that child care issues hurt their effort or time commitment at work.

The purpose of the current report was to generate estimates of Iowa's economic burden resulting from the child care shortage.

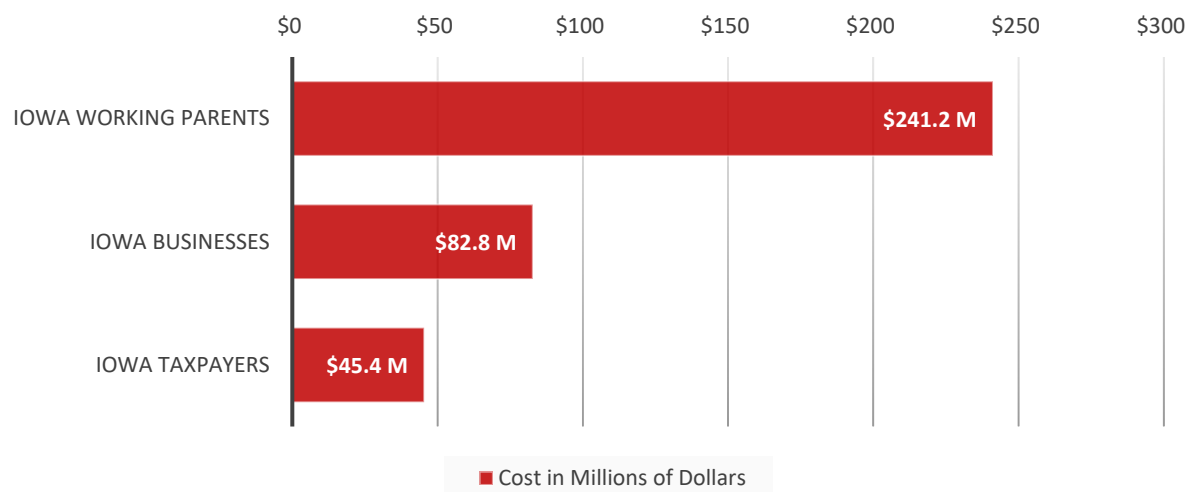
### Approach

Annual and long-term economic burden per working parent with children under 3 in Iowa was estimated using the 2017 American Community Survey 1-Year Estimates Tables B09002<sup>e</sup> and S1101<sup>f</sup> and analytic methods from the 2018 Economic Impacts of Insufficient Child Care on Working Families report.<sup>d</sup> The analysis used weights from the 2018 American Community Survey 5-Year Estimates Table B23008<sup>c</sup> to calculate the number of working parents with young children.

### Estimates of Iowa's Economic Burden

Iowa parents lose over \$241 million in annual earnings that can be attributed to the child care shortage. See Figure 2 for more information on aggregate yearly burden.

Figure 2. Aggregate Yearly Burden to Iowans from the Child Care Shortage



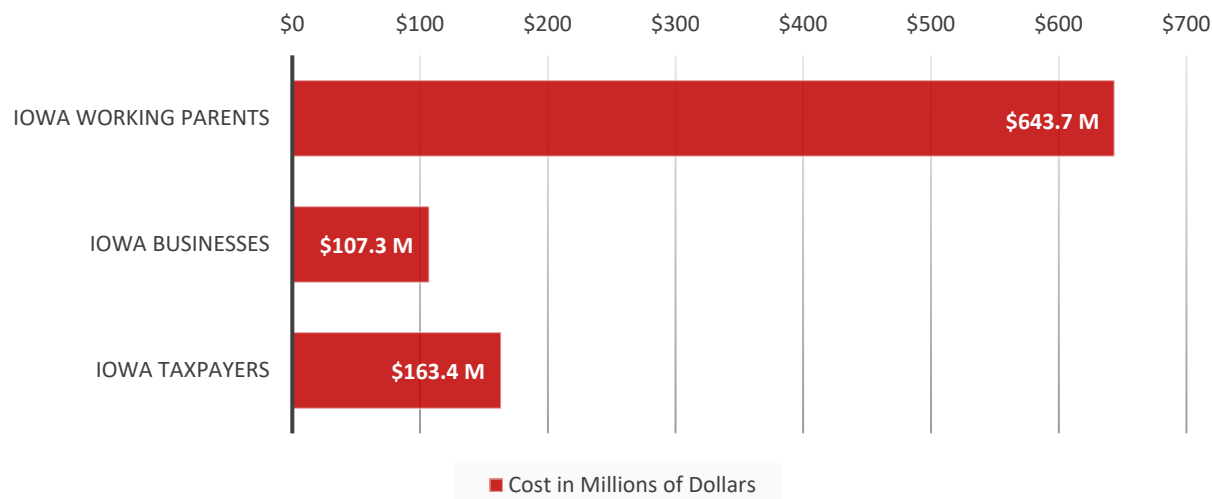
Source: 2017 American Community Survey Tables B090023, S11014; 2018 *Economic Impacts of Insufficient Child Care on Working Families*.

These costs associated with the child care shortage also translate to individual losses for families, businesses, and taxpayers each year:

- **Iowa Working Parents** lose, on average, \$3,350 in annual earnings, reduced productivity, and job seeking capacity.
- **Iowa Businesses** lose, on average, \$1,150 per working parent each year in diminished revenue and additional recruitment costs.
- **Iowa Taxpayers** lose, on average, \$630 per working parent in annual lost income tax and sales tax.

Long-term economic impacts are also found for the child care shortage. National estimates suggest that over the time period when each child is under age 3 and the subsequent 10 years, the average career economic burden from inadequate child care is equivalent to \$8,940 per working parent across the U.S.<sup>d</sup> These estimates were also generated for Iowa parents, businesses, and taxpayers (see Figure 3). In Iowa, across the first 13 years of a child’s life, these economic impacts sum to over \$914 million (see Figure 3).

Figure 3. Aggregate Long-Term (first 13 years) Burden to Iowans from the Child Care Shortage



Source: 2017 American Community Survey Tables B090023, S11014; 2018 *Economic Impacts of Insufficient Child Care on Working Families*.

These long-term costs also translate to individual losses for families, businesses, and taxpayers:

- **Iowa Working Parents** lose an average of \$8,940 in total earnings, reduced labor market participation, and decreased returns on work experience in the first 13 years of a child’s life.
- **Iowa Businesses** lose, on average, \$1,490 per working parent in reduced revenue and in extra recruitment costs over the first 13 years of a child’s life.
- **Iowa Taxpayers** lose, on average, \$2,270 per working parent in lower income tax and sales tax over the first 13 years of a child’s life.

The economic impact of insufficient or unavailable child care is a problem facing not only those parents with young children, but the child care shortage is a challenge for Iowa businesses and taxpayers as well. Given that Iowa has one of the largest percentages of families with young children with both (or the only) parents in the labor force, there is a significant need to address this crisis to support Iowa families and the future vitality of Iowa’s economy.

#### Sources

<sup>a</sup> Why Child Care Matters to Iowa Businesses. <https://iowaccrr.org/resources/files/news/Why%20Child%20Care%20Matters%2001-25-2018.pdf>

<sup>b</sup> Malik, R., Hamm, K., Schochet, L., Novoa, C., & Workman, S. (2018). *America’s Child Care Deserts in 2018*. Center for American Progress.

Retrieved from <https://www.americanprogress.org/issues/early-childhood/reports/2018/12/06/461643/americas-child-care-deserts-2018/>

<sup>c</sup> U.S. Census Bureau; American Community Survey, 2018 American Community Survey 5-Year Estimates, Table B23008; American FactFinder; <http://factfinder.census.gov>

<sup>d</sup> Belfield, C. (2018). *Economic Impacts of Insufficient Child Care on Working Families*. Report prepared for ReadyNation/Council for a Strong America. Retrieved from <https://strongnation.s3.amazonaws.com/documents/522/3c5cdb46-eda2-4723-9e8e-f20511cc9f0f.pdf?1542205790&inline;%20filename=%22The%20Economic%20Impacts%20of%20Insufficient%20Child%20Care%20on%20Worki%20ng%20Families.pdf%22>

<sup>e</sup> U.S. Census Bureau; American Community Survey, 2017 American Community Survey 1-Year Estimates, Table B09002; American FactFinder; <http://factfinder.census.gov>

<sup>f</sup> U.S. Census Bureau; American Community Survey, 2017 American Community Survey 1-Year Estimates, Table S1101; American FactFinder; <http://factfinder.census.gov>

## Appendix 1: Calculation Estimates and Related Data Sources

Name: Iowa Married Couple Households with children under 3

$$\text{Formula: } IA_{MHHCh3} = (IA_{MCh3}^1 / IA_{MCh18}^2) * IA_{MHHCh18}^3$$

Name: Iowa Male-Headed Households (no females present) with children under 3

$$\text{Formula: } IA_{SMHHCh3} = (IA_{SMCh3}^4 / IA_{SMCh18}^5) * IA_{SMHHCh18}^6$$

Name: Iowa Female-Headed Households (no males present) with children under 3

$$\text{Formula: } IA_{SFHHCh3} = (IA_{SFCh3}^7 / IA_{SFCh18}^8) * IA_{SFHHCh18}^9$$

Name: Iowa Parents with children under 3

$$\text{Formula: } IA_{PCh3} = (2 * IA_{MHHCh3}) + IA_{SMHHCh3} + IA_{SFHHCh3}$$

Name: Iowa Working parents with children under 3

$$\text{Formula: } IA_{WPCh3} = IA_{PCh3} * 0.75$$

Name: Iowa Worker/Family Annual Burden

$$\text{Formula: } IA_{WFB} = IA_{WPCh3} * 3350$$

Name: Iowa Business Annual Burden

$$\text{Formula: } IA_{BB} = IA_{WPCh3} * 1150$$

Name: Iowa Taxpayer Annual Burden

$$\text{Formula: } IA_{TB} = IA_{WPCh3} * 630$$

Name: Iowa Worker/Family Long-term Career Burdens

$$\text{Formula: } IA_{WFLB} = IA_{WPCh3} * 8940$$

Name: Iowa Business Long-term Burdens

$$\text{Formula: } IA_{BLB} = IA_{WPCh3} * 1490$$

Name: Iowa Taxpayer Long-term Burden

$$\text{Formula: } IA_{TLB} = IA_{WPCh3} * 2270$$

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<sup>1</sup> Children under the age of 3 in married households derived from ACS Table B09002

<sup>2</sup> Children under the age of 18 in married households derived from ACS Table B09002

<sup>3</sup> Married households with children under the age of 18 derived from ACS Table S1101

<sup>4</sup> Children under the age of 3 in male-headed households derived from ACS Table B09002

<sup>5</sup> Children under the age of 18 in male-headed households derived from ACS Table B09002

<sup>6</sup> Male-headed households with children under the age of 18 derived from ACS Table S1101

<sup>7</sup> Children under the age of 3 in female-headed households derived from ACS Table B09002

<sup>8</sup> Children under the age of 18 in female-headed households derived from ACS Table B09002

<sup>9</sup> Female-headed households with children under the age of 18 derived from ACS Table S1101