



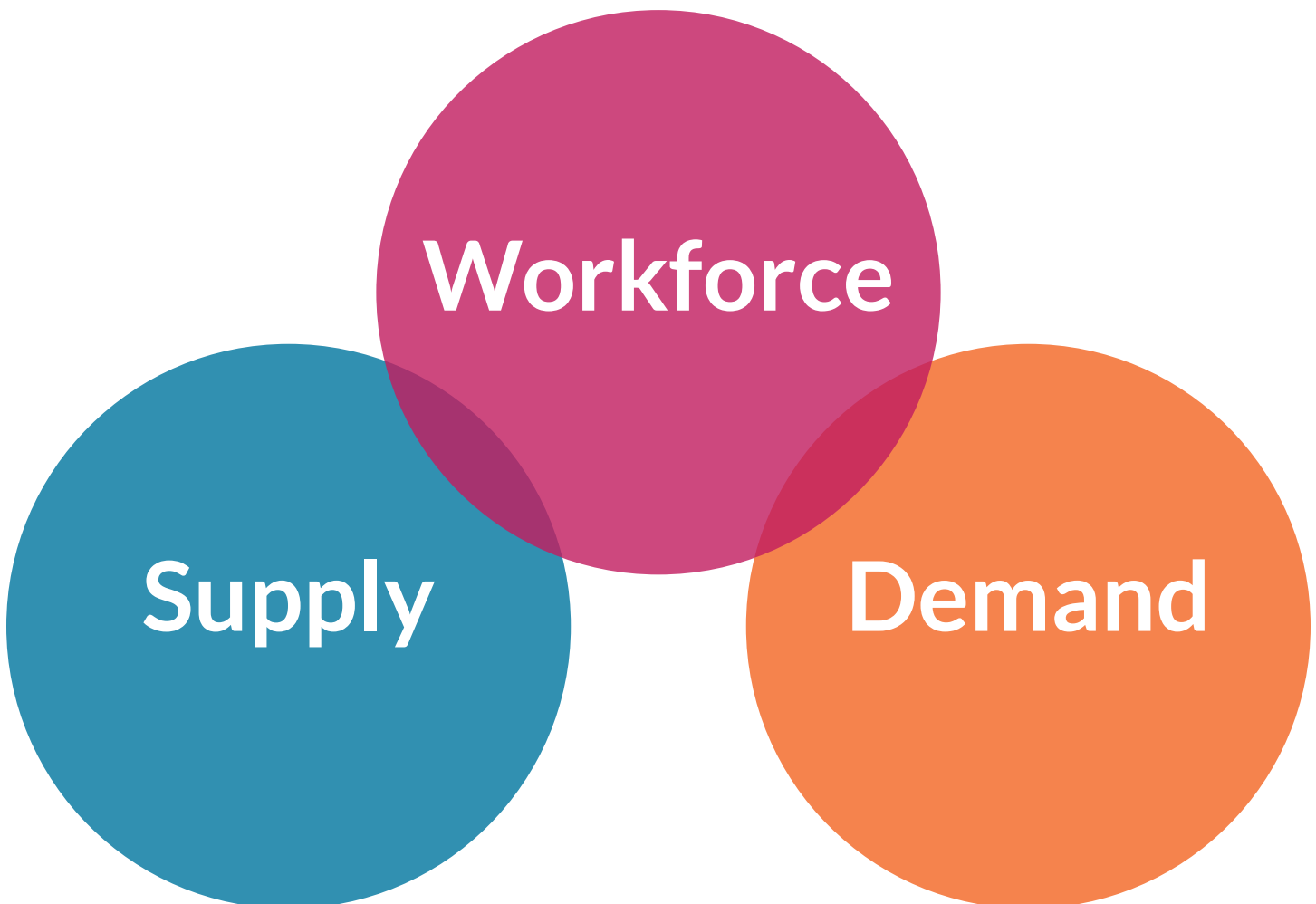
Understanding Child Care Issues

February 2025

Introduction: Understanding Child Care Challenges & Solutions

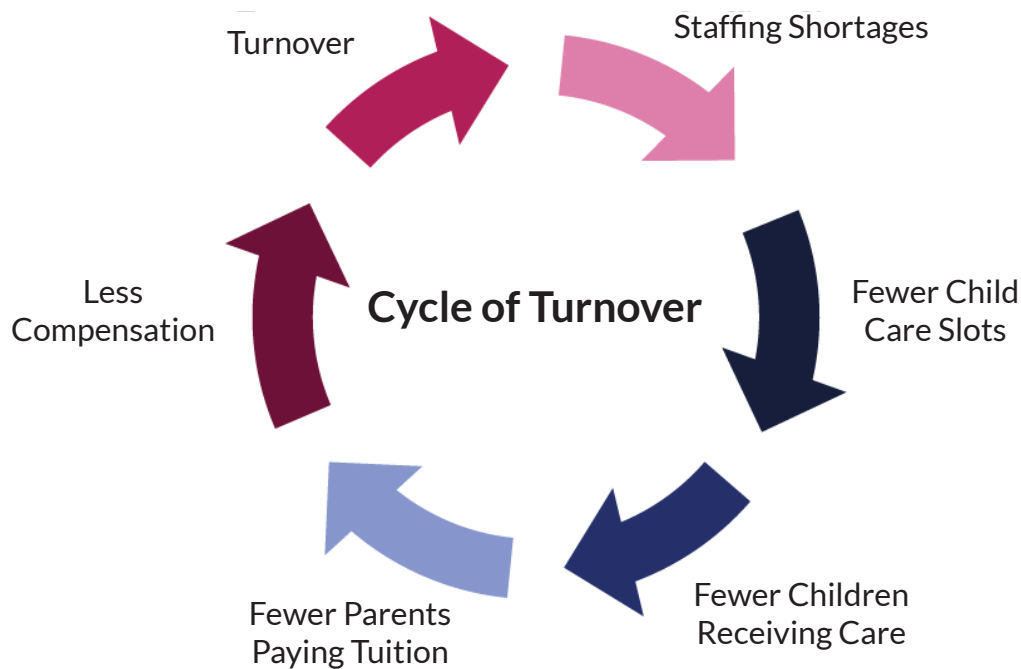
After garnering much attention during the COVID pandemic, in which “essential workers” (including child care providers) were praised for their indispensable work, the nation collectively realized that child care industry as a whole is “in crisis.” But what does that mean? The problems faced by the child care profession are complicated and multifaceted - so are the solutions. This document aims to define and explain issues related to child care, as well as underscoring key solutions.

The key challenges that child care faces can be simplified to workforce, supply, and demand. These three challenges are interconnected and overlapping.





Child care is a direct care field that requires a full-day, full-year staffing model. **It cannot be outsourced.** Yet, the workforce has been plagued by **chronic issues of low education, low compensation, and high turnover.**



Even though research is clear that children benefit most when they have qualified teachers, **child care does not require advanced degrees.**

Low wages - **\$14/hour on average** - and lack of benefits make it difficult to incentivize education and retain quality staff. This results in high rates of turnover - **about 30% annually.**

Families cannot enroll children if staffing isn't adequate. According to Child Care Aware, **80% of centers faced staffing shortages** in 2021, including 88% of programs serving low-income families.

Supply

Inadequate staffing impacts programs' ability to offer enough child care slots to meet the needs of their communities. If better pay and benefits are needed to retain staff, *why don't programs pay staff more?* The primary source of revenue for child care programs are parent fees.

Cost Incurred
vs.
Price Charged

\$16,476

Cost to Care for
Infant

vs.

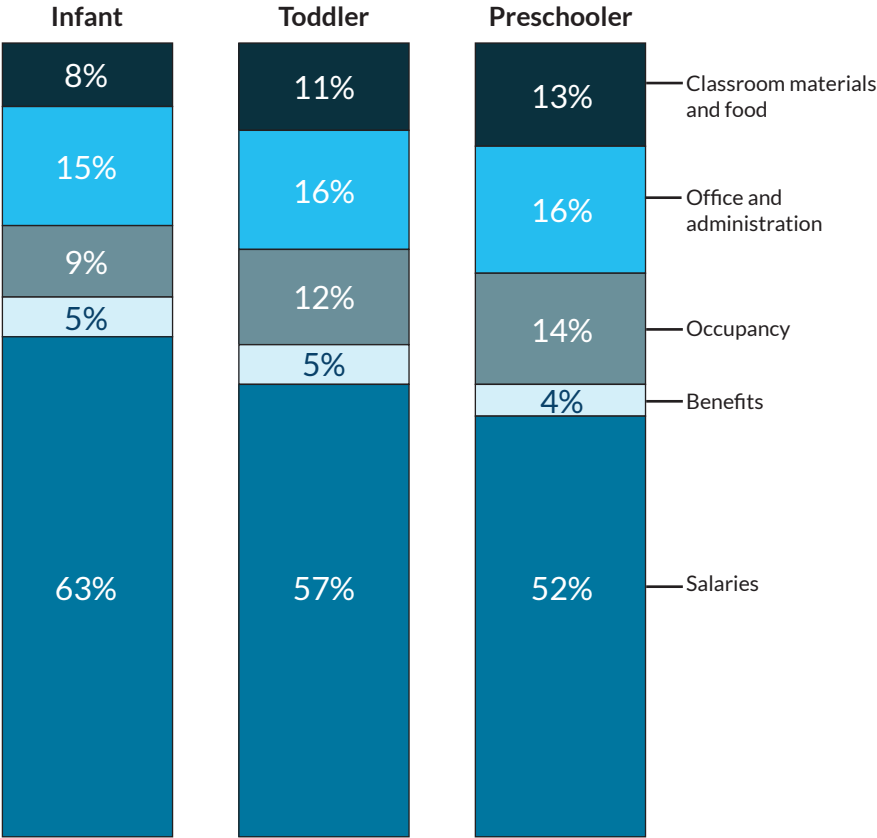
\$11,356

Price to Care for
Infant

Source: Child Care Aware

Programs can only charge parents so much before they will opt out of child care altogether. Limitations in income sources create a cost gap for programs. There isn't enough income available to cover the costs of providing care.

Distribution of Child Care Program Expenses



Source: Center for American Progress

Personnel costs are the largest expense line of program operating budgets. Because programs are limited in what they can charge, they often make cuts in staff salaries. This is often the only place for flexibility in program budgets.

A Note on: State-Funded Voluntary Preschool & Program Budgets

The State-Funded Voluntary Preschool Program (SVPP) is a preschool program that is subsidized by the state of Iowa that allows four-year-olds to enroll in elementary school-based preschools at no cost to families. While the Voluntary Preschool program creates greater accessibility for early education at face value, it poses additional challenges to child care program budgets and can lead to the closure of community-based child care settings, **ultimately creating fewer child care options.**

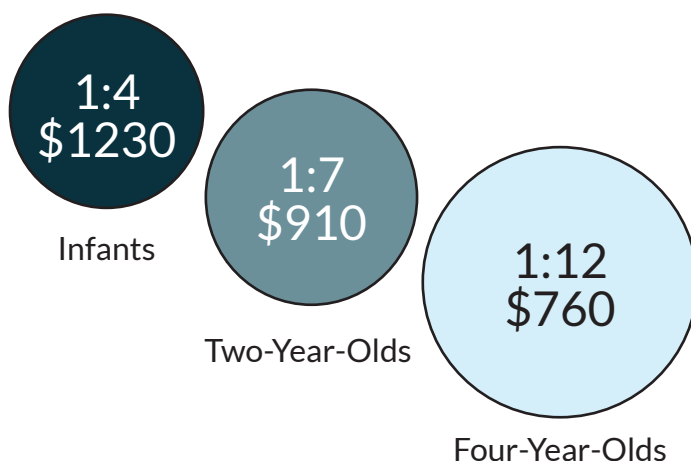
Preschoolers are a way for centers to help cover deficits associated with caring for infants and toddlers. As those children have moved from community settings to school districts, those programs have lost an important source of revenue in their budgets, putting them at risk of closure. Many child care programs have already fallen victim to budget issues - **over 38% of programs have closed in Iowa since 2017, while over 16,000 have closed nationwide** (Child Care Aware).

“
Providers lose money on infant and toddler care. We can't pay our staff or our facility costs when we only care for them without preschool children. If we move the 3- and 4-year-olds to preschool in public schools without subsidizing infant and toddler care, **child care programs will close.**”
- Deb V., Provider, Iowa City

“
Standards for staff:child ratios and group sizes are a way to **ensure the safety, well-being, and development of children in child care programs.** Required ratios and group sizes help staff provide better supervision and care and provide children with more opportunities to develop social skills by allowing them to consistently interact with a smaller group of children and staff.”
- Childcare.gov

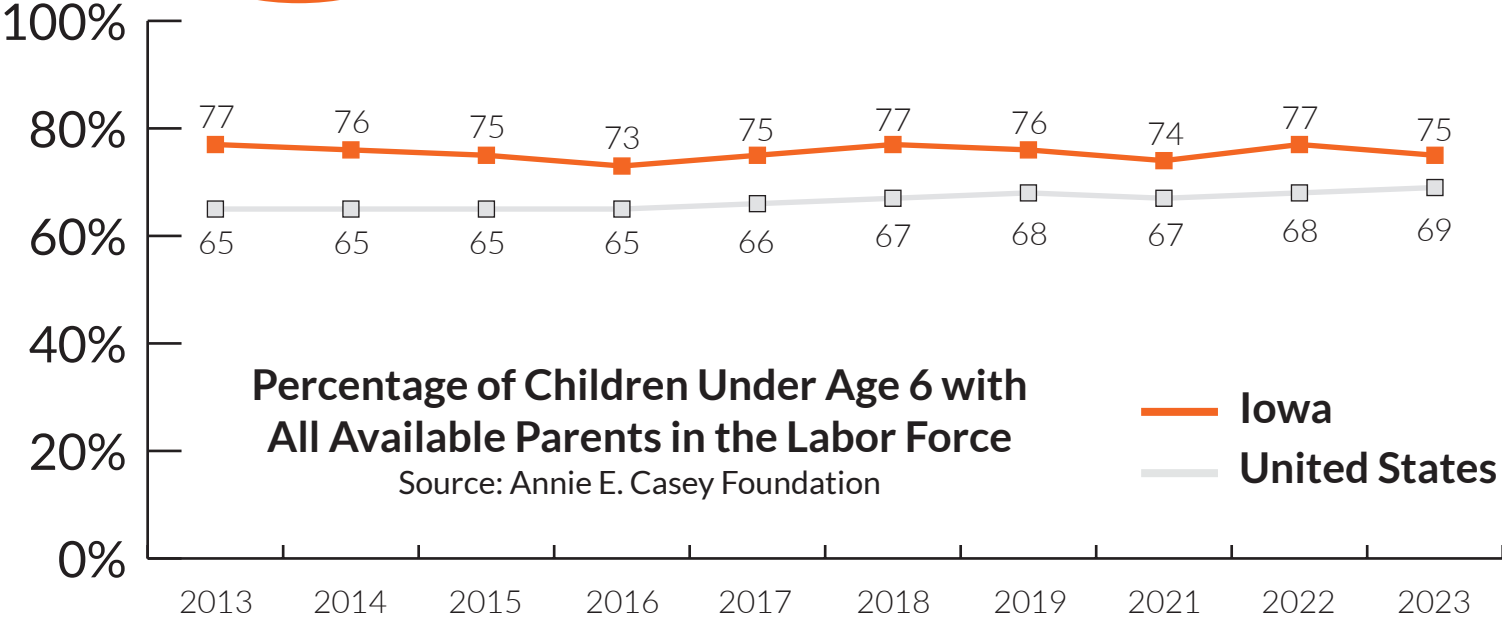
Mandated Staff-to-Child Ratios and Monthly Cost per Child

Source: Center for American Progress



Demand

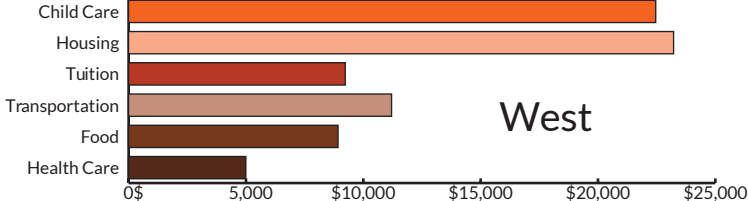
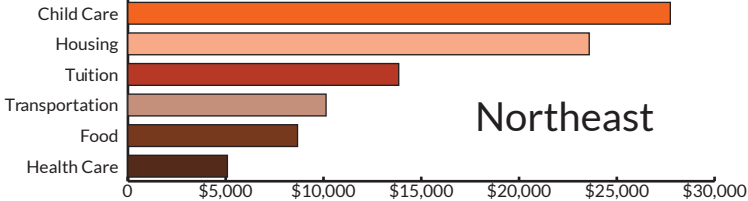
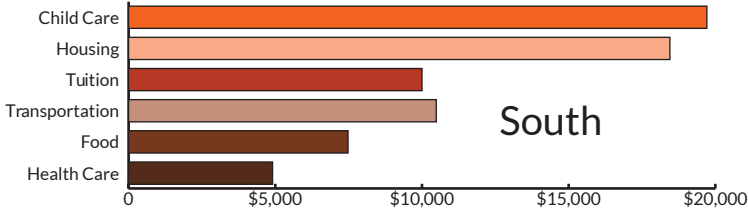
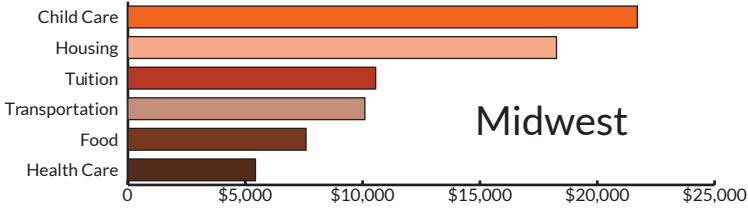
Given the challenges in child care supply, it is difficult to meet the demand for care in many communities. **Iowa ties for second in the country with 75% of children under age 6 with all available parents in the workforce.**



In order to access child care, families must be able to afford the care they seek. This can be challenging given the cost of care. **Families are expending significant portions of their budgets on child care,** but as noted in the “Supply” section of this document, programs can’t charge less for their services, as many already operate at a deficit.

Average Household Expenses by Region

Source: Child Care Aware



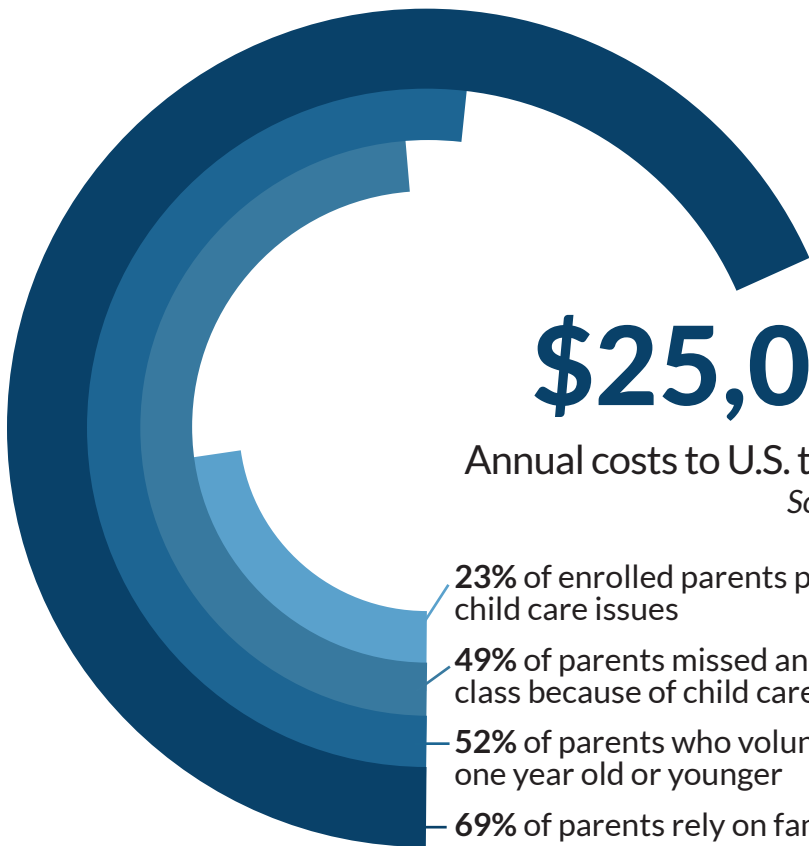
Child care professionals don't make enough to make ends meet. Families are spending a significant portion of their monthly budgets on care and can't afford to pay more. **Child care issues have an economic impact on communities, counties, and the state as a whole.**



\$781,000,000 + \$153,000,000
Direct employer costs = Direct tax revenue impact

\$934,000,000

Estimated annual loss for Iowa's economy due to child care issues
Source: U.S. Chamber Foundation



\$25,000,000,000

Annual costs to U.S. taxpayers due to inadequate child care
Source: Child Care Aware

- 23% of enrolled parents postponed school or a training program due to child care issues
- 49% of parents missed an average of 12 days per year from work or class because of child care issues
- 52% of parents who voluntarily left a job did so when their child was one year old or younger
- 69% of parents rely on family members for at least some child care



Recommendations

1.

We need to find sustainable ways to raise the wages of our child care workers.

2.

In addition to competitive wages, the child care workforce needs access to benefits such as health insurance, paid leave, and retirement supports.

3.

Work to ensure members of the child care workforce have a good work environment.

4.

Ensure Iowa has a robust system for collecting ongoing data about the needs of the workforce.

5.

We need to clarify (mis)understandings about current programs that exist in Iowa to support child care businesses.

Additional Resources to Learn More About the Workforce Behind the Workforce

Center for Study of Child Care Employment
Child Care Aware
Costofchildcare.org
First Five Years' Fund
U.S. Chamber Foundation



Iowa Association for the
Education of Young Children

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