

Child Care for Working Families—A Foundation for Growing the State's Economy

Access to child care is a necessity for working parents and a foundation for Michigan's economic growth and vitality. Sadly, Michigan ranks among the lowest states in the country in its investments in child care for families with low and moderate incomes—even turning back federal child care funds because of restrictive state policies that prevented families from getting the care they needed to work and support their families.

High-quality child care moves Michigan forward in two ways:

- (1) Child care is an engine for economic development because it helps parents work or participate in the training and education they need to move forward. For employers, it increases the pool of workers and can reduce absenteeism and turnover—a threat to their bottom line.
- (2) High-quality child care provides the learning environment very young children need to be prepared for preschool and ultimately success in kindergarten and beyond—including the critical benchmark of reading by third grade.

THE HIGH COST OF CHILD CARE

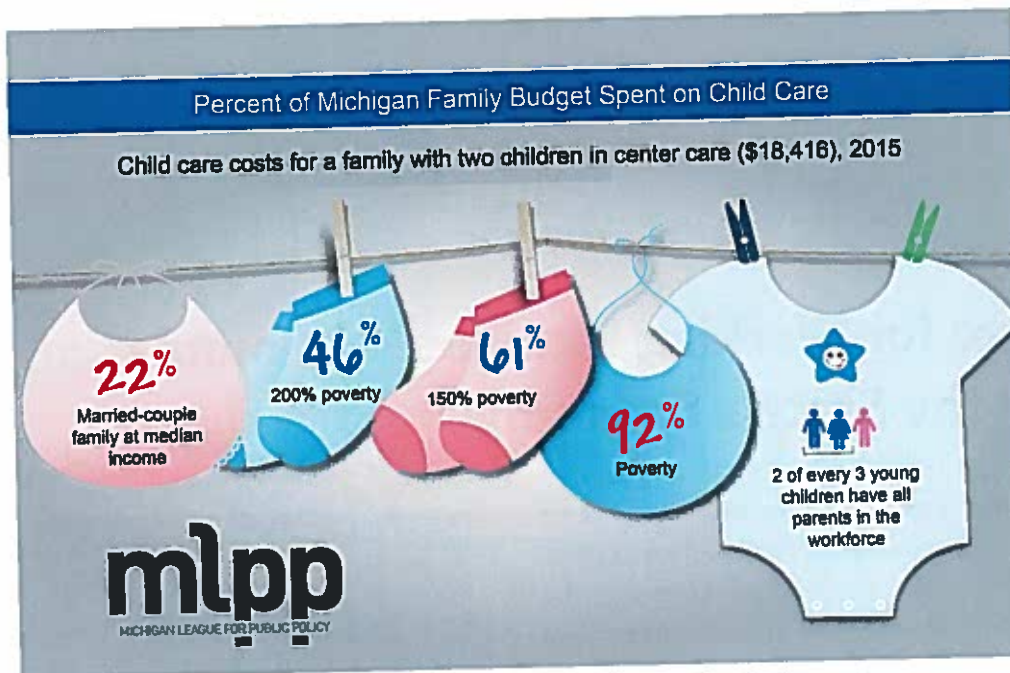
The cost of placing one infant in a child care center in Michigan (\$10,178 in 2015) is nearly as much as the annual cost of tuition at a public four-year college (\$11,994) and exceeds the median annual cost of rent (\$9,168).¹ For parents with two children in a child care

League Recommendations for Investments in Child Care

- ▶ Support the governor's proposal to increase payments to child care providers.
- ▶ Increase income eligibility for child care assistance to ensure that Michigan parents can afford to work and to improve employers' bottom line.
- ▶ Make it easier for high-quality child care providers to care for children from families with low wages by supporting their businesses—beginning with a switch to biweekly or monthly state payments to providers.

center, annual child care costs are nearly \$18,500.² Child care expenses are a heavy financial lift for many of the state's working parents but are particularly burdensome for families with low wages.

For families living at or near the federal poverty level, child care costs can be an absolute barrier to employment, often forcing parents to rely on a patchwork of relatives, neighbors and friends who may be unable to make long-term commitments. The predictable results are frequent work disruptions that can jeopardize their jobs, or the tough decision to leave their children in care they don't believe is safe or adequate.



Child Care Workers Among Lowest Paid in State Michigan, Selected Occupations (May 2015)

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| Dental Hygienists | \$52,460 |
| Kindergarten Teachers | \$52,400 |
| Correctional Officers and Jailers | \$46,730 |
| Massage Therapists | \$36,390 |
| Animal Control Workers | \$36,140 |
| Carpet Installers | \$27,740 |
| Preschool Teachers | \$27,300 |
| Manicurists/Pedicurists | \$23,730 |
| Veterinary Assistants | \$23,390 |
| Hairstylists | \$22,950 |
| Telemarketers | \$22,090 |
| Maids/Housekeeping | \$21,600 |
| Retail Salespersons | \$20,930 |
| Home Health Aides | \$20,880 |
| Child Care Workers | \$19,620 |
| Cashiers | \$19,220 |
| Bartenders | \$18,920 |
| Dishwashers | \$18,880 |
| Cooks, Fast Food | \$18,670 |

Source: Bureau of Labor Statistics

THE LOW WAGES OF CHILD CARE WORKERS

Child care providers are some of the lowest-paid workers in the state. Despite the incontrovertible scientific evidence that the first three years of life are when children's brains grow most quickly, setting the stage for lifelong learning and success, the annual median wages provided to people caring for young children fall below those of veterinary assistants, animal control workers, manicurists and telemarketers.

MICHIGAN'S CHILD CARE SUBSIDY PROGRAM

Michigan's Child Development and Care (CDC) program helps families with low wages who are working, completing high school/GED courses, participating in job training programs or engaging in family preservation activities. Parents can choose care in a range of settings if providers are available locally and

affordable, including licensed child care centers, child care group/family homes or with unlicensed family, friends and neighbors.

Michigan has very restrictive child care policies and, as a result, the number of families receiving assistance has dropped dramatically, along with child care expenditures.

- Between 2009 and 2016, the number of families receiving child care subsidies fell by nearly 70%, from 74,557 to 23,411 (monthly averages).
- The dollars flowing to communities to help support working parents, employers and the local economy fell by over 70%, from \$30.2 million monthly to only \$8.4 million.

Payments to Providers Are Too Low to Ensure Access and Quality

The rates paid to child care providers depend on the age of the child and the type of setting, including the number of stars a provider has in the state's five-star quality rating system. Payments range from \$1.35 per hour for unlicensed providers to a maximum of \$4.75 per hour for infants and toddlers in a five-star child care center. While tiered reimbursements can create good incentives for quality improvements, the reality is that in Michigan's grossly underfunded child care system, most child care providers are not receiving the higher payment rates. In February of this year, 60% of the 8,434 child care programs in Michigan received the base child care rate because they had 0 or 1 star in the quality rating system.³

In addition to low rates, the complexity of the provider payment process threatens the supply of high-quality

care for children. Michigan is one of only a handful of states that pay child care providers on an hourly basis. Without predictable income, it is even more difficult for providers to maintain their businesses and accept children with subsidies.

Child Care Eligibility Levels Are Among the Lowest in the Country

In 2016, Michigan had the lowest income eligibility levels in the country for child care assistance and second lowest as a percentage of state median income. Even with the increase to 125% of poverty in 2017 (\$25,525 for a family of three), Michigan's eligibility cutoff remains at the bottom. Without an expansion of eligibility, many families will struggle to enter the job market, and the long-term prospects for their children are bleak. Research has consistently shown that growing up under the stresses of poverty can affect children's ability to learn and succeed later in life.

THE GOVERNOR'S 2018 STATE BUDGET

- **Increase child care payments:** The governor includes \$6.8 million in the current budget year (2017), along with \$27.2 million in the 2018 budget, to increase rates paid to child care providers by approximately 20%, effective in July of this year.
- **Increase oversight of child care providers:** The governor recommends \$2.2 million for annual on-site visits to unlicensed child care providers, as well as expanded fingerprinting and background checks. These changes are mandated as part of the federal reauthorization of the Child Care Development Block Grant.

ENDNOTES

1. Parents and the High Cost of Child Care, 2016 Report, Child Care Aware.
2. Ibid.
3. Great Start to Quality Participation Data (February 1, 2017).

