

The Growing, Annual Cost of the Infant-Toddler Child Care Crisis in South Dakota

Impact on families, businesses, and taxpayers could cost the state \$329 million each year



Acknowledgements

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Author:

Sandra Bishop, Ph.D., Chief Research Officer

Contributors:

Kate Schaefer, Associate Director

Nancy Fishman, National Director

Mariana Galloway, Art Director

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\$329 million

South Dakota's estimated annual cost for the infant-toddler child care crisis

Summary

South Dakota working parents know how difficult it is to find child care that's accessible, affordable, and high-quality. This problem is particularly acute for parents of very young children, as infant and toddler care is typically the least available and most expensive. Further, children under age 3 are experiencing one of the most crucial periods of brain development. South Dakota employers know the economic impact of these child care challenges, that will only worsen as the child care crisis continues.

ReadyNation's new national study found that America's infant-toddler child care crisis now costs the nation \$122 billion in lost earnings, productivity, and revenue every year.¹ This staggering economic toll impacts working parents, their employers, and the nation's taxpayers. Our 2018 study found that the crisis was already severely

damaging the economy, exacting a cost of \$57 billion annually. The crisis is now significantly worse.

South Dakota's Gross Domestic Product (GDP) represents roughly 0.3 percent of the nation's GDP. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to an estimated \$329 million in annual costs for South Dakota.

Beyond its impact on the workforce and economy today, the infant-toddler child care crisis damages the future workforce by depriving children of safe, healthy, educational environments that support brain development while their parents work.

As our data from the past four years shows, a failure to strengthen the country's fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers. State and federal



policymakers must support evidence-based policies and programs that enhance the availability and affordability of high-quality child care. In particular, South Dakota policymakers must promote health and safety in child care settings and support the child care workforce. With wise investments, policymakers can improve life outcomes for thousands of South Dakota children today and strengthen our state's workforce and economy both now and in the years to come.

Most parents of infants and toddlers are in the workforce and need child care

In South Dakota, there are approximately 36,000 children under age 3. Three-fourths (75 percent) of these infants and toddlers have mothers who are in the workforce, the third highest rate in the nation.²

With parents working, many children are in child care. Parents need child care so that they can work and build successful careers to support their families. To be productive at work, they also need to know that their child care program provides a safe, nurturing

environment that supports their child's development and early learning during a critical period of brain development.

The current child care system does not meet the needs of South Dakota families or employers

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

- **Access:** Nearly half (43 percent) of South Dakotans live in a child care "desert," where there are more than three children under age 5 for each licensed child care slot.³ Availability is especially limited for families who have infants and toddlers, have low incomes, work non-traditional hours, or live in rural areas.⁴ Licensed and registered child care providers in South Dakota can satisfy only 64 percent of the need.⁵
- **Affordability:** Infant care in a center in South Dakota averages \$7,426 per year.⁶ This high cost makes child care unaffordable for many families, particularly those with low incomes. This cost represents eight percent of the median annual income of a married-couple family in South Dakota, while seven percent is considered affordable. Although South Dakota provides subsidies through its Child Care Assistance program to help make child care more affordable for families with low incomes, only nine percent of eligible children under age 6 are served.⁷
- **Quality:** Most of South Dakota's child care providers are not licensed or registered with the state and are not subject to health or safety rules, so the quality of care received by many children

is unknown.⁸ South Dakota is currently developing a Quality Recognition and Information System (QRIS).⁹

- **Workforce compensation:** Despite the vital role of South Dakota's child care providers, they are poorly compensated, with annual mean wages of \$23,720, compared to \$46,520 for kindergarten teachers.¹⁰ Low wages contribute to teacher turnover and staffing shortages, creating instability for child care programs, parents, and children.

The economic impacts of insufficient child care on 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. In December 2022, ReadyNation commissioned a national survey of working parents of children under age 3, repeating a survey previously conducted in 2018.¹¹ The 2022 survey yielded a nationally representative sample of 806 parents—both mothers (55 percent) and fathers (45 percent)—of children under age 3.

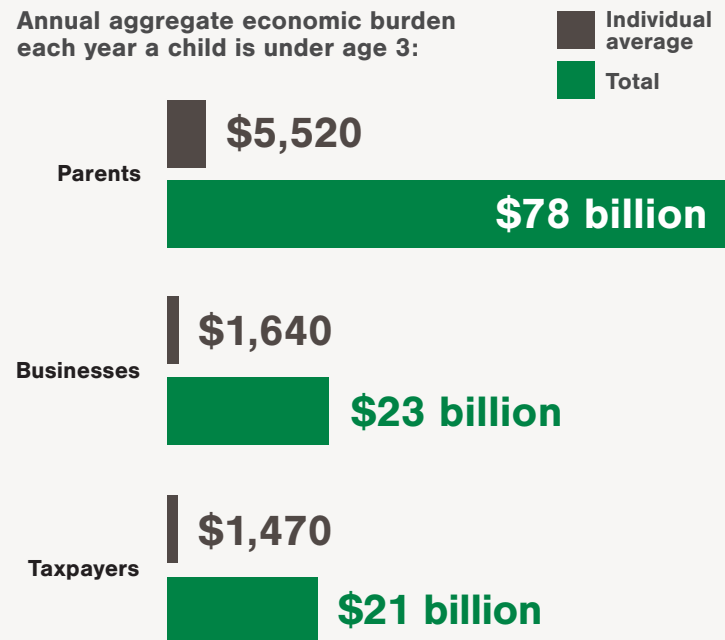
Almost three-quarters of working parents surveyed reported that access to child care is a challenge. And more than half said it is a significant challenge to find child care that is either affordable or high quality.

The survey provided evidence of the various ways in which parents' time and effort at work, productivity, and career opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modeled how child care problems affect the economy.¹²

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

Insufficient care for children under the age of 3 costs individuals, businesses, and the country billions of dollars each year.

Annual aggregate economic burden each year a child is under age 3:



Overall, the costs of insufficient child care are immense. Each year a child is under age 3 without sufficient child care:

- **Families lose an average of \$5,520 per working parent** in lost earnings and in more time looking for work. Across the 14.1 million parents of children under age 3, this burden is **\$78 billion** per year.
- **Businesses lose an average of \$1,640 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on business is **\$23 billion**.



The impact of insufficient child care on families

The survey results provide a window on how the economic impacts occur. Parents were asked how child care problems affected their work. Child care problems decreased parents' effort and productivity at work, undermining their job stability. Parents reported spending less time at work, which can lead to reduced incomes. A significant number of parents reported employment disruptions, including one-quarter who reported quitting a job, or having been fired or let go due to child care challenges. Further, problems with child care impacted parents' long-term career prospects: one-third or more reported having to turn down job offers or further education and training. Narrower career prospects reduce parents' future earning potential. And less parent income, along with parental stress, can have harmful short- and long-term impacts on children.

Comparing our 2022 results to those obtained in our 2018 survey, percentages of parents reporting each negative impact of insufficient child care are higher in 2022, for virtually all impacts, with some substantially higher. For example, parents reported that the infant-toddler child care crisis had caused them to be fired or to have pay or hours reduced nearly three times more often in 2022 than in 2018. The crisis caused parents to be demoted or transferred to a less desirable job, or change from full-time to part-time work, more than twice as often. Rates of parents reporting quitting a job due to child care problems doubled. Overall, disruptions to parents' work lives due to child care challenges are much worse and more widespread now, compared with 2018.

- **Taxpayers lose an average of \$1,470 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to **\$21 billion** each year.

These losses experienced by families, businesses, and taxpayers nationwide sum to a total cost of \$122 billion each year due to the infant-toddler child care crisis. South Dakota's Gross Domestic Product (GDP) represents roughly 0.3 percent of the nation's GDP. That suggests that the lack of reliable child care for working parents of young children, up to age 3, could come to an estimated \$329 million in annual costs for South Dakota.

The impact of insufficient child care on employers

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 can fall, product quality can diminish, and clients can 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.

The impact of insufficient child care on taxpayers

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues, increasing pressure on all taxpayers. Lower parental earnings impact federal income tax revenues, while state and local tax revenues are impacted by lower parental earnings and families' decreased consumption of taxed goods. These effects are also long-term, due to parents' decreased earning potential.

South Dakota policymakers should promote access to affordable, high-quality infant and toddler care

Parents, particularly those with infants and toddlers, often have difficulty finding affordable, high-quality child care so they can build successful careers. The practical and economic consequences of insufficient infant-toddler child care are enormous, impacting parents, employers, and taxpayers. Losses total \$122 billion

every year, more than double the \$57 billion found in 2018. As our data from the past four years shows, a failure to strengthen the country's fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers.

Businesses have a role to play in addressing the child care crisis and they must play a more active role. South Dakota's Child Care Business Collaborative is one example of business stepping up.¹³ However, businesses alone cannot solve the child care crisis. More than half (58 percent) of South Dakota private sector employees, approximately 208,350 people, work for small businesses¹⁴ who might not have the resources to meet their employees' child care needs on their own.¹⁵

The business leaders of ReadyNation South Dakota call on state policymakers to support families' access to affordable, high-quality child care, particularly for infants and toddlers. Specifically, South Dakota policymakers must promote health and safety in child care settings, by providing resources and through policy initiatives, and must support the child care workforce, including through compensation enhancements, and education and professional development opportunities.

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 millions of South Dakota children today and strengthen our state's workforce and economy both now and in the years to come.

Endnotes

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1025 Connecticut Avenue NW / Suite 1100 / Washington, DC 20036 / 202.464.7005

