

# The Economic Impacts of Insufficient Child Care Cost Arizona \$4.7 Billion Annually

To grow the economy, invest in child care



## Acknowledgements

**Council for a Strong America** is a national, bipartisan nonprofit that unites membership organizations, including law enforcement leaders, retired admirals and generals, and business executives, that promote solutions ensuring that our next generation of Americans will be successful, productive members of society.

**ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

Supported by tax deductible contributions from foundations and individuals.

Major funder: Helios Education Foundation



**Authors:**

Sandra Bishop, Ph.D., Chief Research Officer

Tamar Lieberman, Arizona State Lead

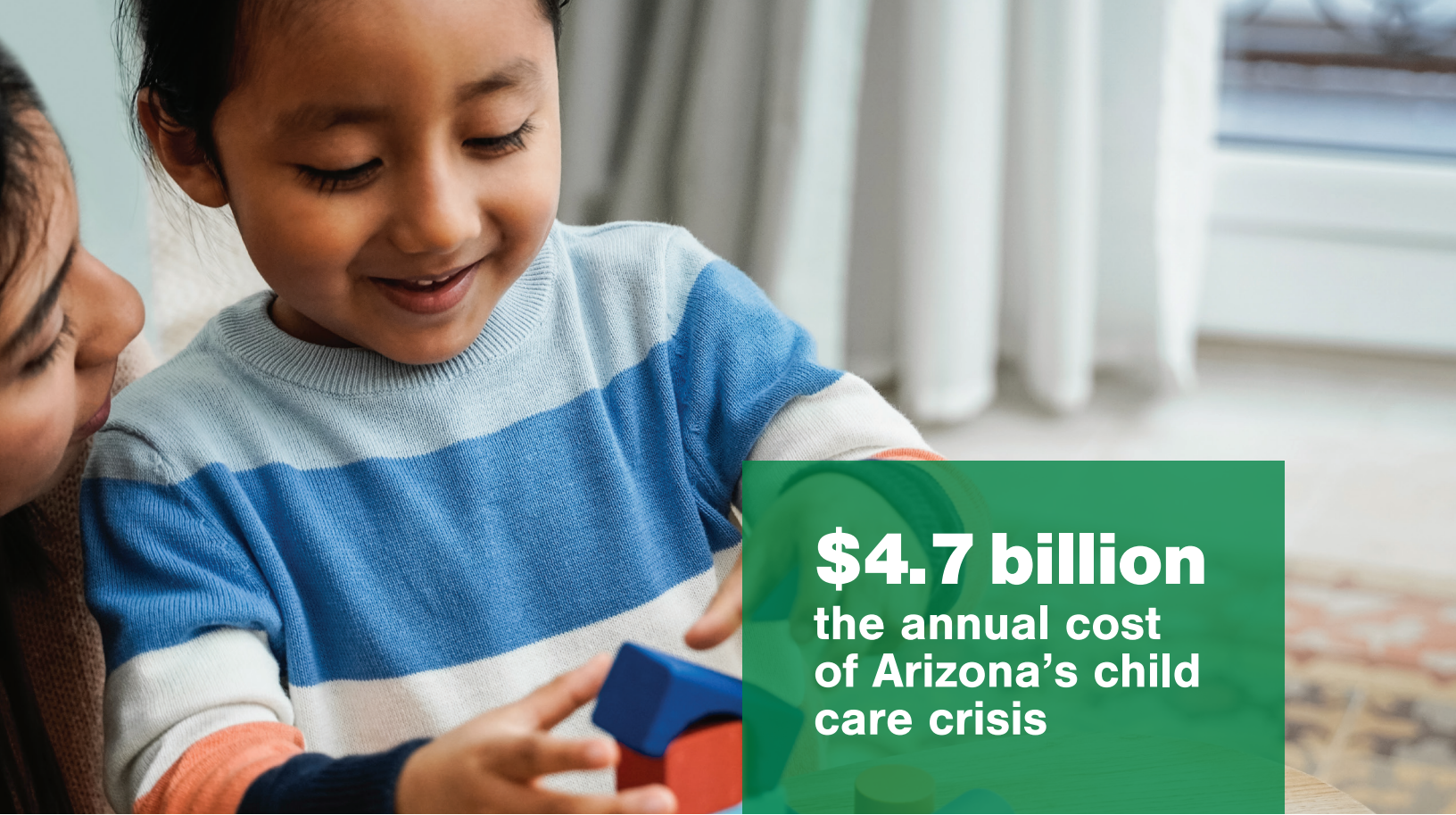
**Contributor:**

Clive R. Belfield, Ph.D., Professor of Economics, Queens College, City University of New York;  
Principal Economist, Center for Benefit-Cost Studies in Education, University of Pennsylvania

**December 2023**

©2023 Council for a Strong America. All Rights Reserved.





## \$4.7 billion the annual cost of Arizona's child care crisis

### Summary

Arizona's working parents know how difficult it is to find child care that's accessible, affordable, and high-quality. ReadyNation's new study found that the lack of adequate child care imposes substantial and long-lasting economic consequences in Arizona. Effects are felt by parents, businesses, and the state's taxpayers, with **an annual economic cost of \$4.7 billion in lost earnings, productivity, and revenue.**

Productivity challenges affect both employers and employees, with parents reporting that problems with child care hurt their efforts and/ or time commitment at work. More than half of Arizona parents surveyed reported being late for work, leaving work early, missing full days of work or being distracted at work due to child care struggles.

These challenges had predictable impacts: one in three Arizona parents said they've

been reprimanded and 19 percent have been let go or fired. As a result, Arizona families lose \$3 billion per year in forgone earnings and job search expenses.

Meanwhile, productivity problems cause Arizona employers to lose \$958 million annually due to child care challenges faced by their workforce. Arizona taxpayers, in turn, lose \$725 million each year in lower federal and state/local tax revenue.

Beyond its impact on the workforce and economy today, Arizona's child care crisis damages the future workforce by depriving young children of nurturing, stimulating environments that support healthy brain development while their parents work.

Arizona policymakers can improve the availability and affordability of high-quality child care. With wise investments, policymakers can improve life outcomes for thousands of Arizona children today and strengthen our state's workforce and economy both now and in the years to come.

## Many Arizona parents are in the workforce and need child care

There are 474,000 working parents with children ages birth to 5 in Arizona.<sup>1</sup> Parents need child care so they can go to work, be productive, and build successful careers to support their families. Child care settings are also a key environment for children's development, particularly given the importance of the early years for brain development.

## The current child care system does not meet the needs of Arizona families or employers

Interrelated challenges combine to build a child care crisis for children, families, and businesses:

- **Access:** About half (48 percent) of Arizona residents live in a child care "desert," where there are more than three children under age 5 for every licensed child care slot.<sup>2</sup> Availability is especially limited for families who have infants and toddlers, have low incomes, work non-traditional hours, or live in rural areas.<sup>3</sup>
- **Affordability:** Infant care in a center in Arizona averages \$14,040 per year, more than the \$12,183 cost for in-state public college tuition.<sup>4</sup> This high cost makes child care unaffordable for many families, particularly those with low incomes. This cost represents 14 percent of the median annual income of a married-couple family in Arizona, while seven percent is considered affordable. Although Arizona provides subsidies to help make child care more affordable, the Department of Economic Security (DES) is currently

“Here in Phoenix and across Arizona, quality child care options lead to productive employees and an expanded parent workforce, helping businesses and families prosper.”



Todd Sanders  
President and CEO  
Greater Phoenix Chamber

serving only 30 percent of Child Care Development Fund (CCDF)-eligible children.<sup>5</sup>

- **Quality:** First Things First created a quality rating and improvement system in Arizona, Quality First, that works with providers to increase child care quality.<sup>6</sup> However, due to limited resources, First Things First cannot enroll all providers who want to participate. Although federal pandemic relief funds allowed additional providers to participate, that funding will end in 2024 and most of those additional participants will have to be disenrolled from the program, absent another source of funding.<sup>7</sup>

## Insufficient child care negatively impacts Arizona parents, employers, and taxpayers

When families do not have the child care they need, parents' work productivity falls, resulting in costs to parents, their employers, and ultimately, taxpayers. ReadyNation commissioned a survey of working parents of children ages birth to 5 in Arizona. The survey yielded a representative sample of 306 parents—both mothers and fathers—of children ages birth to 5.

Seventy percent of working parents surveyed reported that access to child care presents a challenge. About half or more said it is a significant challenge to find child care that is high-quality (47 percent) or affordable (62 percent).

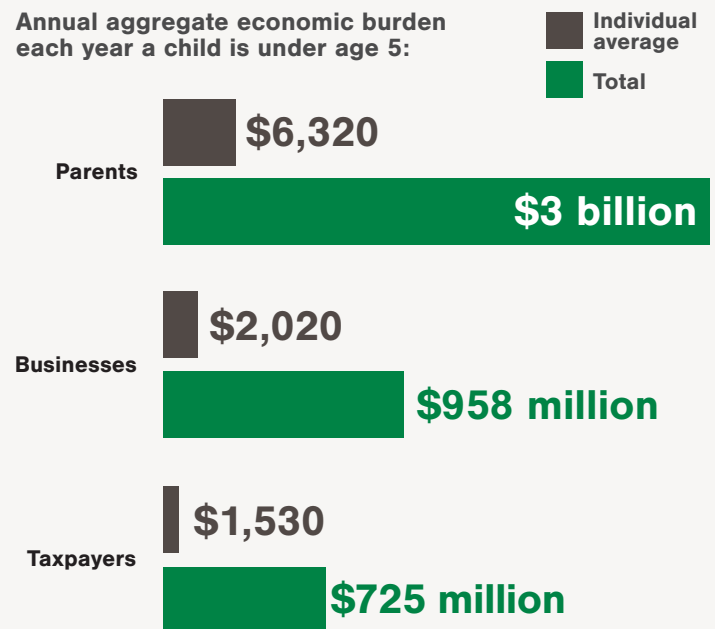
The survey provided evidence of the various ways in which parents' work commitments, performance, and opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modeled how the Arizona economy is affected by child care problems.<sup>8</sup>

Overall, the costs of insufficient child care in Arizona are immense. Each year a child is age birth to 5 without sufficient child care:

- **Families lose an average of \$6,320 per working parent** in lost earnings and in more time looking for work. Across the 474,000 parents of children birth to age 5 in Arizona, this burden is \$3 billion per year.
- **Businesses lose an average of \$2,020 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on Arizona businesses is \$958 million.

## The economic impacts of insufficient child care on Arizona parents, employers, and taxpayers

Insufficient care for children under the age of 5 costs individuals, businesses, and the state billions of dollars each year.



- **Taxpayers lose an average of \$1,530 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to \$725 million each year in Arizona.

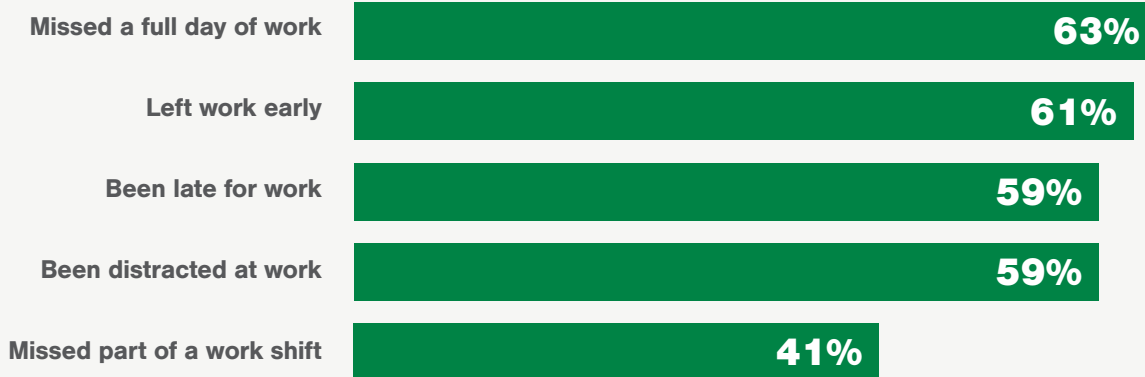
**These losses experienced by Arizona families, businesses, and taxpayers sum to a total cost of \$4.7 billion each year due to the child care crisis.**

## The impact of insufficient child care on Arizona parents

The survey results provide a window on how the above economic impacts occur. Parents were asked how child care

## Lower effort and productivity at work

Due to child care problems, over the past three months, have you:



## Less time at work

As a result of child care problems, have you ever:



problems affected their work. They reported that these problems affected their time at work and their work productivity, as well as diminishing their career opportunities.

### Less effort at work and being distracted:

Child care problems decreased parents' effort and productivity at work, undermining their job stability. More than half of parents reported being late for work, leaving work early, or being distracted at work due to child care problems. Nearly two-thirds reported missing a full day of work.

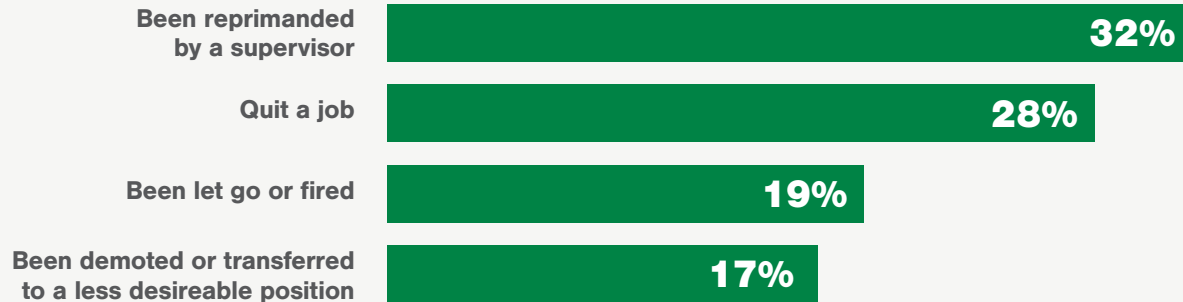
**Cuts to hours and pay:** Problems with child care significantly reduce how much time parents spend at work. Forty-two percent reported having to reduce their regular work hours. About one-third had their pay or hours reduced, or changed from full-time to part-time work.

**Getting scolded, demoted, fired, or quitting:** Most seriously, 28 percent of parents reported quitting a job due to child care problems and 19 percent reported



## Work disruptions

As a result of child care problems, have you ever:



## Diminished career pathways

As a result of child care problems, have you ever:



being let go or fired. Nearly one-third reported being reprimanded by their supervisor and 17 percent reported being demoted or transferred to a less desirable position.

### Diminished career opportunities:

Problems with child care also impacted parents' long-term career prospects. Nearly 40 percent reported turning down a new job offer or further education or training. One quarter or more had problems

participating in work-related training or had turned down a promotion /reassignment.

In sum, for parents, the primary short-term result of insufficient child care is reduced income. The challenges add up over time due to less training and less experience. Parents then face narrower career prospects, reducing their future earning potential. Reduced parent income, along with parental stress, can have harmful short- and long-term impacts on children.

# How child care problems hurt Arizona's economy

Working Parents	Businesses	Taxpayers
Lost earnings now from lower productivity and employment	Lost revenue now from lower output	Lost revenue now from lower incomes
Extra costs of job search to match work with child care	Extra costs due to absences, disruptions, hiring	Smaller federal, state and local tax base and revenue
Lost future earnings from less work experience and fewer skills	Lost revenue in the future due to lower workforce capital	Lost revenue in the future due to weaker economic growth

## The impact of insufficient child care on Arizona employers

Child care is the workforce behind the workforce. For employers, insufficient child care results in reductions in revenue and increased hiring costs. A workforce with lower productivity and shorter tenure has major economic consequences. If an employer's workforce keeps changing, worker morale may fall, product quality may diminish, and clients may be lost. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience. **Productivity problems cause Arizona employers to lose \$958 million annually**

due to child care challenges faced by their workforce.

## The impact of insufficient child care on Arizona taxpayers

**The economic impact of child care problems on parents and employers subsequently causes lower tax revenues, \$725 million annually in Arizona.** There are losses in state income taxes; there are also losses in sales taxes, as well as corporate income taxes. There are also decreased local taxes. At the federal level, reduced incomes mean lower tax payments, which can result in lower government funding for Arizona. These effects are also long-term, due to parents' decreased earning potential.





## **The impact of insufficient child care on Arizona's vulnerable populations**

Some families are disproportionately impacted by shortcomings in Arizona's child care system. We examined impacts for two subgroups that could be expected to face extra challenges: parents of color (Hispanic and African American) and parents with low-incomes (below the federal poverty line). [Note: Individual parents can be in more than one group.]

Overall, the impact of inadequate child care was modestly greater for vulnerable groups than for the state-wide sample. While all groups of parents reported similar levels of challenges with regard to child care access, affordability, and quality, parents of color and those with low incomes reported greater work disruptions due to these child care challenges. These parents were more likely to experience the most damaging consequences of inadequate child care, reporting higher rates of quitting their jobs, being let go or fired, or being demoted. For example, while 28 percent of all parents reported quitting a job due to child care challenges, the figure was 36 percent for parents of color and 37 percent for parents with low incomes. For parents of color, career prospects are also disproportionately impaired. For example, while 38 percent of all parents turned down a new job offer due to child care problems, the figure for parents of color was 48 percent. Vulnerable families may have more precarious jobs where child care inadequacies matter more.





## Arizona policymakers should promote access to affordable, quality child care

Arizona parents often have difficulty finding affordable, high-quality child care so they can build successful careers. The practical and economic consequences of insufficient child care in Arizona are enormous, impacting parents, employers, and taxpayers. **Losses total \$4.7 billion every year.**

The business leaders of ReadyNation in Arizona call on state policymakers to support robust investments that ensure families' access to affordable, high-quality child care. Effective, well-funded policy initiatives, as well as continuing innovations at the state, federal, and local levels, will yield a child care system that will improve life outcomes for thousands of Arizona children today and strengthen our state's workforce and economy both now and in the years to come.

## Endnotes

- 1** The population of working parents depends on the number of children in the family, number of parents in the family, and labor force participation rates. This population fluctuates over time depending on demographics and labor market conditions. This estimate of 474,000 is calculated as follows. There are 392,000 children aged under 5 in Arizona (data.census.gov). This number is: (1) uprated (by 1.82) to get parents (adjusting for single parents); (2) downrated (by 0.80) to homes with multiple children aged 0-5 (household size and formation data from [www.pewresearch.org/--/1-the-american-family-today/](http://www.pewresearch.org/--/1-the-american-family-today/)); and (3) downrated (by 0.83) to working parents ([fred.stlouisfed.org](http://fred.stlouisfed.org)).
- 2** Center for American Progress (2019). Early learning in the United States: 2019. <https://www.americanprogress.org/article/early-learning-united-states-2019/>
- 3** Center for American Progress (2018). Do you live in a child care desert? <https://childcaredeserts.org/2018/#:~:text=51%20percent%20of%20people%20in,as%20licensed%20child%20care%20slots;> Howe, S. & Oncken, L. (n.d.) The third pillar of care: Availability. New America. <https://www.newamerica.org/in-depth/care-report/third-pillar-care-availability/>
- 4** Child Care Aware (2023). 2022 child care affordability. <https://www.childcareaware.org/catalyzing-growth-using-data-to-change-child-care-2022/#PriceofCare>
- 5** Arizona Department of Economic Security (2023). FY 2025 budget request. <https://des.az.gov/about-des/budget-information>
- 6** <https://qualityfirstaz.com/>
- 7** Information provided by First Things First.
- 8** For details on the survey and economic analyses, see the accompanying technical report on our website

**ReadyNation | Business. Kids. Workforce.**

Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life..

**Council for a Strong America** is a national, bipartisan nonprofit that unites membership organizations, including law enforcement leaders, retired admirals and generals, and business executives, that promote solutions ensuring that our next generation of Americans will be successful, productive members of society.

1025 Connecticut Avenue, NW / Suite 1100 / Washington, DC 2003 / 202.464.7005

**Helios Education Foundation** exists to support postsecondary attainment for all students, especially low-income and underrepresented communities, in Arizona and Florida. Driven by our fundamental beliefs of community, equity, investment, and partnership, Helios has invested about \$350 million in partnerships and initiatives focused on improving third-grade reading, college-going, and postsecondary attainment in the two states we serve since 2006. Learn more at [helios.org](http://helios.org).

**Helios**<sup>®</sup>  
Education Foundation



COUNCIL FOR A  
**STRONG AMERICA**

[StrongNation.org](http://StrongNation.org)