The True Cost of Child Care: Erie County NY

Phase One: Primary Findings of a Collaborative Action Research Project 2021-22

ILR Buffalo Co-Lab

The True Cost of Child Care: Erie County NY

maybe it takes an emergency. . .

With great appreciation
to
Live Well Erie Emergency
Child Care Task Force

Co-Chairs Marie Cannon and Maria Whyte

Tireless Providers and Advocates

Erie County and NYS Leaders

the kids. . . they're still counting on us

ILR Buffalo Co-Lab

The True Cost of Child Care: Phase One Study Results

This preliminary report presents the data and information gathered and analyzed in phase one of the Cornell ILR–Erie County action research project. Phase two will complete the project in Q1 2022 by providing further analysis and application to county and state policies for improving child care locally and across the state.

Cornell ILR Buffalo Co-Lab Research Team

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With Yasamin Miller Associates

In tribute to the dedication and compassion of Child Care Givers and Educators.

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Goals and Process

This project's goals are to:

- determine actual cost of quality child care by modality in Erie County;
- compare with OCFS "market rate" price of care;
- compare with NYS/Erie County DSS subsidy rates;
- compare with "true costs" of child care if all child care workers earned a living wage and the system was equitable, economically sustainable, and universally accessible;
- provide the data and analysis to County and State officials for consideration in public policy and budgets negotiations in 2022.

The action research project is undertaken in collaboration with stakeholder, community, and public official partners. Methodologically, it includes:

- a professional on-line survey of all 500 Erie County providers was conducted by Cornell University research team;
- focus groups by modality examined costs, challenges, and opportunities for improving child care in Erie County;
- geographic and economic data was analyzed to provide contextual understanding of the local child care industry and workforce;
- a Steering Committee of core partners is providing regular guidance for the project;
- an Advisory Committee is meeting monthly, providing expertise, experience, community input, and support.

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Industry Overview

As of December 2021, the New York State (NYS) Office of Child and Family Services (OCFS) recognizes 499 licensed child care providers in Erie County.

- **216 (43.3%) Day Care Centers (DCC)**
- **123 (24.6%) Group Family Day Cares (GFDC)**
- **95 (19.0%) School-Age Child Centers (SACC)**
- **65 (13.0%) Family Day Cares (FDC)**

According to 2020 annual data from the Bureau of Labor Statistics (BLS), which surveys firms and therefore excludes most at-home providers, roughly 3,121 employees work in “child day care establishments” (i.e., firms with a North American Industry Classification Code of 6244).

This total is highly consistent with the number of Erie County residents (3,337) who self-identified as non-self-employed “childcare workers” in the most recent U.S. Census American Community Survey (ACS). The slight discrepancy between the two totals is likely due to ACS data being collected prior to the COVID-19 pandemic (between 2015 and 2019), whereas BLS data collected during 2020 capture some of the job loss that occurred in the industry because of the pandemic.

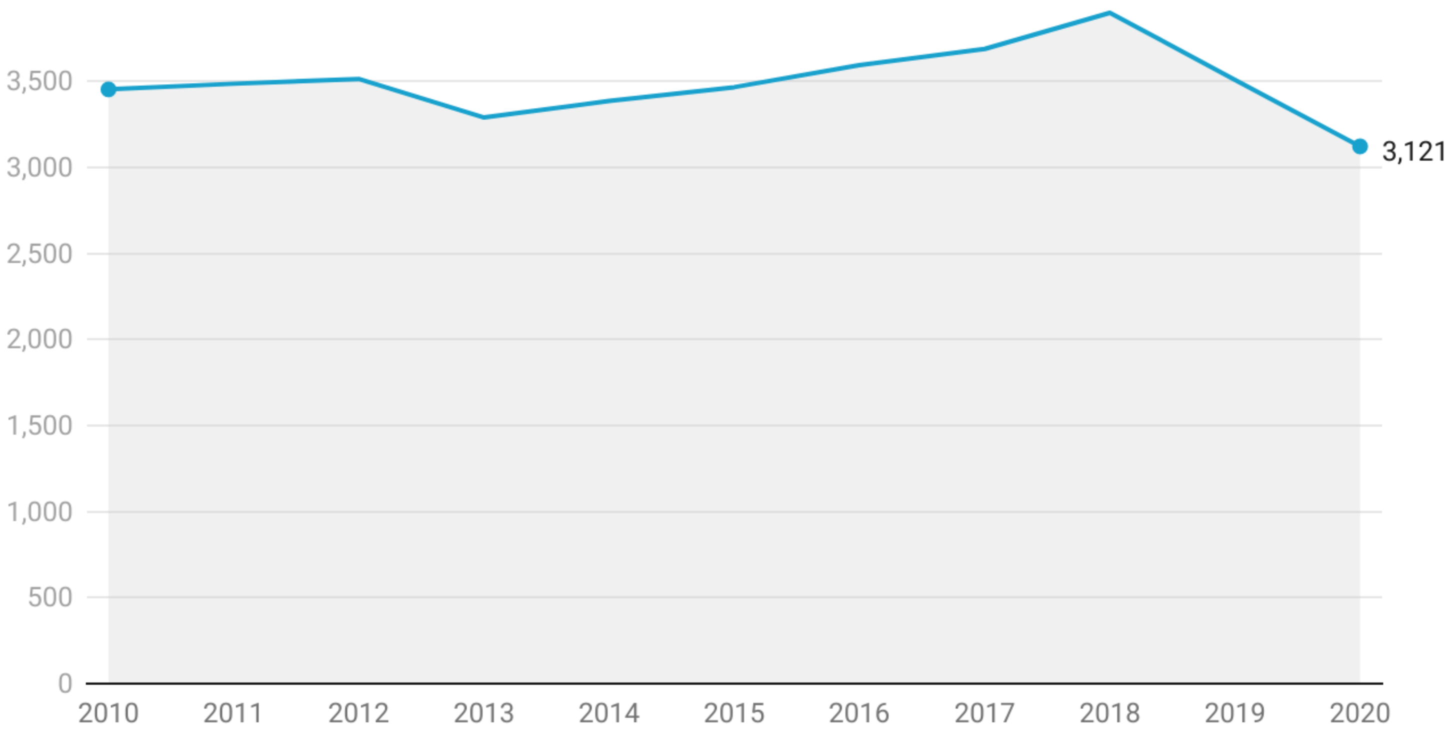
As detailed in subsequent slides, both datasets are essential for characterizing the child care industry and workforce.

Industry Overview

BLS data show trends in the size and average wages of the non-self-employed child care workforce over time. **In Erie County, the number of jobs in child care grew for five consecutive years, from 2013-2018, before starting to fall in 2019.**

Thus, contraction in the industry began *before* the COVID-19 pandemic, though COVID presumably reinforced and exacerbated the initial drop. Indeed, the child care workforce shrunk by an additional 11% between 2019 and 2020. The current level of jobs (3,121) is the lowest value in the eleven-year period for which data are available.

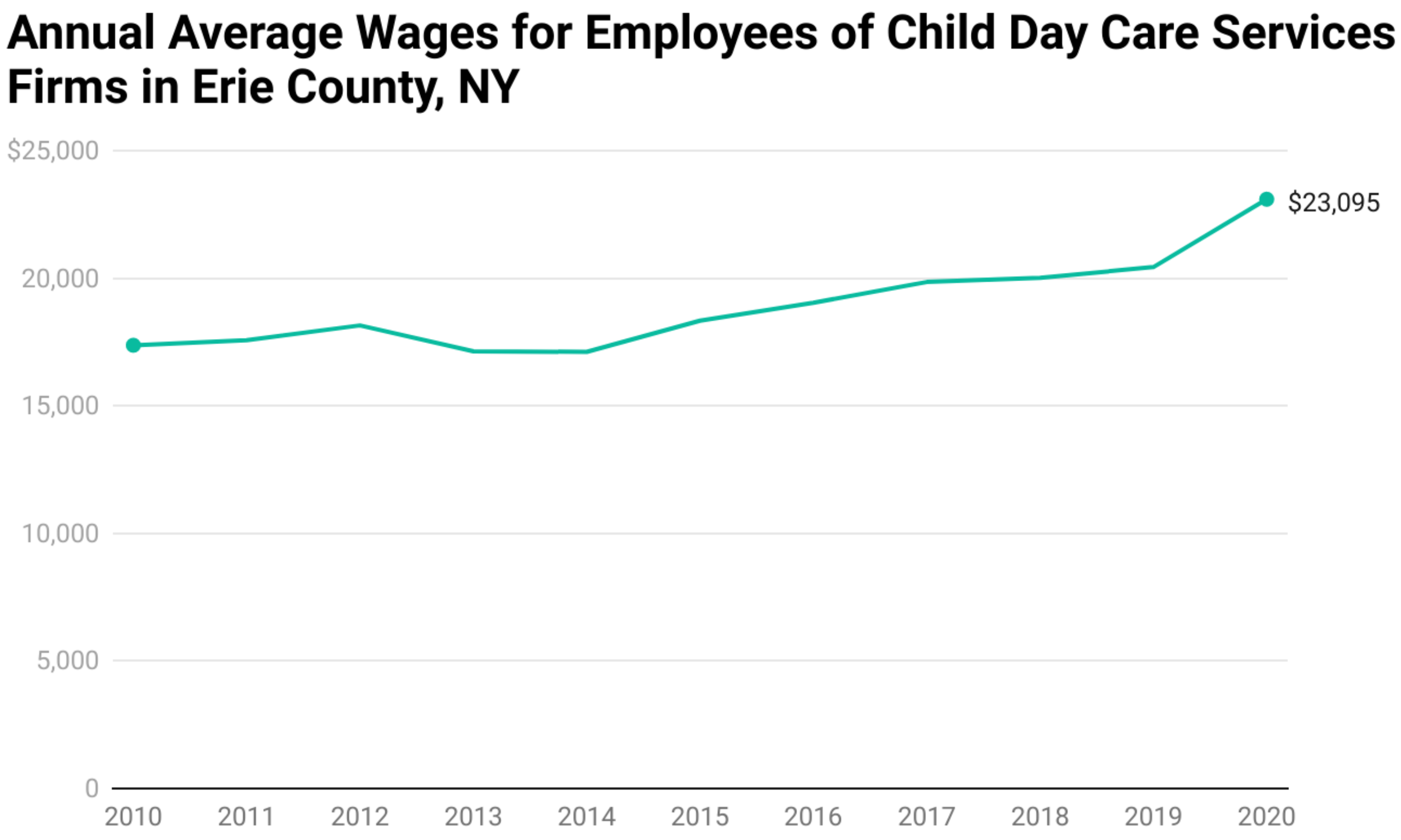
Annual Average Employment in Child Day Care Services Firms in Erie County, NY



BLS QCEW data exclude "proprietors, the unincorporated self-employed, unpaid family members, certain farm and domestic workers". For this project, these exclusions mean that most at-home providers are not included in the totals.

Chart: Russell Weaver, Cornell University • Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment & Wages, Series ENU360291056244 • Created with Datawrapper

Industry Overview



BLS QCEW data exclude "proprietors, the unincorporated self-employed, unpaid family members, certain farm and domestic workers". For this project, these exclusions mean that most at-home providers are not included in the totals.

Chart: Russell Weaver, Cornell University • Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment & Wages, Series ENU360295056244 • Created with Datawrapper

Unlike the number of workers at child day care services firms, which is currently falling, the average wage for child care workers is at an 11-year high point. However, there is more to this trend than meets the eye. In the first place, **the average wage is still quite low, at just over $23,000 per year**.

Second, and perhaps more importantly, the relatively large jump in the average wage from 2019 to 2020 is misleading. Most data suggest that **jobs permanently lost to COVID-19 were low-wage jobs near the bottom of the pay scale.** Assuming this trend holds in the child care workforce, most child care jobs lost in 2019 and 2020 (see previous slide) were likely paying below industry averages. Removing those jobs from the equation will cause average wages to appear to increase, even if workers' paychecks have not risen in substantive ways.

Workforce Overview: Data Sources

One downside of the BLS data is that they lump all workers together – there is no distinguishing between full-time and part-time workers, nor is it possible to explore the demographic and socioeconomic characteristics of workers to better answer the question, “*who* is Erie County’s child care workforce?”

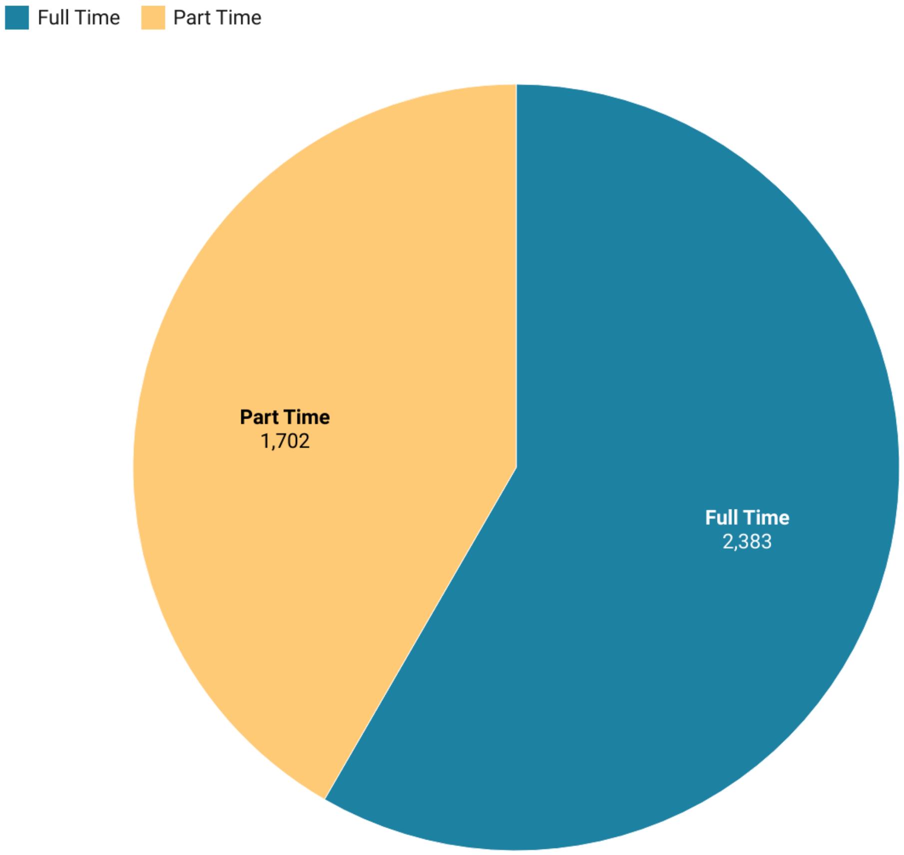
The U.S. Census ACS Public Use Microdata Samples (PUMS) dataset fills this gap. It allows analysts to study persons who self-identify as “Child Care Workers” to the Census Bureau when asked about their employment.

There are 4,085 such persons represented in the most recent PUMS dataset. Of those persons, 3,337 (82%) state that they work for employers, while the remaining 748 (18%) identify as self-employed. This latter group, which likely includes most FDC and GFDC providers, is not well-represented in the BLS data discussed above. Approximately 58% of child care workers report working at least 30 hours per week, which is taken to be “full-time work” for the purposes of this report.

Workforce Overview

Child Care Workers in Erie County, NY

By Hours Worked



"Full Time" >= 30 hours/wk
"Part Time" < 30 hours/wk

Chart: Russell Weaver, Cornell University • Source: Author's Estimates from U.S. Census American Community Survey (ACS) 5-Year Public Use Microdata Samples (PUMS), 2015-19 • Created with Datawrapper

Child Care Workers in Erie County, NY

By employment type

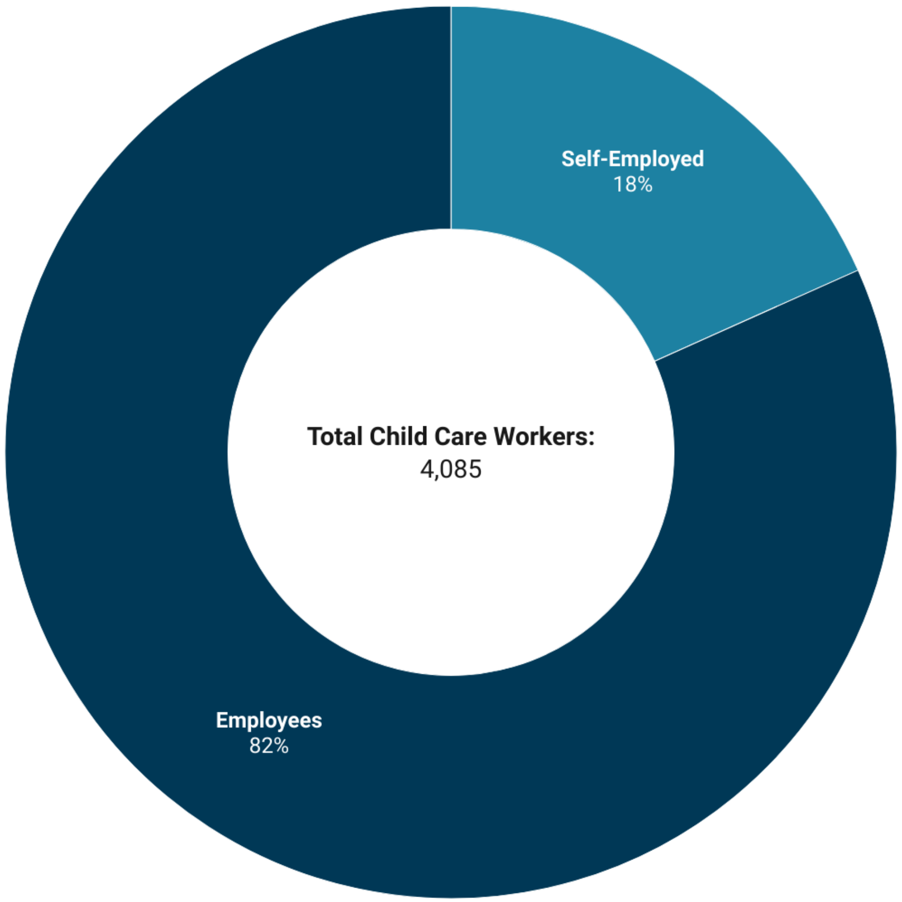
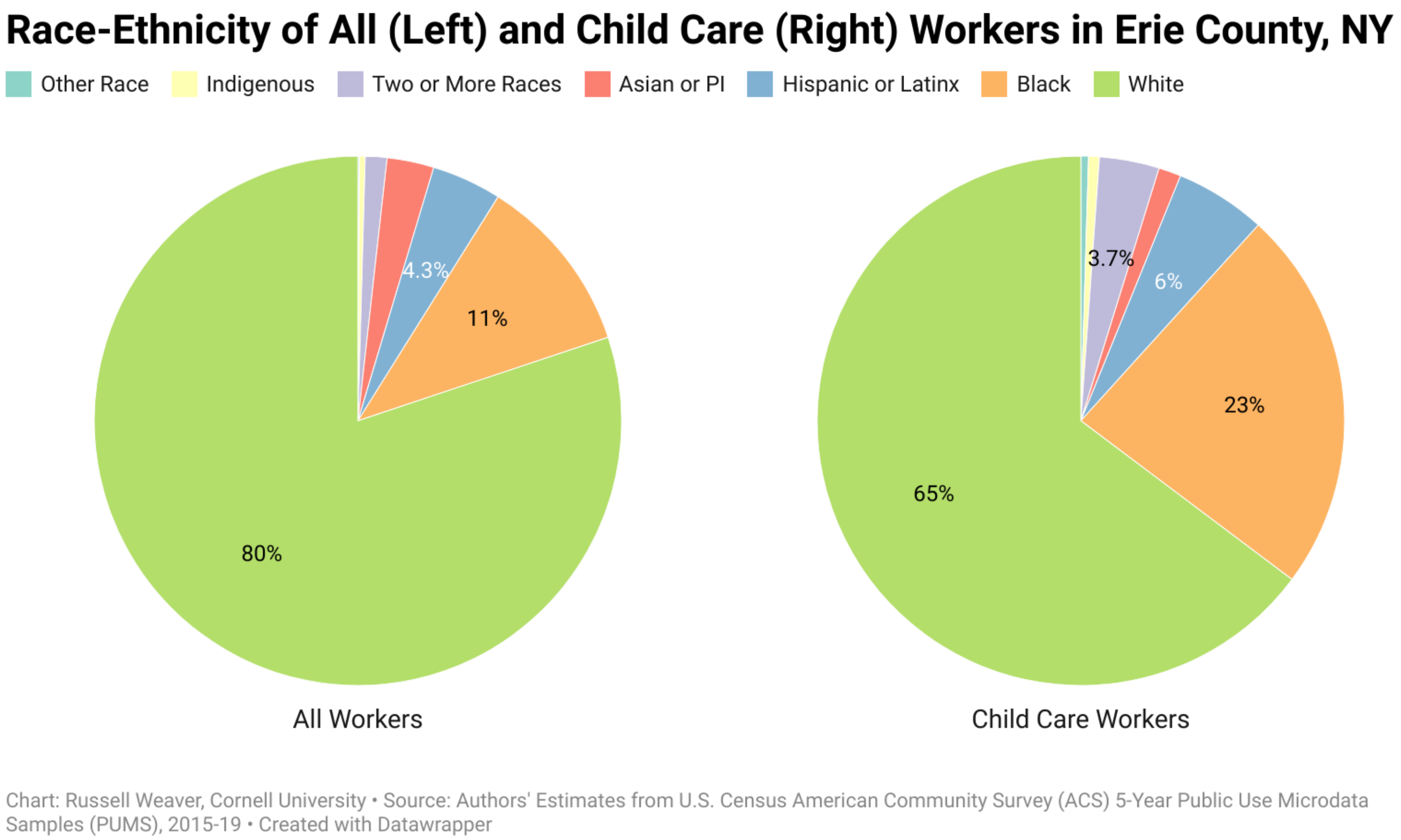


Chart: Russell Weaver, Cornell University • Source: Authors' Estimates from U.S. Census American Community Survey (ACS) 5-Year Public Use Microdata Samples (PUMS), 2015-19 • Created with Datawrapper

Workforce Overview

Just **over one-third of child care workers (35%) self-identify with racial-ethnic groups other than “white, not Hispanic or Latino/a”, compared to one-fifth of the broader Erie County workforce.**

Put differently, persons of color account for a disproportionately high share of the County’s child care workforce.



Workforce Overview

Similarly, child care workers in Erie County are predominantly women. Whereas the County's overall labor force is split relatively evenly between men and women, **nearly nine out of every ten child care workers identify as women.**

Combined with the preceding observation, it is reasonable to conclude that child care in Erie County is driven by women and persons of color. By extension, women of color play an especially outsized role in Western New York's care economy.

Gender of All (Left) and Child Care (Right) Workers in Erie County, NY

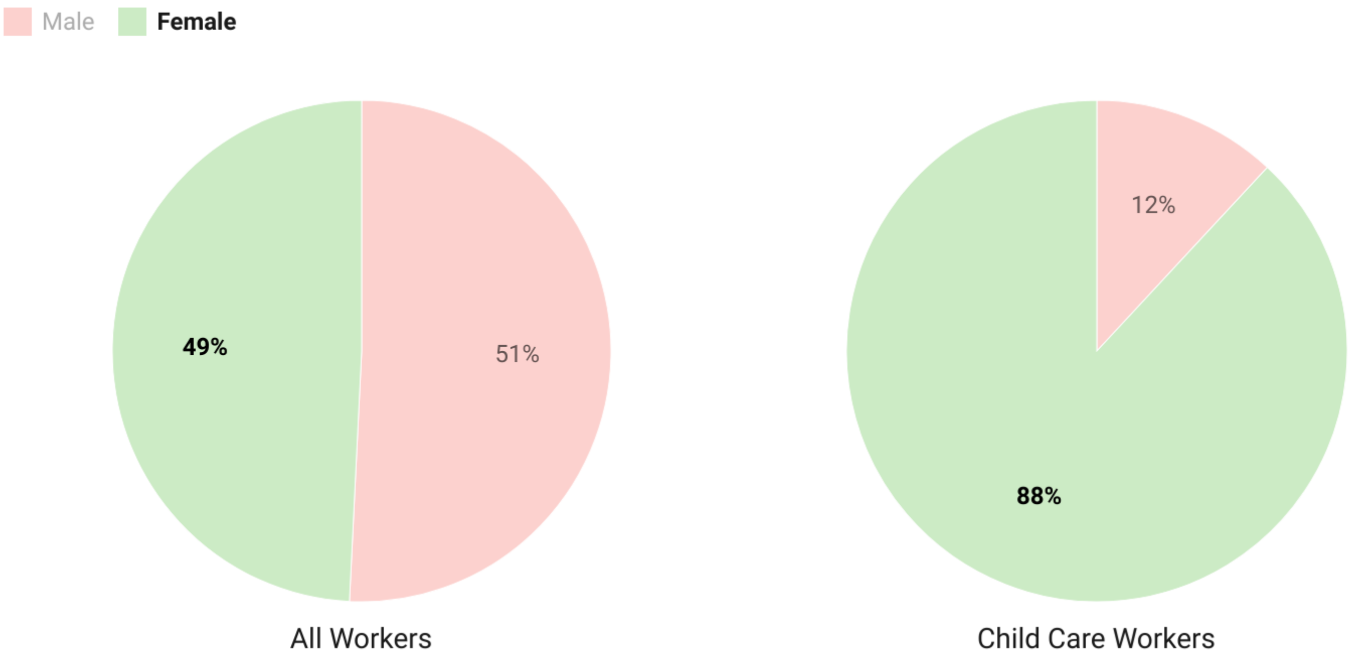


Chart: Russell Weaver, Cornell University • Source: Authors' Estimates from U.S. Census American Community Survey (ACS) 5-Year Public Use Microdata Samples (PUMS), 2015-19 • Created with Datawrapper

Workforce Overview

In addition to reporting their occupations and demographic characteristics, respondents to the ACS self-report the usual number of hours they work per week, the number of weeks they work per year, the total wages they earned during the past year, and whether they receive employer-provided health benefits. The former three of these values can be used to compute a worker's *effective hourly wage*, or the amount they receive per hour given the number of hours they work.

As expanded on later in this report, one consistent and persistent theme that emerged in focus groups with child care providers is that their work does not end when children leave for the day.

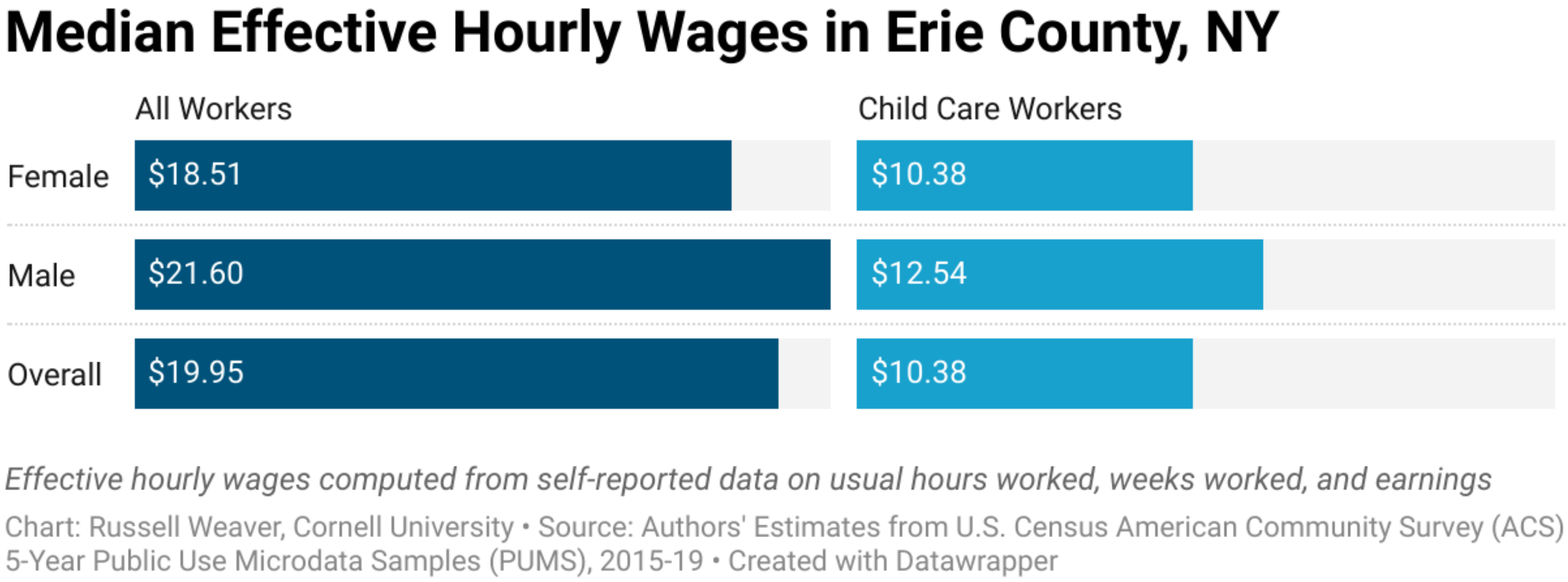
Indeed, **providers generally agreed that they work between 1,000 and 1,200 hours per year for which they are not compensated**. For that reason, many providers report that **they effectively earn less than New York State minimum wage, let alone a living or thriving wage**. Self-reported ACS data support these claims.

Workforce Overview

According to the research team's analyses, the **median effective hourly wage of child care workers given their self-reported data is just $10.38, or about $21,590 per year for a year-round, 40-hour-per week job**. Thus, the hourly rate for performing essential care work in Erie County is less than the countywide minimum wage of $12.50, and considerably less than the MIT-estimated "living wage" for a single adult (with no children) in the County, which is roughly $15/hour.

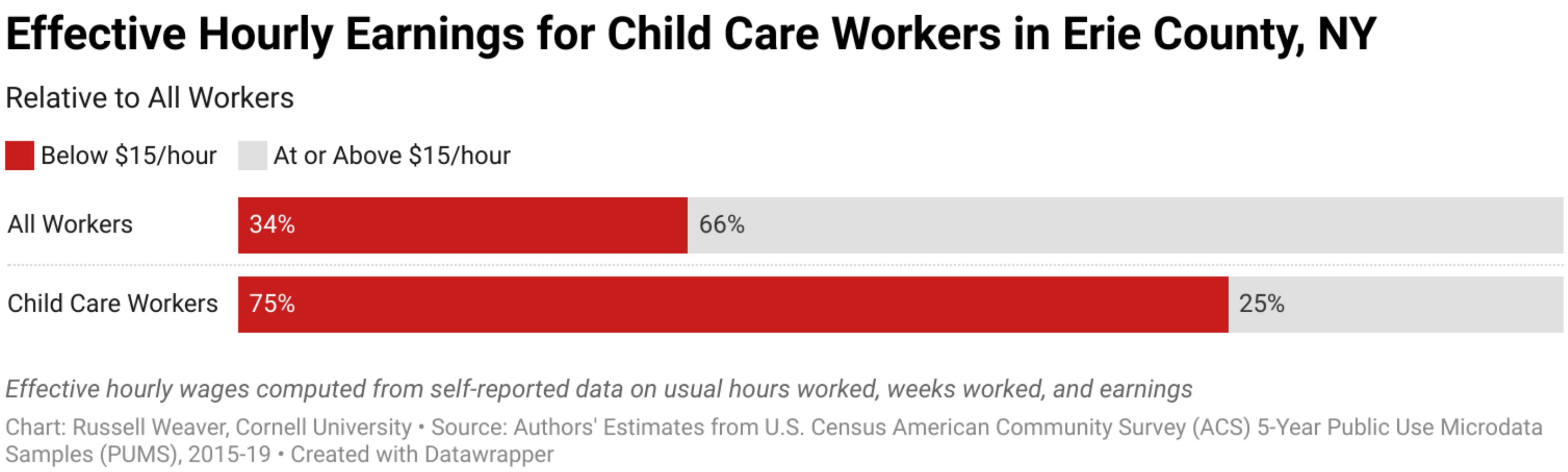
2021 Living Wage for a Single Adult: **$14.59**

Source: https://livingwage.mit.edu/counties/36029



Workforce Overview

More generally, **three-quarters of all child care workers report earning effective hourly wages below $15, compared to just one-third of all workers in Erie County**.



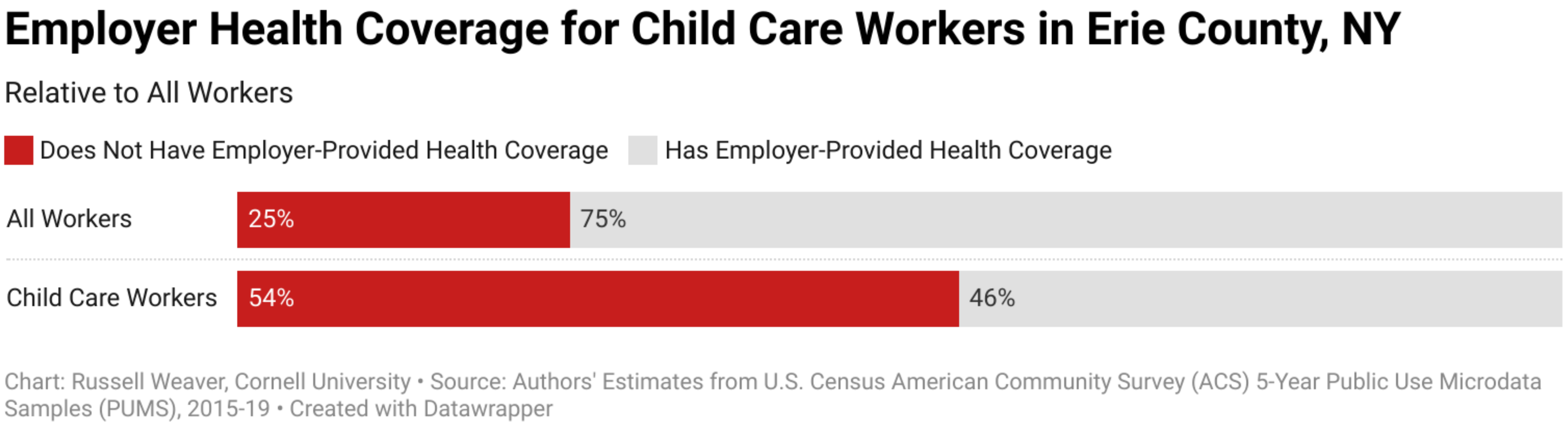
If it were possible to **immediately increase all sub-$15/hour child care workers' hourly pay to $15 and pay them for all the hours they work, the cost would be approximately $27.8 million per year**.

Still, even that investment would likely be insufficient to attract and retain quality workers. As multiple providers noted during focus groups, the child care workforce is increasingly losing employees to retail and fast-food establishments that have been raising wages during the COVID-19 pandemic (to $16-$17/hour) to cope with understaffing.

Workforce Overview

Compounding low wages and long work hours, self-reported ACS data show that child care workers are less likely to receive employer-provided health benefits than a typical member of the Erie County labor force.

More than half of child care workers lack employer health insurance, compared to one-quarter of the Countywide labor force.



Industry and Workforce Overview

Taken together, BLS and ACS data point to at least four broad conclusions about child care work and workers in Erie County:

1. Employment in child care was decreasing prior to COVID-19, and the pandemic likely accelerated this trend.
2. Jobs vacated or lost in child care since 2018 were likely concentrated at low end of the pay scale, leading to the appearance of rising average wages.
3. However, wages and benefits in the industry remain critically low. Three-quarters of self-identified child care workers earn effective wages below $15/hour, and fewer than half of workers report having employer-provided healthcare. Providers report losing workers to retail and fast-food establishments like McDonalds and Delta Sonic, where starting wages have increased to $16-$17/hour to attract employees.
4. Child care workers are disproportionately women and persons of color. As such, low wages and poor benefits in child care exacerbate existing, systemic patterns of economic inequality in society.

Provider Survey and Focus Groups

The secondary data summarized hereinbefore made it clear that child care work is underfunded in Erie County.

Workers, on balance, earn low wages and seem to lack essential job-related benefits like employer-provided health coverage. That the number of child care employees in the County has been falling is not coincidence. Upward pressure on wages in other traditionally low-paying industries (e.g., retail and food service) might be acting as a pull factor – *pulling* workers out of child care and into higher paying jobs; while financial strains on providers, made worse by the pandemic, are concurrently *pushing* workers out of the industry via temporary or permanent layoffs or business closures.

Given the critical role that (child)care work plays in society, allowing these dynamics to play out uninterrupted could have multiplying, and devastating, effects throughout society and the economy.

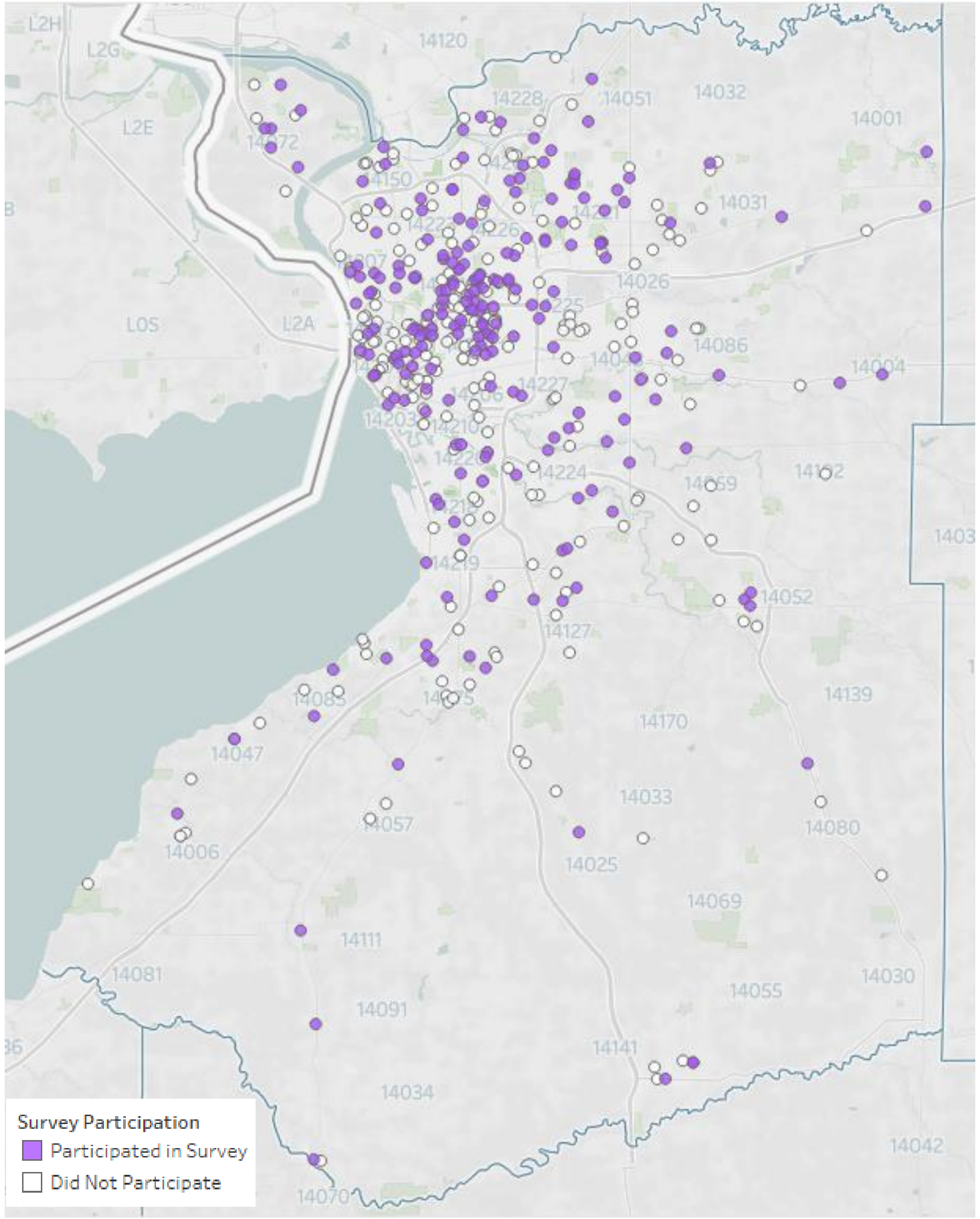
To get a sense for **how much funding might be needed to better address existing costs of care** – and, potentially, to enhance the quality of care – the research team conducted a survey and four focus groups with Erie County child care providers.

Survey: Sample

The on-line survey was sent to all 499 licensed providers registered with NYS OCFS. In total, the team obtained 234 valid responses.

Both the spatial distribution of respondents and the breakdown of responses by program type were well-matched to population totals. Moreover, the survey achieved better response rates than the NYS market survey (for County Cluster 2) in all program types.

Program Type	# in Sample	% of Sample	# in Population	% of Population	Response Rate
FDC and GFDC	92	39.3%	188	37.7%	48.9%
DCC and SACC	142	60.7%	311	62.3%	45.7%
Total	**234**	**--**	**499**	**--**	**46.9%**

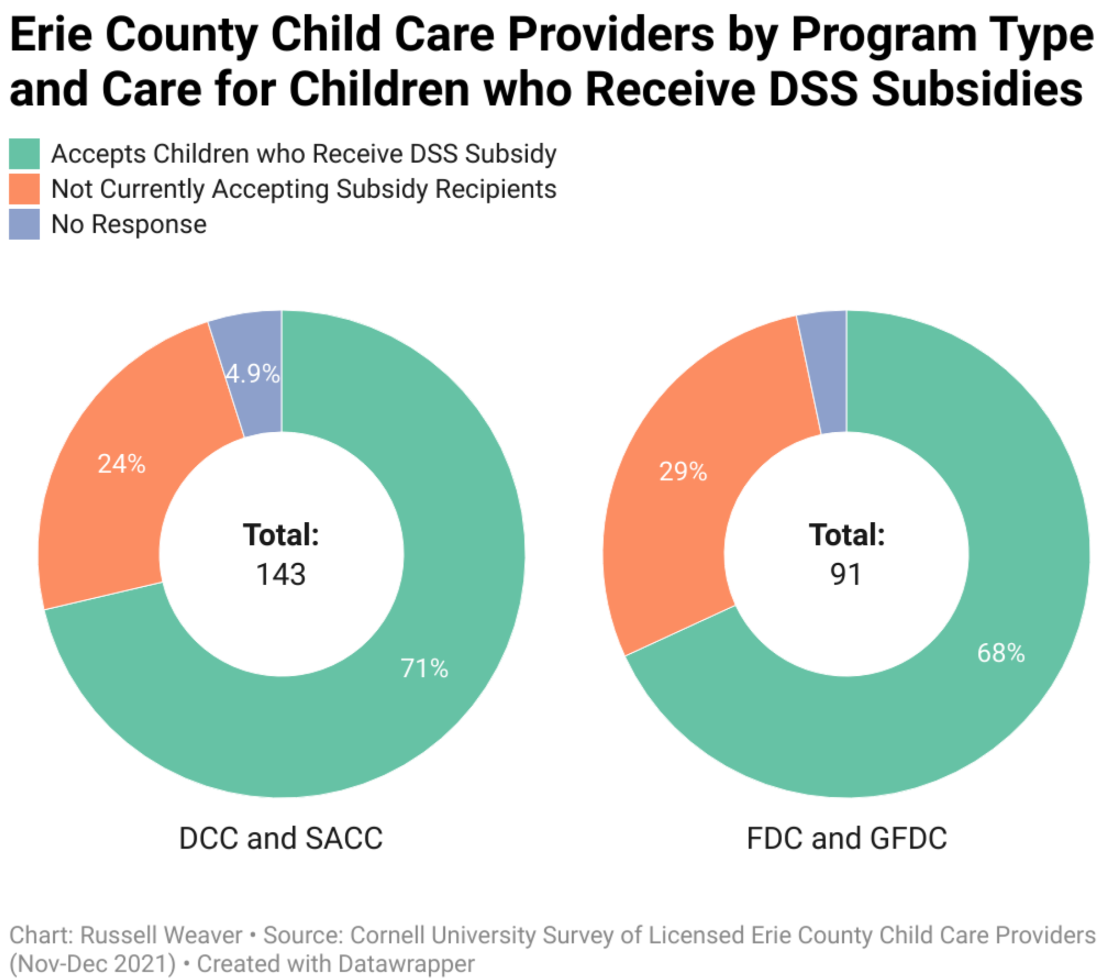


Survey Results: DSS Subsidized Providers

Altogether, **70% of responding providers indicated that they accept and care for children who receive Erie County DSS subsidies.**

Countywide, DCC and SACC programs were slightly more likely than FDC and GFDC programs to indicate that they accept children who receive subsidies.

However, children receiving subsidies make up a greater percentage of children served at FDC and GFDC facilities compared to DCC and SACC programs **– the median share of DSS-subsidized children is 33% at family and group family facilities, but only 13% at day care centers and in school-aged programs.**

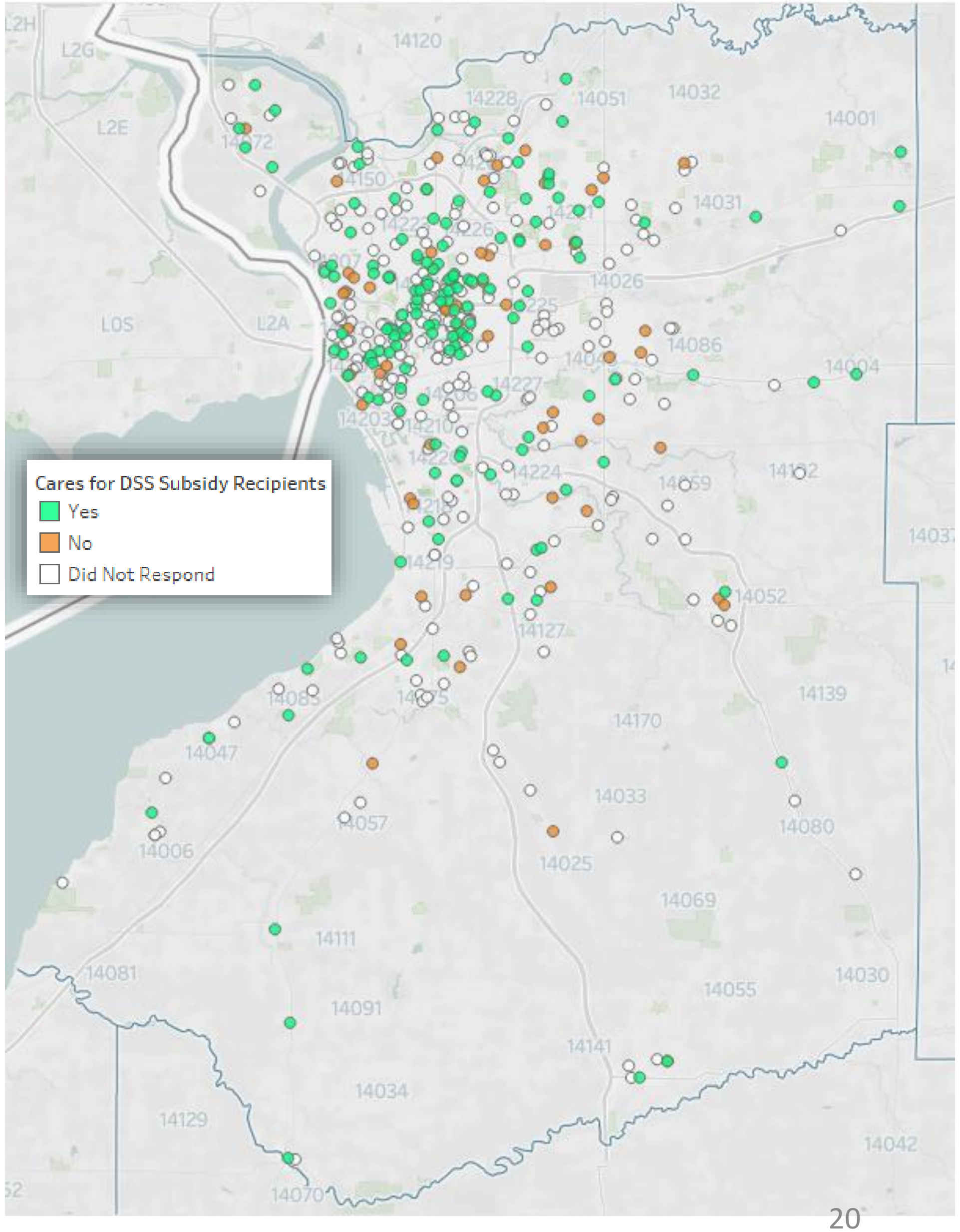


Survey Results: DSS Subsidized Providers

Reflecting the geography of poverty, DSS-subsidized providers are located disproportionately in the City of Buffalo.

Compared to the 63% of respondents outside of the City who reported that they accept children receiving subsidies, nearly eight in ten Buffalo-based providers (78.5%) care for children who receive subsidies.

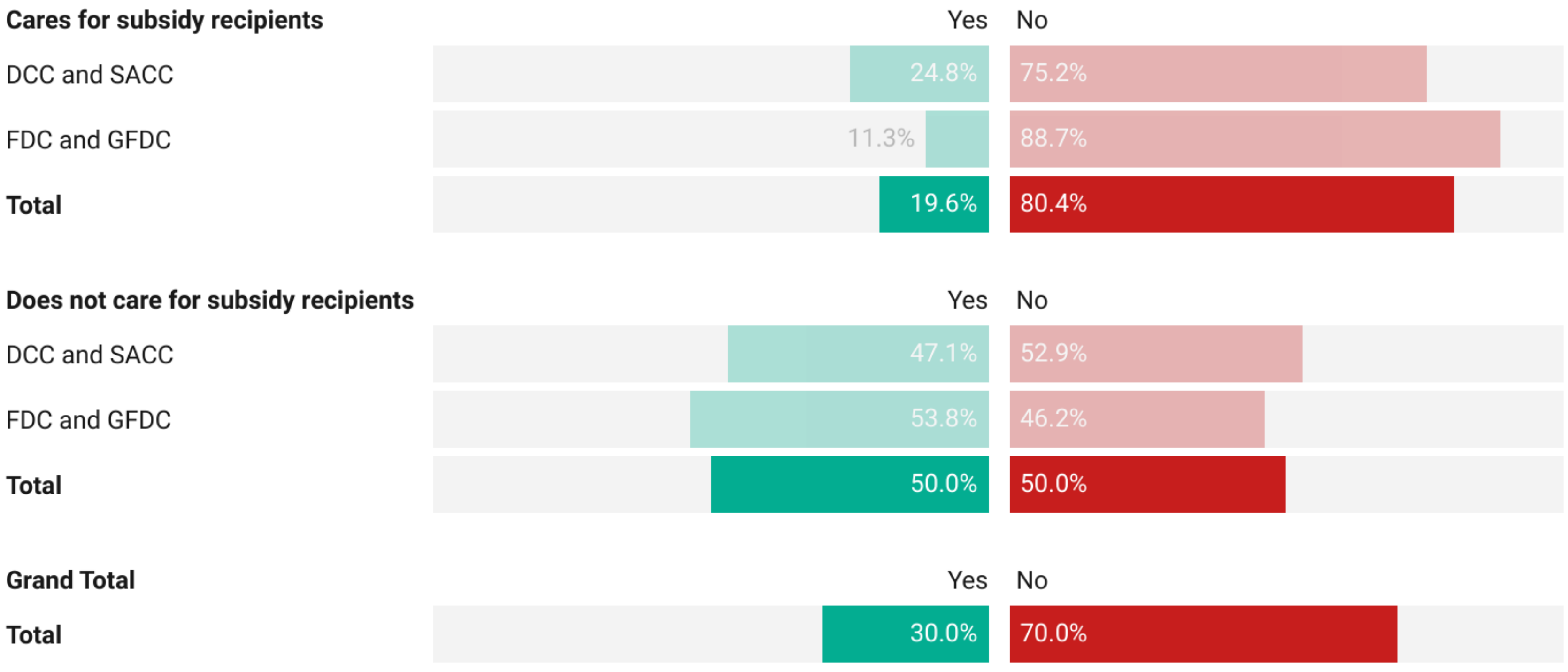
Stated another way, Buffalo-based providers account for fewer than half (45.7%) of survey respondents but are the majority (51.2%) of respondents who accept DSS subsidies.



Survey Results: Quality Care

Seven out of every ten survey respondents indicated that they currently do not make enough money to offer the level and quality of services they wish to provide. However, the situation is much more severe for DSS subsidy recipients. **Over 80% of subsidized providers do not generate enough revenue to provide desired levels of care, compared to just 50% of their counterparts who rely more heavily on other funding sources** (especially parent private pay). The implication is that the **facilities serving more financially disempowered children are themselves more financially disempowered.**

Is your child care business making enough money to provide the services you would like to provide?

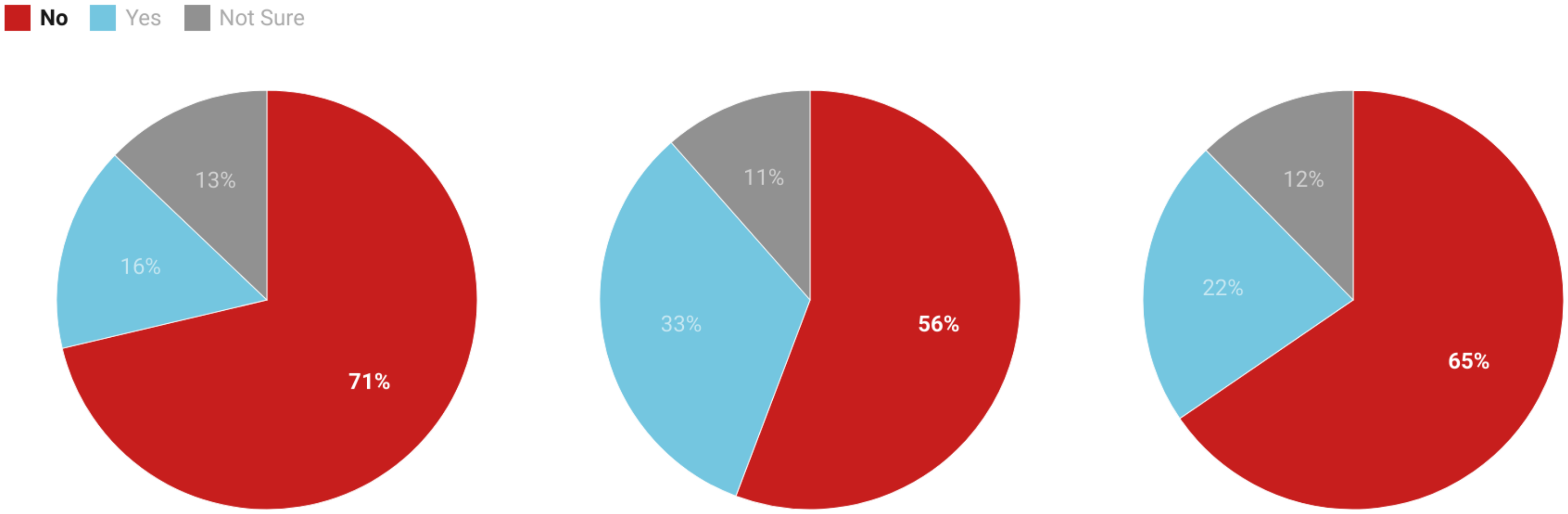


Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Quality Care

Echoing the previous finding, roughly two-thirds of respondents who accept DSS subsidies agree **that existing subsidy rates do not cover their *current* costs of care** – suggesting that the rates are well below an amount that would allow providers to offer their *desired* levels of care.

Does the current Erie County DSS child care subsidy fully cover your costs of providing care for the child(ren) receiving the subsidy?



DCC and SACC	**FDC and GFDC**	**Total**
# of respondents who serve children receiving subsidies: 101	# of respondents who serve children receiving subsidies: 61	# of respondents who serve children receiving subsidies: 162

Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Capacity and Demand

One potential consequence of insufficient DSS subsidy rates is unrealized capacity. Whereas most providers (51.7%) who do not accept DSS subsidies wish to continue operating at their current scales over the next two years, more than three-fifths (60.7%) of subsidy recipients expressed a desire to expand or increase the services they currently offer.

What are your goals for your child care business in the next two years?

Cares for subsidy recipients	Expand or Increase Services	Remain the Same	Reduce Services or Close
DCC and SACC	61.8%	36.3%	2.0%
FDC and GFDC	59.0%	32.8%	8.2%
Total	60.7%	35.0%	4.3%

Does not care for subsidy recipients	Expand or Increase Services	Remain the Same	Reduce Services or Close
DCC and SACC	61.8%	38.2%	0.0%
FDC and GFDC	23.1%	69.2%	7.7%
Total	45.0%	51.7%	3.3%

Grand Total	Expand or Increase Services	Remain the Same	Reduce Services or Close
Total	57.3%	38.8%	3.9%

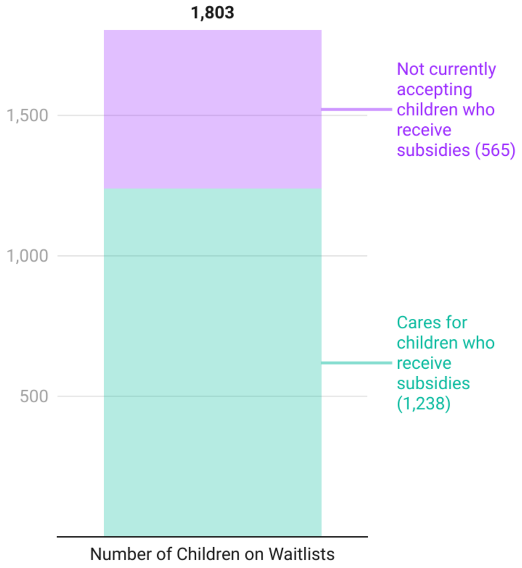
Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Capacity and Demand

Unlocking the latent capacity described on the last slide might help to address existing mismatch issues. Namely, 101 survey respondents (81.2% of which were DCC and SACC providers) reported having waitlists, with 1,803 total children represented on those lists (note: it is not possible to know how many children appear on multiple lists).

Roughly 69% of those 1,803 children are on waitlists at providers who accept DSS subsidies. Recall that such providers were much more likely than non-subsidy recipients to express a desire to expand.

If you have a waitlist, how many children are on it currently?



Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

That being said, most providers – including those with waitlists – are currently caring for fewer children than the number for which they are licensed. DCC and SACC providers who do not accept DSS subsidies have the highest median number of seemingly unused slots, at 13. However, focus groups revealed that at least some of this "excess capacity" is likely to be temporary, as providers are holding slots for families whose schedules and employment have been affected by the COVID-19 pandemic.

Median Number of Unused Slots* for Erie County Child Care Providers, by Provider Type and Subsidy Acceptance

Program Type	Accepts Children Receiving DSS Subsidies	Does Not Accept Children Receiving DSS Subsidies	Total
DCC and SACC	10	13	12
FDC and GFDC	3	2	3
Total	5	4	5

**The number of unused slots, or excess capacity, for a given provider is computed as the number of children the provider is licensed to care for minus the number of children the provider is currently serving.*

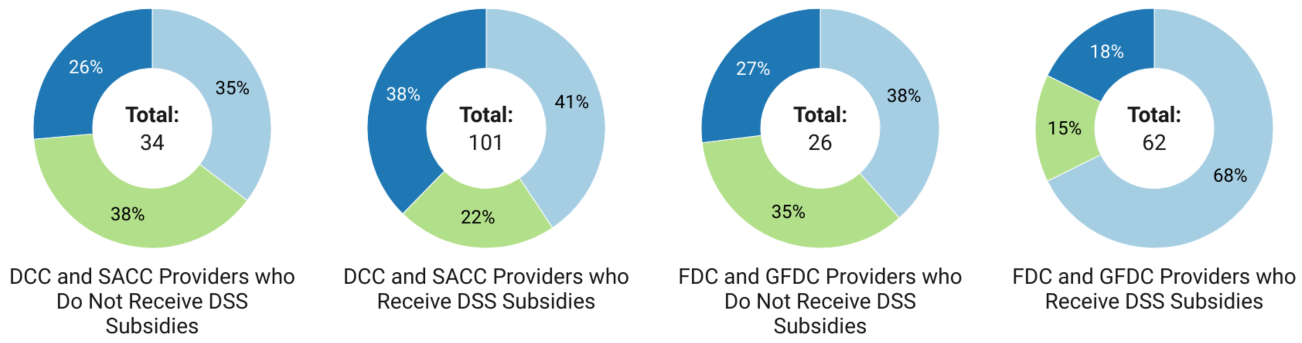
Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Capacity and Demand

The possibility of temporary excess capacity, especially for DCC and SACC providers who do not accept DSS-subsidized children, is also hinted at in provider responses to other survey questions. The plurality of non-DSS-subsidized DCC and SACC respondents reported that COVID has not affected their enrollments. However, **centers that are operating below capacity point to a lack of qualified workers as the main reason why**. For FDC and GFDC providers, the plurality of non-subsidized respondents are not operating below capacity. Those that are, though, cite insufficient applications and enrollment – which is the same barrier facing FDC and GFDC providers who accept DSS subsidies, and who have experienced lower enrollments during the pandemic.

Since COVID 19, how have your enrollments/demand for your services changed?

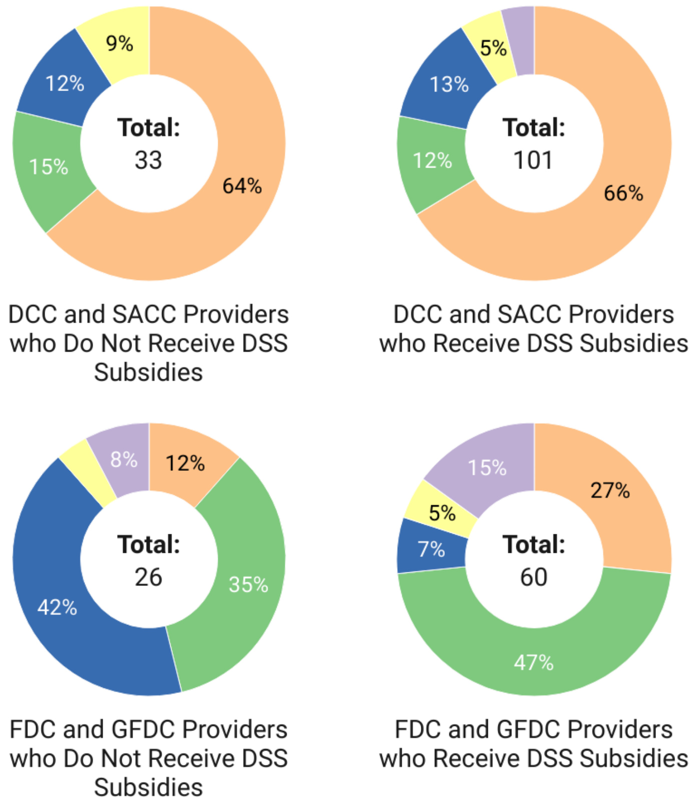
Fewer enrollments and less demand for services | Enrollments stayed about the same | More enrollments and demand for services



Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

If you are operating below capacity, what is the primary reason?

- Lack of qualified workers
- Lack of applications and enrollment
- We are not operating below capacity
- Other
- Lack of income to cover costs



Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Goals and Priorities

To this point, survey data have shown that Erie County child care providers, on balance, are not making enough money to offer the quality and level of services they wish to offer – and that this tendency is especially true for providers who accept children on DSS subsidies.

On that backdrop, an important question is: into which areas would providers prioritize investment if they had sufficient funding?

Despite the difference between subsidy-accepting and non-subsidy-accepting providers observed thus far, median rankings of both groups of respondents were identical when asked to prioritize eight categories of investments. **Higher salaries and better benefits for current staff, additional staff, and capital improvements top the list.**

Please rank from most important (1) to least important (8) the categories of spending you would prioritize with additional funding

Spending Category	Priority (1=Most Important)
Increase wages, benefits, offer staff development	1
More staff	2
Larger or renovate existing space	3
More outdoor space, new play area	4
Arts/crafts/toys/technology/field trips	5
Books	6
Baby equipment	7
Other	8

Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

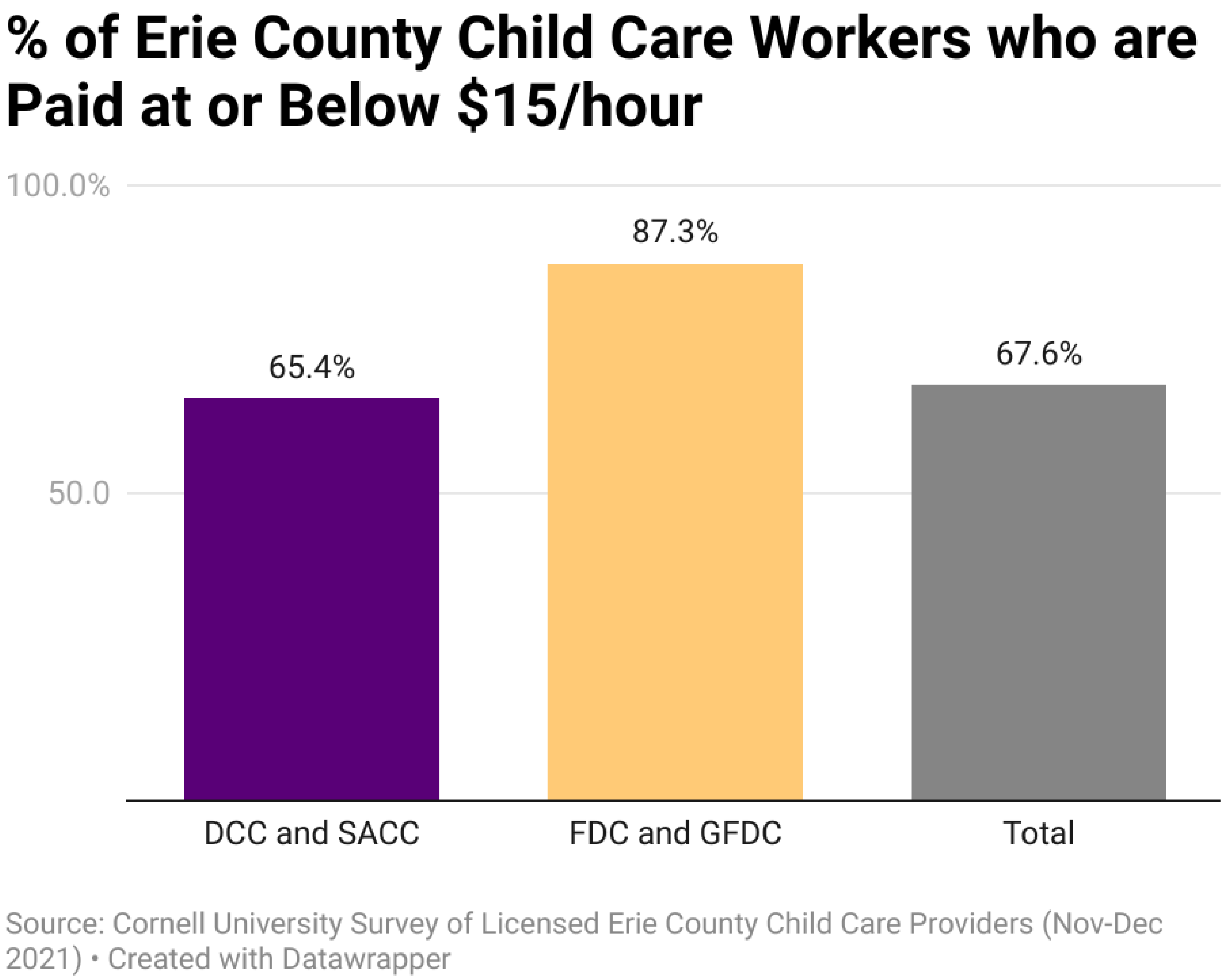
Survey Results: Staffing and Wages

Consistent with the secondary BLS and U.S. Census ACS data summarized earlier, the providers who participated in the survey and focus groups collectively agree that resources are too scarce in their industry to offer salary and benefits packages that fairly and adequately compensate child care workers (including themselves). Poor compensation, in turn, makes it difficult for providers to attract and retain qualified staff. **At bottom, current prevailing wages for child care work in Erie County are a major barrier to expanding the size of the industry and enhancing the quality of care.**

Mirroring the ACS and BLS data, survey respondents report that nearly seven of every ten workers at their establishments (67.6%) earn at or below $15/hour. Recall that pre-pandemic ACS data suggested that 75% of Erie County child care workers earn below $15/hour. Whereas the ACS estimate is slightly higher than the information obtained from survey respondents, keep in mind that the child care workforce shrank by 11% between 2019 and 2020. At least some of that contraction is probably attributable to COVID-19. Because pandemic-related job losses have been concentrated at the low end of the pay scale, it is reasonable to expect that the recent losses in child care jobs in Erie County followed that pattern.

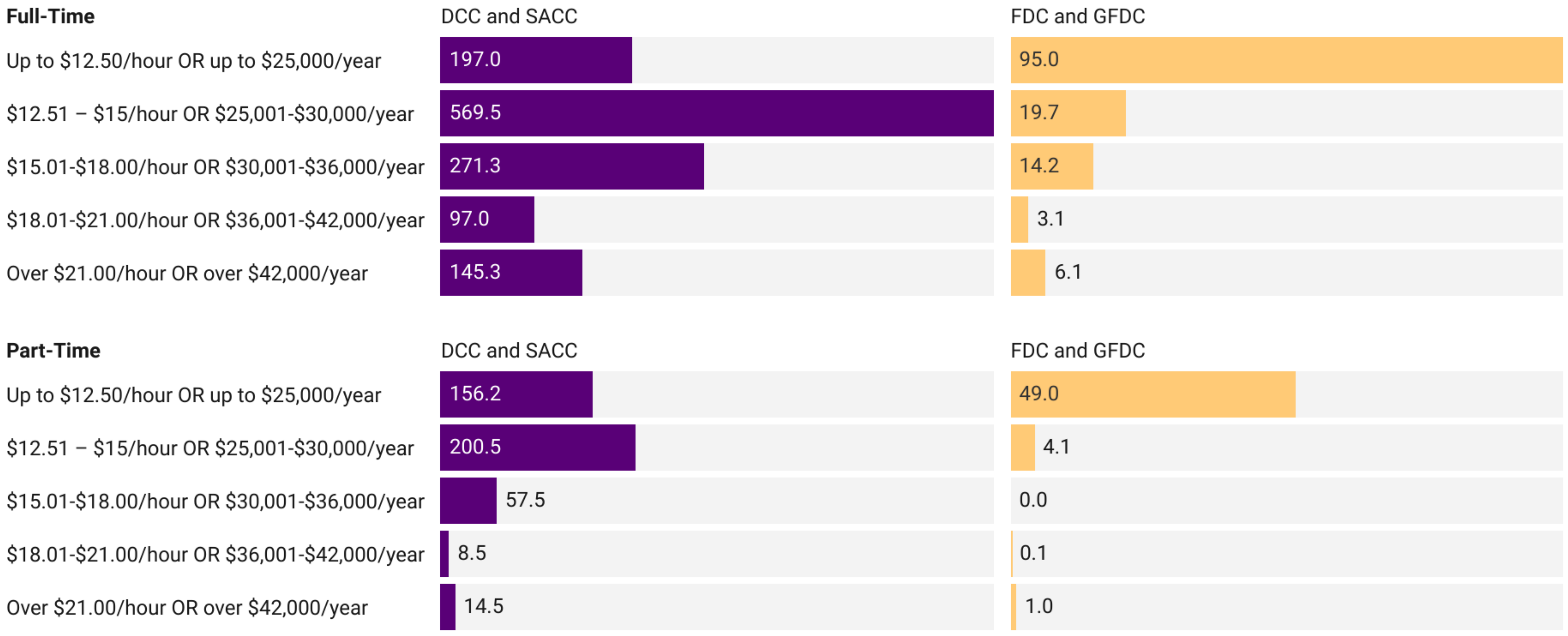
Accordingly, the slightly lower fraction of low-wage workers reported by survey respondents relative to ACS data is plausibly due, at least in part, to fewer sub-$15/hour earners in the workforce now compared to when the ACS data were collected. That observation notwithstanding, the survey strongly buttresses the narrative that child care work in Erie County is low-wage work. **The plurality of employees at DCC and SACC facilities earn $12.51-$15/hour; while the majority of FDC and GFDC providers earn at or below the current Erie County minimum wage of $12.50/hour.**

Survey Results: Staffing and Wages



Survey Results: Staffing and Wages

How many employees working at your facility fall into each of the following pay ranges?



Full-time >= 30 or more hours per week; Part-time < 30 hours per week

Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Costs of Care

Assuming that FDC and GFDC providers tend to be self-employed, while workers at DCC and SACC programs tend to be employed by others, data provided by survey respondents are quite consistent with data reported by self-identified child care workers in the ACS PUMS. Namely, the ACS data showed that 82% of child care workers work for employers, with the remaining 18% self-employed. Using the preceding logic – as well as the employment levels reported in the preceding figure – 89.9% of staff represented in the survey work for DCC or SACC programs, with the remaining 10.1% working at FDC and GFDC facilities. **The relative correspondence between sample data and data from authoritative external sources implies that information on personnel and non-personnel costs provided by survey respondents should paint a realistic picture of the cost of child care in Erie County.**

To begin painting that picture, the research team made the following <u>simplifying</u> assumptions:

- For each pay range on which data are available (see previous slide), full time staff members in that range earn wages at the midpoint. Part time staff members earn one-half of that midpoint
  - E.g., FT staff members in the >$25,000 to $30,000 range earn, on average, $27,500 per year; their PT counterparts earn $13,750
  - The <=$25,000 range is bottom-coded at $25,000 for FT; the >$42,000 range is top-coded at $50,000 for FT
- "Personnel" costs equal the sum of estimated salary expenses *plus* the estimated value of health benefits (respondents self-reported the number of employees receiving such benefits, if any, as well as the average monthly contribution per employee), retirement benefits, and paid leave
- "Non-personnel" costs equal total personnel costs divided by a provider's self-reported share of personnel costs relative to total costs (respondents reported what percentage of their total costs are personnel costs)
- "Total" costs equal total personnel costs plus total non-personnel costs

Survey Results: Costs of Care

Approximately half of respondents were unable to provide complete data on their personnel and non-personnel costs. About 20% of those respondents who did supply complete data came from facilities that do not receive DSS subsidies. Thus, the analyses and thought exercises that follow are based on only a subset of the survey sample (i.e., providers who receive DSS subsidies *and* who supplied usable cost data).

For that reason, cost estimates obtained from the self-reported survey data are later compared to – and shown to be compatible with – statewide cost estimates from the Center for American Progress (CAP). On that backdrop, the table to the right presents average values, by provider types, for key cost variables.

Average Values of Key Cost of Care Variables for Erie County Child Care Providers, by Program Type

Provider Type	DCC and SACC	FDC and GFDC
Personnel Costs as a Percent of Total Costs	64.2%	45.8%
Staff Members	14	4
Estimated Wages and Benefits (Annual)	$383,751	$85,183
Estimated Wages and Benefits per Staff Member	$28,692	$21,895
Estimated Non-Personnel Costs (Annual)	$259,370	$137,671
Estimated Total Costs (Annual)	$643,121	$222,855
Children Currently Serving	56	11

Limited to respondents who receive DSS subsidies and provided complete cost data

Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Costs of Care

Not surprisingly, FDC and GFDC facilities, on average, have smaller staffs and serve fewer children than DCC and SACC programs, and their workers appear to earn lower average wages.

Importantly, though, family providers report that non-personnel costs constitute a significantly higher share of their total costs (on average). This finding fits with anecdotal evidence obtained in two focus groups that were held with FDC and GFDC providers. The providers, who all operated out of their homes, stressed that they are essentially always "on duty" – cleaning, making repairs, shopping for supplies while running household errands – because they spend most of their time at, and stewarding, their home-workplaces.

Focus group participants uniformly agreed that they work 1,000 to 1,200 hours per year that go uncompensated, and that they are never able to fully "write off" their true expenses on their tax returns because their work-related expenses are so intermixed with their household expenses.

When asked about their greatest costs, one provider responded: ***"My biggest cost is what I'm not getting by doing this job."*** Economists refer to this concept – what one could earn if they used their time and resources for some other purpose – as an *opportunity cost*. It was clear during the focus groups that FDC and GFDC providers are fully aware of their opportunity costs – suggesting that their tendency to report higher relative non-personnel costs than DCC and SACC providers might reflect an inherent accounting for these [non-monetary] costs in their survey responses.

Survey Results: Costs of Care

While at-home providers were open with the research team about their non-personnel and opportunity costs during focus groups, and while such information appears to explain the relatively high levels of non-personnel costs reported by FDC and GFDC survey respondents compared to DCC/SACC respondents, **the NYS Market Survey used to establish DSS subsidy rates is based on the *rates that providers charge parents and guardians***.

One consistent theme to emerge in all four focus groups conducted by the Cornell researchers – but especially in the two that featured at-home providers – is that **providers feel that they are unable to raise rates to desired levels because they will lose clients to lower cost alternatives**. As an extreme (though still hypothetical) example, there is a near-universal fear among providers that federal funding for universal Pre-K will see most families with Pre-K-aged children opt out of the existing provider landscape in favor of public schools.

These observations about the ways in which **market pressures push providers to charge below-true-cost rates imply that the existing, market-price-based DSS subsidy rate schedule does not reflect true costs of child care**. Put another way, as 65% of survey respondents who care for DSS-subsidized children observed (see above), current subsidy levels are too low.

Survey Results: Costs of Care

The current NYS subsidy schedule for Erie County is shown below. Each value represents the weekly subsidy payment that a provider would receive if a student in the given age group were to attend the provider's facility on a full-time basis for an entire week.

Current NYS Child Care Market Subsidy Rates for Erie County

Values are expressed as weekly rates per subsidized child

Provider Type	DCC and SACC	FDC and GFDC
Infant	$280	$190
Toddler	$264	$185
Pre-K	$245	$180
School-Aged	$215	$175

Source: NYS Childcare Market Rate Survey 2019 and Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Costs of Care

As intimated above, **providers receive subsidies based on *attendance*, not *enrollment***. For example, if a DCC cares for one infant whose tuition is subsidized by DSS, then the provider is paid the full rate of $280 per week for that infant only if the infant attends the facility full-time for the whole week. If the infant is ill or otherwise unable to attend the facility for, say, three days during a specific week, then the provider will only receive the *daily* subsidy rate ($59/day) for the two days that the child was in the provider's care. Thus, even though the provider's costs remain the same – staff, utilities, supplies, etc. – they are subsidized by only $118 (2 days x $59/day) rather than the weekly $280 rate they would normally receive.

The takeaway is that **providers essentially never receive the full value of the subsidy for any given child over the course of a year** – a point that was made and reinforced with strong emphasis by all subsidy-accepting providers during the four focus groups. For the purposes of this report, the implication is that applying the full weekly subsidy rates to the number of children receiving DSS subsidies (if any) that each provider self-reported in the survey will meaningfully *overstate* the amount of subsidy that a provider actually receives. Herein, the research team therefore adopts a conservative assumption that a provider receives, on average, 75% of the full subsidy value for each subsidized child in their care. Based on focus group conversations, even this assumption is likely to overstate a provider's actual amount of subsidy received. However, absent more exact figures, the 75% assumption allows for a useful starting point.

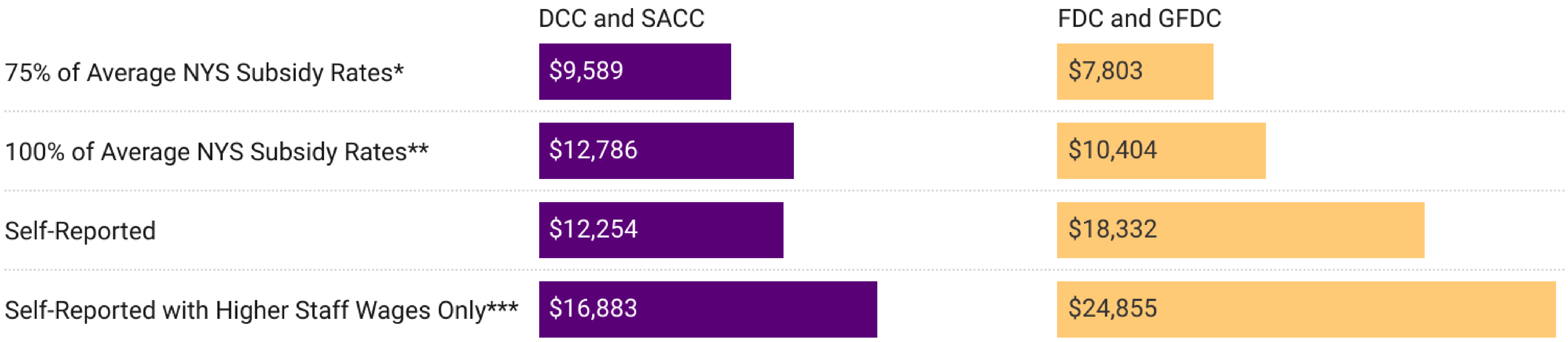
Survey Results: Costs of Care

To begin, the chart that follows shows the average cost per child of child care for four scenarios:

1. Scenario 1 applies current weekly NYS subsidy rates to the number of subsidized children self-reported by providers, adjusting for the ages of children served by the providers. It then multiples that total by 75% and divides by the number of children receiving subsidies.
2. Scenario 2 assumes that providers receive full weekly rates for all subsidized children in their care. In other words, all subsidized children are assumed to attend full-time on a year-round basis.
3. Scenario 3 sums self-reported personnel and non-personnel costs and divides by the number of children currently in a provider's care. Because respondents were asked for the total number of children in their care – and not the number of full-time children – costs per child will appear artificially low for providers who care for relatively many part time children (i.e., the denominator in the ratio of total cost to number of children served will be higher).
4. Scenario 4 begins with the self-reported costs from Scenario 2 and adds the cost of increasing the wages of all staff members, while holding all other costs (benefits and non-personnel costs) constant. The following wage increases were applied:
    a. Hourly wages for full-time (FT) staff were set to $25/hour, which is roughly what federal minimum wage would be if minimum wage continued to track with productivity as it had up until the 1960s. Hours for all FT staff were set to 40.
    b. Hourly wages for part-time (PT) staff were set to $20/hour, which is the midpoint between the roughly $15/hour "living wage" for a single adult without children in Erie County and the $25/hour rate described above. Hours for all PT staff were set to 20.

Survey Results: Costs of Care

Approximate Annual Cost Per Child of Child Care, Under Selected Scenarios



**Based on self-reported classroom sizes and total number of DSS-subsidized children.*
***Assumes that all DSS-subsidized children attend full-time, year-round, and providers receive full weekly rates for all subsidized children.*
****Higher Staff Wages are set at $25/hr for FT workers and $20/hr PT. FT and PT were set at 2,080 and 1,040 hours per year, respectively.*

Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Survey Results: Costs of Care

The previous graph reaffirms that, regardless of the scenario, NYS subsidy rates fall short of covering the costs of child care in Erie County. To better understand the typical "gap" between subsidy rates and costs of care, the research team, for each provider who supplied usable data, computed the difference between the provider's estimated annual subsidy received per child per year (which the researchers set at 75% of the subsidy if all subsidized children received the full weekly rate), and the cost per child per year implicated in the provider's self-reported data. (In other words, for each provider, the researchers computed the difference between Scenario 1 and Scenario 3 as described above.) These provider-by-provider "gaps" were then divided by 52 to express them in weekly terms. Finally, weekly gaps were averaged by provider type to estimate the typical dollar amounts, per child per week, by which current subsidy rates fall short of covering provider costs.

Provider Type	Typical Weekly Gap per Child	Approximate Gap Per Child Per Month	Approximate Gap Per Child Per Year
DCC and SACC	$53	$230	$2,756
FDC and GFDC	$107	$464	$5,564

Survey Results: Costs of Care

The data suggest that, on average, **raising weekly subsidy rates by $50-$55 per child for DCC and SACC providers and $105-$110 per child for FDC and GFDC providers will begin to close many of the gaps between current subsidy levels and providers' costs of care.** However, recall that most providers who accept DSS-subsidized children (61%) indicated that they hope to expand – and more than 80% of such providers stated that their current financial constraints are preventing them from providing the quality of services and/or the quality working environment for their employees that they wish to offer. Accordingly, it is useful to think about gaps not just between existing subsidy rates and costs of care for *current* services, but also between subsidy rates and the costs of raising quality in the industry (both of care and for child care workers).

Scenario 4 describes a first step for raising quality in the child care industry: raising workers' wages (while holding all else constant). In general, fairer compensation is tied to worker happiness and productivity, and higher wages are associated with lower worker turnover. Providers recognize these relationships. Attracting and retaining quality staff was cited by providers as a major barrier to fulfilling their ambitions; and paying staff fairer wages was, on balance, the highest priority of survey respondents. Scenario 4 is a modest, conservative, proposal that simulates provider costs if **full-time (FT) workers were paid $25/hour for 40 hours/week of work and part-time (PT) employees were paid $20/hour for 20 hours/week**. According to the most recent BLS Employer Cost for Employee Compensation survey (for June 2021), the national average wage in the Educational and Health Services industry is $28.26/hour for FT employees and $22.76 for PT employees. In that respect, the wage rates used in Scenario 4 are slightly below the national industry-wide average. **The costs of Scenario 4 should therefore be considered a floor rather than a ceiling. Ideally, efforts to raise wages in child care should aim higher and include additional funding for employee benefits.**

Survey Results: Costs of Care – Higher Wages

Following the strategy used earlier to quantify the typical "gap" between subsidy rates and self-reported costs of care, the researchers computed differences between providers' estimated subsidy per child per year (which, again, the researchers set at 75% of the subsidy if all subsidized children received the full weekly rate), and costs per child per year if providers' self-reported data on costs were increased by the additional cost of raising their employees' wages to $25/hour for FT workers and $20/hour for PT workers. As before, provider-by-provider "gaps" were then divided by 52 to express them in weekly terms, and weekly gaps were averaged by provider type to estimate the typical dollar amounts, per child per week, by which current subsidy rates fall short of covering costs in this "Higher Wages" scenario. **Implementing this scenario, which would allow most providers to begin addressing their #1 priority of raising staff wages, would require increases in weekly subsidy rates of around $140 per child for DCC and SACC providers and $240 per child for FDC and GFDC providers.**

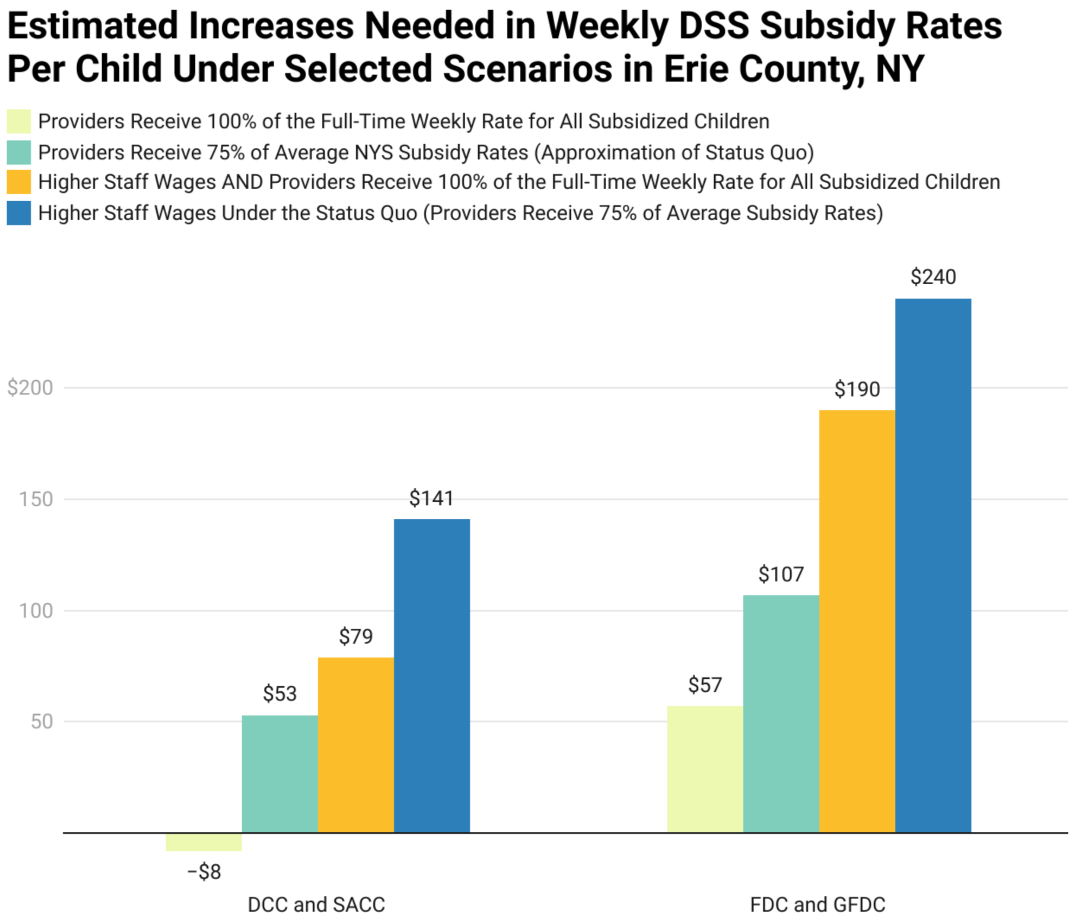
Provider Type	Typical Weekly Gap per Child	Approximate Gap Per Child Per Month	Approximate Gap Per Child Per Year
DCC and SACC	$141	$611	$7,332
FDC and GFDC	$240	$1,040	$12,480

Survey Results: Costs of Care – Summary

Based on self-reported data, paying providers 100% of full-time weekly subsidy rates for all DSS-subsidized children might cover current costs of care per child for DSS and SACC providers, but not FDC and GFDC providers. However, recall that respondents from all program types largely agreed that existing rates do not cover the costs of their *desired* levels of care. And, under the current policy of paying subsidies based on attendance and not enrollment, providers almost never receive the full weekly subsidy rate for each subsidized child in their care. Thus, survey data suggest that raising weekly rates by around $53 for DCC/SACC programs and $107 for FDC/GFDC programs would (on average) better cover the costs of care under the status quo.

Next, providers to agree that the first step toward higher quality care is to raise wages in the workforce. In the fourth scenario, in which FT and PT workers are paid $25 and $20 per hour, respectively, the weekly subsidy rate would need to increase by around $141 per child for DCC/SACC and $240 per child for FDC/GFDC (on average). In something of a hybrid option, the third scenario shown in the figure presents the weekly per-child subsidy increase needed to raise staff wages ***if providers receive the full subsidy rate for all subsidized children in their care***. Put another way, if providers receive the full weekly subsidy rate for all DSS-subsidized children enrolled at their facilities, year-round, regardless of attendance, then the weekly subsidy increase needed to pay higher wages would be around $80 per child for DCC/SACC and $190 per child for FDC/GFDC programs, on average.

The preceding numbers confirm what providers unanimously conveyed in four focus groups: the true cost of quality child care is steep – and it ought to be, given how essential child care is to all other economic activity. After all, as the pandemic is continuing to show, if parents and guardians are not confident that their children can be cared for in a safe, enriching, and yet affordable environment, then they might leave the workforce altogether in favor of at-home caregiving. The more that workers (predominantly women) assess and potentially make this trade-off, the lower the labor force participation rate – and the more likely it becomes that employers in other sectors raise concerns of "labor shortages". **Investing in quality child care is a critical investment into a better functioning, more equitable and democratic economy.**



The third scenario is a compromise that shows the approximate gap between the cost of care when staff wages are raised to $25/hr FT and $20/hr PT when providers receive the full-time weekly subsidy rate, year-round, for all DSS-subsidized children enrolled at their facilities, regardless of attendance.

Source: Cornell University Survey of Licensed Erie County Child Care Providers (Nov-Dec 2021) • Created with Datawrapper

Focus Groups

In November and December, the Cornell research team conducted four focus groups, composed of eight to twelve providers each, across the four child care modalities: Family Day Care, Group Family Day Care, Day Care Center, and School Age Child Care.

The Steering Committee assisted with recruitment for focus groups, and many of the participants previously completed costing workshops with the Child Care Resource Network. These in-depth conversations provided highly valuable information about the true cost of high quality child care, focusing particularly on non-personnel costs. They put a human face on the picture of our child care crisis.

The concerns of providers in the focus groups mirrored findings of the survey. Following are highlights of cost factors, especially those less obvious, more inequitable, or unreimbursed.

Focus Groups: Unpaid Working Time

Group and Family Day Care providers report **working on average 25 hours a week uncompensated.** They receive no compensation for time spent performing many necessary tasks which cannot be performed while the children are at their homes such as shopping for food and supplies, cleaning, yard work, snow removal, maintenance work, food preparation, curriculum preparation, and administrative and book-keeping work.

Often family members help perform such non child care work, and they are not compensated for their time.

The pandemic exacerbated challenges in the already broken child care system. COVID resulted in absences and loss of income while expanding regulations, increasing costs of cleaning, and producing inflation and other market disruptors.

Focus Groups: Attendance vs. Enrollment

The County pays a child care subsidy to children based on attendance versus enrollment in the program, and providers must wait eight (8) weeks for payment.

While providers who enroll non-subsidy children charge families based on enrollment and NOT attendance, providing a predictable source of income.

Virtually every provider who accepts subsidy children states that **payment based on attendance is not a sustainable model** since providers continue to pay fixed costs while not receiving income. This model has been particularly burdensome with children not showing up due to COVID quarantines and illness.

Focus Groups: Food Subsidy Insufficiency

The Federal **food subsidy is insufficient to pay for feeding children healthy fresh food.** Food purchases are retroactively reimbursed by attendance and not enrollment. This means providers have to buy enough food for every child enrolled in the program, but when attendance is low they are not reimbursed for the cost of the purchased food.

Inflationary food prices have worsened the problem. Child care providers spend additional, often unpaid time searching for discounted food to feed children within their budget.

The issue has become so severe that providers say they lose money by feeding children.

When one provider noted that she reaches into her own pocket to provide healthy meals, the other providers assured her that such inclinations would lead her to eventually go out of business.

Focus Groups: Compliance Costs

Providers report spending much of their time performing administrative functions such as record keeping to Erie County and OCFS, and they are often not paid for the time spent doing this work. Providers note antiquated and conflicting regulations require inordinate time, and time away from child care.

School aged child centers and day care centers often apply for grants to make up for the true cost of providing quality care, and the time for grant application and grant maintenance has become an additional cost of running a child care center.

Focus Groups: Capital Improvements

The unanimous consensus is that providers do not have sufficient funding for capital improvements. Many providers wish to fund expansion of their businesses by renovating current space or adding additional space in order to increase the number of children they care for.

Providers would like to have more outdoor space and more playground equipment for children. Many providers noted that they have not upgraded their outdoor equipment for *decades*.

Providers note that long term maintenance, renovation and expansion are the first items cut from programs in times of financial distress.

The child care industry's inability to meet daily short term expenses means that its long term physical infrastructure is crumbling.

Focus Groups: Insurance Costs

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Insurance ranks as one of the most costly non-personnel expenses. Many providers are paying more than $10,000 per year in liability insurance and other home owner or facility insurance, and they cannot pass that cost along to families.

High insurance costs are also a barrier to providing services to families. For example, some providers wish to provide transportation to families, but high insurance costs prevent them from offering this service.

Providers suggested that the County/State provide one stop shopping for child care insurance.

Next Steps

Utilize findings to support NYS subsidy increases.

Continue collaboration with public officials, providers, and advocates for policy reforms and local innovation.

Complete phase two of the project with full report in April 2022.

Working Together

for equality, accessibility, affordability, and diversity,
in a sustainable high quality child care system
to match what our children deserve.