



## **Building Power and Prosperity for Families—Tackling the Child Care Crisis Ahead of the Next Recession**

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### *Introduction*

We are almost ten years out from the Great Recession of 2008, yet widespread economic inequality and deep economic insecurity remain persistent features of American life for millions. Many economists now believe that another recession may be on the horizon. The root cause of the next recession will be the same as the root cause of the Great Recession—poverty and income inequality at a scale unseen for generations.

In this paper, we will focus on the conditions of women living in or near poverty. Given the gender roles that persist in households and the unwritten rules of gender and race that operate throughout social and economic institutions, women and women of color, specifically, experience economic insecurity most acutely and at a shameful scale. Understanding the root causes of their economic insecurity is central to understanding why our economy is prone to recession and why when recession comes, it will be more difficult for the economy to return to full employment.

Women and mothers contend with an economic and social system rigged against them—including lack of equal pay, the proliferation of low-wage, low-quality jobs with unpredictable schedules and few to no job protections, pregnancy discrimination, lack of adequate paid sick days and paid family leave, harassment on the job, and employment discrimination. These labor market realities, coupled with little support for the important work of caregiving and a tattered safety net under attack drive women into poverty and help explain why in 2017, women were 38 percent more likely to live in poverty than men<sup>1</sup>. These issues are compounded for women of color, with devastating consequences. In 2017, 21 percent of Black women lived in poverty, 20 percent of Native women lived in poverty, 18 percent of Latinx women lived in poverty and 11 percent of Asian women lived in poverty.<sup>2</sup> Black women working full time, year round typically make 61 cents for every dollar paid to their white male counterparts. For Latinas this figure is only 53 cents,<sup>3</sup> for Native Hawaiian and Pacific Islander women it is 62 cents, and for Native women it is 58 cents.

The U.S. child care system, given its cost and centrality to the lives of nearly all families, is a key driver of women’s economic insecurity, and is reflective of how our society fails to meet and undervalues both the care needs of families and the essential work of caregiving (both paid and

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<sup>1</sup> Berlan, Meika and Harwood, Morgan, “National Snapshot: Poverty Among Women & Families, 2018” National Women’s Law Center, Sept. 2018:

<https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/09/National-Snapshot.pdf>

<sup>2</sup> Ibid.

<sup>3</sup>

<https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/10/The-Wage-Gap-Who-How-Why-and-What-to-Do-2018.pdf>

unpaid). The child care crisis touches families and early care educators alike. Given how expensive child care has become in our country—as much as or more than college tuition in some states—millions of families struggle to make ends meet because they do not have affordable child care. Minimum wage workers, for example, will spend anywhere from 31.8 percent of their income in South Dakota to 103.6 percent of their income in Washington, D.C. for center-based infant care.<sup>4</sup> The Department of Health and Human Services says that, to be considered affordable, child care expenses should take up no more than seven percent of a family's income. Affordability is not the only problem. Many low-wage workers have non-traditional work hours and struggle to find care when they have to go to work. They are left to rely on relatives, unreliable care options, or simply cannot work outside the home. Families may also struggle with finding culturally appropriate care or with accessing services in their own language. Caregivers in the industry, meanwhile, are the quintessential working poor. For the two million workers in this industry, who are disproportionately women of color,<sup>5</sup> economic distress is part of the job—a function of the systemic undervaluing of care work because women traditionally do this work.

The stories of women and women of color rarely factor into mainstream discussion of the macro-economy and forces that might explain economic weakness and our inability to weather the next recession. This paper will flip the traditional script. Understanding the conditions that women and women of color experience trying to make ends meet for their families is integral to understanding the weakness of our economy and root causes of the next recession. We begin with a discussion of the scale of the racialized and gendered poverty and its impact on the broader economy, and then move on to how our failed child care system contributes to economic weakness and will hamper our ability to respond to the next recession. We end with a discussion of the opportunity to tackle the child care crisis.

*As women and women of color go, so goes the economy.*

A basic review of the most recent poverty statistics reveals just how utterly ubiquitous poverty has become in our country. In 2017, 11 percent of families, 40 million families in all, lived with an income that fell beneath the abysmal poverty line of \$19,730 in annual income for a family of three. Eight million of those living in poverty (as calculated by the official poverty measure which is an inadequate indicator of economic hardship) were working. Ninety million (28 percent of all families) lived with an income below 200 percent of the poverty line (nearly \$40,000), 187 million families (a whopping 60 percent) lived with an income beneath 400 percent (nearly \$80,000) of the poverty line.<sup>6</sup>

Poverty statistics demonstrate the reach of gendered and racialized oppression in our economy. Over 22 million, or 13.6 percent of women, lived in poverty in 2017. More than two in five (46 percent) of these women lived in extreme poverty, defined as income at or below 50 percent of

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<sup>4</sup> Gould, Elise, Austin, Lea J.E., Whitebook, Marcy, “What Does Good Child Care Reform Look Like?” Economic Policy Institute, March 29, 2017.

<sup>5</sup> Whitebook, Marcy, et al., “Early Childhood Workforce Index 2018,” Center for the Study of Child Care Employment, Institute for Research on Labor and Employment, University of California, Berkeley, 2018. Downloaded from <http://cscce.berkeley.edu/files/2018/06/Early-Childhood-Workforce-Index-2018.pdf>.

<sup>6</sup> Data downloaded from <https://www.kff.org/other/state-indicator/distribution-by-fpl/?dataView=0&currentTimeframe=0&sortModel=%7B%22collid%22:%22Location%22,%22sort%22:%22asc%22%7D>

the federal poverty level.<sup>7</sup> Black and Latinx women and native women experience poverty at disproportionately higher rates relative to all women. Poverty rates for women are substantially higher when they are heads of households. In 2017, 37 percent of Black families headed by unmarried mothers lived in poverty, 41 percent of Latinx families headed by unmarried mothers lived in poverty and 42 percent Native families headed by unmarried mothers lived in poverty.<sup>8</sup>

The poverty that women and women of color experience is not only objectively a crisis for millions of families who are struggling, it is a crisis for our broader economy. After the Great Recession, research and analysis emerged making the case that growing income inequality and the poverty it produces was behind the weak growth of our economy.<sup>9</sup> Quantifying this effect, Economic Policy Institute researchers estimated that if workers in the bottom 90 percent continue to earn less while the top 10 percent of earners see their incomes rise, that upward redistribution of income will likely slow economic growth by an estimated two to four percentage points of gross domestic product (GDP) every year going forward.<sup>10</sup> To put that in perspective, the U.S. has not achieved a rate of annual economic growth exceeding three percent since 1999.<sup>11</sup>

*Lack of quality affordable child care and poverty-level wages for caregivers contribute to gendered and racialized poverty and magnifies the effects of a recession*

The lack of affordable child care and financial support for caregivers directly and indirectly create the conditions that lead to the staggering rates of poverty that women and women of color experience. Full time caregivers suffer from the lack of immediate financial support and lost wages, and the time out of the workforce impacts their current financial security all the way into retirement. Without affordable and accessible child care, women who want to secure paid employment may be prevented from doing so. The Center for American Progress recently released a report demonstrating women were much less likely to be employed outside the home when they could not find affordable child care.<sup>12</sup> Eighty-nine percent of mothers who found a child care program were employed, compared with 77 percent of mothers who did not find a child care program. For single mothers, the drop off in employment is much worse. Their employment rate fell from 84 percent among single mothers who found a child care program to 67 percent among those who did not.

Even when low-income families find child care, it is still difficult to make ends meet because child care is so expensive, and disproportionately so. Families who are living below the federal poverty line pay 36 percent of their household income on child care while higher income families with incomes at or above 200 percent of the Federal Poverty Level spend about 8 percent of income on child care.<sup>13</sup> The U.S. Department of Health and Human Services defines affordable child care as

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<sup>7</sup> Authors' estimates based on data provided in Fontenot, Kayla, Semega, Jessica, Kollar, Melissa, "Income and Poverty in the United States: 2017," Current Population Reports, U.S. Census Bureau, September 2018.

<sup>8</sup> <https://nwlc-ciww49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/09/National-Snapshot.pdf>

<sup>9</sup> Gould, Elise, "Inequality Is the Main Cause of Persistent Poverty," Economic Policy Institute, January 8, 2014. Summers, Lawrence, "The Threat of Secular Stagnation Has Not Gone Away," *Financial Times*, May 6, 2018.

<sup>10</sup> Bivens, Josh, "Inequality Is Slowing US Economic Growth," Economic Policy Institute, December 12, 2017.

<sup>11</sup> downloaded from

<https://www.statista.com/statistics/188165/annual-gdp-growth-of-the-united-states-since-1990/>

<sup>12</sup> Schochet, Leila, "The Child Care Crisis Is Keeping Women Out of the Workforce," Center for American Progress, March 28, 2019.

<sup>13</sup> Cited in Hamm, Katie and Martin, Carmel, "A New Vision for Child Care in the United States: A Proposed New Tax Credit to Expand High-Quality Child Care," Center for American Progress, September 2015.

no more than 7 percent of income. The annual cost of full-time child care can range from over \$4,000 to more than \$16,500 a year, based on geography, type of child care and the age of the child.<sup>14</sup> Because women on average are paid less than men, women must earn a high wage for it to make financial sense—or even be financially feasible—to remain in the workforce and pay for child care. And there is little help available. The Child Care and Development Block Grant (CCDBG) only provides assistance to a fraction of those eligible. In 2016, the fewest number of children were served in the history of the program.<sup>15</sup>

When a recession hits, child care will become crucial for parents who need training and education in order to find new work. Yet, because of highly restrictive federal and state rules, CCDBG is ill equipped to help parents pay for child care while looking for work, getting further education or training. Of the parents whose children currently receive CCDBG subsidies, only 6 percent qualified based only on training or education activities and only 8 percent qualified based on a combination of education, training, and employment.<sup>16</sup> Parents will also need child care while they search for a job. Yet, CCDBG only provides families who are already receiving child care assistance the opportunity to keep their child care assistance while looking for a job, but only up to three months. After than they lose their assistance. Furthermore, only 11 states allowed families to qualify for the subsidy while a parent searched for a job in 2018.

The high cost of child care for so many American families belies the fact that caregivers are some of the lowest paid workers in the country. The Economic Policy Institute found that the median hourly wage for child care workers is \$10.31, almost 40 percent below the \$17.00 median hourly wage of workers in other occupations.<sup>17</sup> One in seven child care workers (14.7 percent) live in families with incomes below the official poverty line, compared with 6.7 percent of workers in other occupations.<sup>18</sup>

As low as earnings are for child care workers, Black women and Latinas who make up approximately 40 percent of the child care and early learning workforce still earn even less than their white counterparts.<sup>19</sup> Black early educators earn \$0.78 per hour less than their white counterparts, even after controlling for educational attainment. Moreover, Black women are concentrated in the infant and toddler segment of the child care sector that pays the least. Immigrants, who account for nearly one-fifth of the overall early childhood education and care workforce, are also highly over-represented in lower-skilled and lower-paying sectors of the profession.<sup>20</sup> Undocumented

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<sup>14</sup> Ibid.

<sup>15</sup> Rebecca Ullrich, Stephanie Schmit and Ruth Cosse, “Inequitable Access to Child Care Subsidies”, CLASP, April, 2019, <https://www.clasp.org/publications/report/brief/inequitable-access-child-care-subsidies>

<sup>16</sup> Boteach, Melissa, White, Catherine, Schulman, Karen, “The Next Recession Is Coming and Child Care Assistance Must Be Part of the Solution,” National Women’s Law Center, April 2019.

<sup>17</sup> Gould, Elise, Austin, Lea J.E., Whitebook, Marcy, “What Does Good Child Care Reform Look Like?” Economic Policy Institute, March 29, 2017.

<sup>18</sup> Ibid.

<sup>19</sup> Whitebook (2018)

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<https://www.migrationpolicy.org/research/immigrant-and-refugee-workers-early-childhood-field-taking-closer-look>

workers working in the grey market are also at risk for poor working conditions. For Latina child care workers who are single mothers, the poverty rate exceeds 50 percent.<sup>21</sup>

The working conditions and systemic exclusion from economic opportunity that Black early educators and providers experience today must be viewed in historical context. For centuries White slave owners forced enslaved Black women to care for white children and, as slavery ended, this racialized system continued as the Jim Crow south largely relegated Black women to domestic work. At the time of the New Deal, domestic workers were excluded from even basic labor standards like rights under the National Labor Relations Act and Fair Labor Standards Act because southern whites ferociously resisted policy that would grant Black workers new rights.<sup>22</sup>

Given how economically precarious life is for early educators and providers, when a recession hits, the effects will be magnified for them as more people lose jobs and demand for child care falls. During the Great Recession, a national survey of the agencies that licensed child care centers and handled distribution of vouchers to low-income families found:<sup>23</sup>

- 27 percent experienced declines in the number of child care centers in their communities and 45 experienced declines in the number of family child care homes between the first and last half of 2008; and
- In the last six months of 2008, 65 percent reported an increase in vacancy rates at child care centers and 76 reported an increase in family child care homes.

The child care system we have today and the poverty and broader economic insecurity it creates is not an accident. It is built by design, and it can be redesigned through collective action. It is possible to create a new system that empowers and invests in families who need care, and the workers who provide it. Child care and early education jobs can and should be good jobs, child care should be affordable for all families, and families and workers should have power to shape the system so that it meets their needs.

*Re-write the rules on child care so access to child care is a right, and child care work pays*

We should not wait until the next recession to solve our child care and early education crisis. We should act now to help address the economic insecurity for women, and women of color in particular, in a meaningful way by making access to high quality affordable child care a right, and giving all stakeholders in the child care system a real voice in shaping how the system works for ordinary families and workers.

There is a growing movement of women, which centers the leadership and experiences of women of color, mothers in need of affordable child care, and women who are working as caregivers in the industry, who are organizing around their demand of a child care system that empowers them

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<sup>22</sup> For a thorough discussion of the systematic devaluing of women's work from a historical and political economic perspective, see, Vogtman, Julie, "Undervalued: A Brief History of Women's Care Work and Child Care Policy in the United States," National Women's Law Center, 2017.

<sup>23</sup> Cited in Angelo, Linda, "Recession Taking Toll On Business for Child Care Centers," Flint Journal, March 12, 2009. Downloaded from: [https://www.mlive.com/news/flint/2009/03/recession\\_taking\\_toll\\_on\\_busin.html](https://www.mlive.com/news/flint/2009/03/recession_taking_toll_on_busin.html)

and lifts them out of poverty. The child care and early education movement also includes child care providers who have a long history of organizing themselves into unions that have been on the front lines of the fight for investments in the child care system that benefit workers and families alike. In June 2018, over 300 grassroots leaders representing these varied constituencies gathered in Washington, D.C. for a historic meeting to ask their leaders to join the movement for child care and early education. Later that year, parents, early educators and providers made child care a priority issue in several statewide elections. Newly elected Governors, including in California, New Mexico, Minnesota, Illinois, Michigan, Pennsylvania—made child care affordability and improving conditions for child care workers a signature issue in their campaigns.

The growing child care movement is both responding to and also shaping what the broader public is coming to realize—the provision of affordable child care is not a crisis that women should suffer privately. It is a public crisis that government at all levels in partnership with all stakeholders should solve. A national poll conducted by the Center for American Progress in 2018 confirms that the public wants government action on child care:<sup>24</sup>

- More than 7 in 10 parents say that finding quality, affordable child care is a serious problem.
- Nearly 8 in 10 voters support increasing funding for quality, affordable child care or other early childhood education programs—with roughly 7 in 10 voters saying that they would be “more likely” to vote for a candidate who supports increasing funding.
- Increasing funding for child care is not a partisan issue. Two-thirds of Republicans, 73 percent of independents, and 89 percent of Democrats support additional funding.

The good news is leading members in Congress and Presidential candidates are listening and have compelling visions for transforming child care in this country that would empower and bring millions of women out of poverty. Senator Elizabeth Warren unveiled her plan for universal child care earlier this year. If enacted, 12 million additional children from birth to 5 would have access to child care.<sup>25</sup> She would achieve this result primarily by making child care free for families living beneath 250 percent of the poverty line and increasing wages paid to caregivers to a living wage.<sup>26</sup> Senator Patty Murray and Representative Bobby Scott re-introduced their own plan called the Child Care for Working Families Act earlier this year. Their proposal would ensure that no family living beneath 150 percent of the state median income would pay more than seven percent of their income on child care. The expansion of child care access would create an estimated 2.3 million jobs by enabling 1.6 million parents to join the labor force as a direct result of access to child care subsidies and by creating an estimated 700,000 new jobs in the field of early childhood care and education.<sup>13</sup> Nearly 80 percent of increased employment would be among low-income mothers, which would lift at least one million families out of poverty.<sup>27</sup>

The last time Congress passed truly transformational proposals for the child care system was in the 1970s. After President Nixon vetoed the universal child care legislation passed by Congress,

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<sup>24</sup> Center for American Progress, “Release: New Poll Finds Overwhelming Support for Increasing Investments in Quality, Affordable Child Care,” September 13, 2018. Downloaded from: <https://www.americanprogress.org/press/release/2018/09/13/457839/release-new-poll-finds-overwhelming-support-increasing-investments-quality-affordable-child-care/>

<sup>25</sup> Warren, Elizabeth, “My Plan for Universal Child Care,” Medium, February 19, 2019. Downloaded from: <https://medium.com/@teamwarren/my-plan-for-universal-child-care-762535e6c20a>

<sup>26</sup> Ibid.

<sup>27</sup> Schochet (2018).

there has been no serious national conversation about policy to address the child care crisis, until now. There is no reason to wait until the next recession to address the racialized and gendered poverty that will be at the root of our next recession. Now is the time to aggressively put forward a vision for the child care system, as a core component of an economic, racial and gender justice agenda, that speaks to people's innate understanding that there is something fundamentally flawed about our economy when it breeds so much economic insecurity while a handful become wealthier beyond imagination.