

HOW CHILDCARE IMPACTS
MICHIGAN'S WORKFORCE
PRODUCTIVITY AND THE
STATE ECONOMY



U.S. Chamber of Commerce
Foundation

Untapped
Potential in

MII



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Untapped Potential: How Childcare Impacts Michigan’s Workforce Productivity and the State Economy

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Michigan ranks 39th in labor force participation relative to other states, and our findings indicate many parents may not be able to continue working without adequate childcare options.

Introduction

The U.S. Chamber of Commerce Foundation (USCCF) recognizes childcare as a two-generation workforce issue that is essential to supporting today's workforce and developing the workforce of tomorrow. Unfortunately, the current supply of childcare falls short of demand, a problem that existed before the COVID-19 pandemic and has only become more severe since. Childcare gaps drive parents out of the workforce, reduce tax revenue for the state, and put undue strain on Michigan households—particularly among the most economically vulnerable. While these challenges are complex and persistent, they are addressable, and the business community can play a central role in developing solutions that benefit all Michiganders.

Recognizing that a data-driven understanding of the impact of childcare breakdowns on working parents, their employers, and the state economy is prerequisite to creating meaningful solutions, USCCF partnered with the Grand Rapids Chamber, the Michigan Chamber of Commerce, and the Early Childhood Investment Corporation (ECIC) to produce this report, which aims to understand the unique needs of working parents in Michigan by exploring the current childcare landscape. Our report estimates how often parents leave the workforce, are absent from school or work, or miss educational opportunities due to insufficient childcare support.

Data for this report was gathered by surveying a representative sample of 501 parents of children under the age of six across Michigan. Survey results were then used to model an estimate of the direct financial impact of insufficient childcare coverage on Michigan's economy—\$2.88 billion each year.

The issue to overcome is multifaceted. Childcare is a central determinant in whether a parent can participate in the labor force, a reality that is on full display as the state continues to push for job growth. Michigan ranks 39th in labor force participation relative to other states,¹ and our findings indicate many parents may not be able to continue working without adequate childcare options. The childcare coverage gap in Michigan is not only a barrier to parents' ability to participate in the labor force, but also a hindrance to the state's potential for growth and success. For instance, U.S. News & World Report ranked Michigan 25th for Best Growth in 2022,² Forbes found Michigan to be the 40th-place state for GDP Growth in 2021,³ and in March of 2023, Michigan had an unemployment rate of 4.1%, tying it for 42nd among U.S. states.⁴ Our analysis shows that childcare issues may be contributing to Michigan's uneven economic performance.

The complexity of childcare challenges will require collaboration across sectors; in particular, public-private partnerships, like those between early education advocates and the business community, are vital to ensuring that Michigan's children, families, businesses, and economy are strong. Childcare is a crucial support piece of Michigan's economic infrastructure, and, properly addressed, may unlock the full economic potential of the state, allowing it to thrive as a business environment. It is our hope that this report and the data presented will create opportunities for partnerships and cooperation that further the economic potential of the state of Michigan.

¹ Bureau of Labor Statistics, September 2022

² <https://www.usnews.com/news/best-states/rankings/economy/growth>

³ <https://www.forbes.com/sites/andrewdepietro/2021/08/04/2021-us-states-by-gdp-and-which-states-have-experienced-the-biggest-growth/?sh=51b2acf1846c>

⁴ <https://www.bls.gov/web/laus/laumstrk.htm>

Executive Summary

Numerous studies have highlighted the developmental benefits of high-quality childcare for young children. Children given appropriate childcare perform better in school, are less likely to drop out, and achieve higher test scores.⁵ Conversely, children with Adverse Childhood Experiences (ACEs) resulting from insufficient childcare are more than twice as likely to experience anxiety, three and a half times as likely to be depressed, and seven times more likely to engage in alcohol abuse.⁶

Access to childcare also allows parents the flexibility to pursue careers or enhance their education or vocational skills. Consequently, breakdowns in the childcare system result in valuable missed opportunities for children and their parents, who may experience disruptions to their work or education. Despite the well-demonstrated developmental benefits resulting from high-quality childcare, families in Michigan often struggle to access affordable arrangements for their children. This occurs to the detriment of the state's economy.

The results of our research during March and April of 2023 suggest that insufficient childcare availability is costing Michigan \$2.88 billion in lost economic activity each year. Our report quantifies the direct economic impact due to childcare issues and builds on previous efforts to better understand the size of the childcare problem. In 2019, the United States Chamber of Commerce Foundation (USCCF) conducted studies in four states—Idaho, Iowa, Mississippi, and Pennsylvania—and has since followed up with reports on Alaska, Arizona, Arkansas, Missouri, Texas, and Utah. In each state, childcare issues resulted in hundreds of millions—even billions—of dollars of lost economic activity. As policymakers consider next steps to position Michigan for economic success, childcare support should land near the top of the priority list.

⁵ (1998) Cleveland and Krashinsky, <https://files.eric.ed.gov/fulltext/ED435452.pdf>

⁶ (2006) Anda, Felitti, et al., <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3232061/>

TOPLINE FINDINGS

-\$2.88B

The Untapped Potential: Childcare issues result in an estimated \$2.88 billion annual loss for Michigan's economy

-\$576M

Michigan misses an estimated \$576 million annually in tax revenue due to childcare issues

-\$2.3B

Childcare-related employee turnover and absenteeism costs Michigan employers an estimated \$2.3 billion per year

63%

Parents of young children missed work or class at least once in the past three months for childcare-related reasons

52%

Parents attending school or work training needed to make a significant adjustment to their schedule due to childcare issues in the past year

14%

Parents left a job in the past six months due to childcare issues

For parents who prefer to work, flexibility in their employment is a key component of whether they will be able to participate in the labor force.



Population: 10 million

Average Household Income: \$85,727

Minimum Wage: \$10.10 per hour

Capital: Lansing

Surveyed: 501 parents of children under the age of six

MICHIGAN STATE PROFILE

As of 2020, Michigan is the tenth most populous state in the United States with a population of approximately 10 million people, according to U.S. Census data.⁷ However, the census raised concerns of an impending population decrease, as Michigan was found to have the second-slowest population growth in the nation since 2010.⁸ Between April 2020 and July of 2021, Michigan lost approximately 26,000 residents, and its demographics are trending older as time goes on.⁹ In response to this crisis, in May of 2023, Governor Gretchen Whitmer launched the Growing Michigan Together Council via executive order.¹⁰ The council will focus on determining a population goal for 2050 and investing in and attracting talent for in-demand jobs. With an aging workforce, it becomes increasingly vital that healthy Michiganders have the childcare support they need to continue working.

Traditionally, manufacturing has been the dominant industry in the state, and remains a central pillar of the economy, generating nearly \$100 billion in GDP for Michigan in 2022. In fact, the state government is only the third-largest employer in the state, falling behind automobile titans General Motors and Ford.¹¹ Michigan's reliance on manufacturing likely diminishes the effectiveness of typical parent-friendly policies such as remote work and flexible hours, compounding the need for parents, employers, and the government to jointly craft comprehensive childcare solutions.¹²

In 2022, Michigan had a state poverty rate of 13.7%, ranking it 35th among U.S. states and territories.¹³ For childcare to be considered affordable, the U.S. Department of Health and Human Services (HHS) states that it should not consume more than 7% of a family's household income. Our survey indicates that low-income families in Michigan spend on average 16% of their household income on childcare, driving them deeper into poverty. The price of formal childcare forces parents to consider alternative arrangements—mainly informal care arrangements that may come at the cost of employment and education. For parents who prefer to work, flexibility in their employment is a key component of whether they will be able to participate in the labor force.

A 2020 study by the Michigan League for Public Policy (MLPP) found that there was a significant gap between the demand for childcare and the availability of state-regulated childcare in Michigan.¹⁴ The study estimated that approximately 560,000 Michigan children under the age of six required childcare from adults other than their parents, but the state's licensed childcare capacity was only sufficient to meet the needs of about 31% of these children. The report also found that there were significant regional differences in childcare availability, with rural areas and urban centers facing the most significant shortages. Across the state, 44% of Michigan residents live in a childcare desert with limited access to licensed childcare providers.¹⁵

The bipartisan drive to address childcare concerns has led to new, transformative policy developments and the dedication of significant funds to safeguard the future of childcare in Michigan, creating new reasons for optimism. In the wake of the labor shortage exasperated by the COVID-19 pandemic, the business community—in partnership with early childcare providers and the state—rolled out the “Tri-Share” program, wherein an eligible employee, their employer, and the state equally split the cost of childcare.¹⁶ (cont.)

⁷ <https://www.census.gov/quickfacts/MI>

⁸ <https://www.freep.com/story/news/politics/2023/06/01/whitmer-michigan-population-growth-census/70228851007/>

⁹ <https://www.michiganradio.org/community/2022-07-05/new-census-data-shows-michigans-population-declining>

¹⁰ <https://www.michigan.gov/whitmer/news/press-releases/2023/06/01/whitmer-establishes-the-growing-michigan-together-council-to-focus-on-population-growth>

¹¹ <https://www.ibisworld.com/united-states/economic-profiles/michigan/>

¹² <https://www.weforum.org/agenda/2021/05/the-future-of-remote-work-for-manufacturing/>

¹³ <https://data.census.gov/cedsci/>

¹⁴ Michigan League for Public Policy. (2020). Child Care in Crisis: Addressing Michigan's Child Care Shortage.

¹⁵ <https://childcaredeserts.org/>

¹⁶ <https://www.michigan.gov/leo/news/2022/10/19/gov-whitmer-applauds-tri-share-program-success#:~:text=Launched%20about%2018%20months%20ago%20by%20Governor%20Whitmer.coordination%20being%20provided%20regionally%20by%20a%20facilitator%20hub.>

Tri-Share, launched as a pilot program in 2021, is recognized for its innovative approach to the childcare problem, and has been replicated in multiple locations across the United States.

In 2021 Michigan received \$1.4 billion in federal funding through the American Rescue Plan Act, which included \$560 million for childcare stabilization grants and \$800 million for childcare and development block grants.¹⁷ Subsequently, in March of 2022, Governor Whitmer earmarked \$100 million in additional funds to open 1,000 new childcare programs by the end of 2024, increasing the state's capacity by 105,000 children.¹⁸

To address the childcare needs of Michigan's low-income families, the state has also launched initiatives such as the Great Start Readiness Program, which provides free preschool to eligible four-year-olds, and the Child Development and Care (CDC) program, which offers subsidies to help provide additional funding solutions.²⁰

As evident in Michigan's outlined childcare reality, our survey results show that there is still work to be done to maximize Michigan's potential as a family-friendly economic powerhouse. Parents face both immediate and lasting consequences as a result of insufficient childcare arrangements that impact their ability to work full-time, earn a wage consistent with their experience and capability, and continue their education. To quantify the full economic impact of childcare, one must consider questions like these:

- **For parents: When parents leave the workforce, how much income are they sacrificing?** Are they missing out on promotions or raises? What is the value of these missed merit increases across a lifetime? What educational and personal development opportunities are parents skipping?
- **For businesses:** When employees leave or miss work due to childcare disruptions, how are business operations affected? **How much larger could the employee talent pool be if parents could work without being limited by childcare necessities?** What is the lost economic value from training replacements for parents who leave work to care for their children?
- **For the state:** How are the state's public programs impacted by childcare disruptions? **How much more growth could Michigan see if parents struggling with childcare could return to the workforce?** How would tax revenues increase if household wages went up? How would quality of life improve for families if they had adequate childcare options?

The next section of this report highlights the motivations behind parents' decisions, the most important contributing factors, and the wide economic implications of these choices.

¹⁷ <https://www.michigan.gov/mde/services/early-learners-and-care/cdc>

¹⁸ <https://www.michigan.gov/whitmer/news/press-releases/>

²⁰ <https://greatstarttoquality.org/>

²¹ <https://www.freep.com/story/news/local/michigan/2023/05/30/michigan-child-care-subsidy-program-auditor-general/70261954007/>

Parents face both immediate and lasting consequences as a result of insufficient childcare arrangements that impact their ability to work full-time, earn a wage consistent with their experience and capability, and continue their education.

Survey Results

A total of 501 parents with children under the age of six were surveyed. The respondent pool was generally representative of Michigan's racial, ethnic, and income demographics. The purpose of the survey was to gauge the current state of childcare in Michigan, understand parents' reasons for selecting their current childcare arrangement, and inform stakeholders of the economic cost of childcare gaps to the state and its employers.

Key Findings

Current Childcare Dynamics

- Among parents of children younger than six, **71% pay for childcare**.
- Parents primarily pick their childcare provider based on **affordability**.
- **Families who pay for any form of childcare spend on average \$672 per month**, although costs vary by provider type and household income.
- Families pay for childcare out of their **personal budget 58%** of the time.

Unsurprisingly, our survey confirmed that childcare arrangements vary greatly based on household income (**FIGURE 1**). In general, families in Michigan elect to place their child under the care of close family members at least some of the time. Low-income parents are most likely to report that their children are under the care of a parent, stepparent, or guardian. Such households often forgo a second income, electing instead to subsist on one parent's salary. High-income parents were more than three times as likely as low-income parents to place their child under the care of a nanny or au pair. Many parents consider hiring a nanny to be the ideal childcare arrangement, but only the highest earners can comfortably afford this luxury. Overall, high-income homes have a wider range of care options available to them relative to low-income earners, and high-income parents were more likely than other groups to be using multiple childcare solutions at the same time.

“All daycare centers are outrageously expensive and then adding two children on top of that makes it the cost of a house payment just to go to daycare. I wish there were more ways to pay for childcare without having to get a second job.”

— MICHIGAN MOTHER OF A TWO-YEAR-OLD

“The quality level that I prefer (a center with high ratings and important safety measures and curriculum) is extremely costly. It’s more than I can afford, and we have gone into debt to afford it. Neither of us want to give up our career so we are biding time until we only have one child in daycare. Even then, it’s still a lot of money.”

— MICHIGAN MOTHER OF AN INFANT

Preferences and motivations further reflect the childcare divide between socioeconomic classes. When asked why they chose a particular childcare arrangement, high-income parents were most likely to select “perceived quality / reputation” of all groups surveyed (**FIGURE 2**). Lower-earning families more often use price as the sole deciding factor when choosing their childcare arrangement, while high-income parents can consider several criteria and be more selective in their choice. Although personal preference plays a considerable role in all groups’ decisions, the typical Michigander is motivated primarily by concerns about affordability. Cost is a relatively income-agnostic criterion, as 64% of low-income parents, 70% of middle-income parents, and 60% of high-income parents agree that it is a key factor in the childcare decision. Proximity to home, work, or school is the third-leading factor, with 38% of parents agreeing that it is a key decision criterion (including 51% of high-income parents).

When asked how they primarily pay for childcare, 58% of respondents reported using their personal budget to pay for childcare (FIGURE 3). The low-income group relied on paying out of pocket the least and reported lower per-month childcare expenditure (\$446) compared to the middle-income and high-income groups (FIGURE 4).

FIGURE 01.

Current childcare arrangement by income group

*Parents could select more than one option

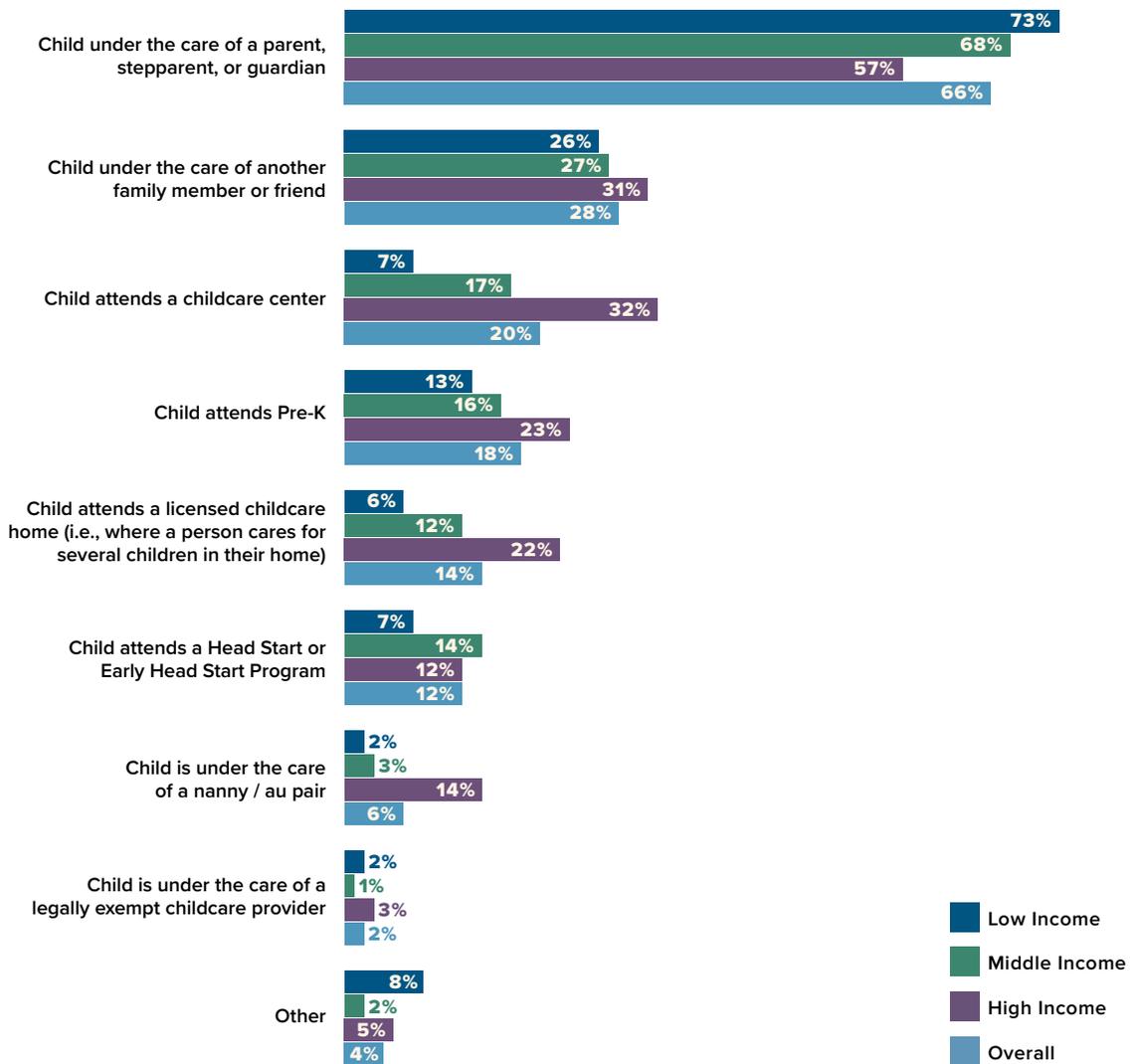


FIGURE 02.

Primary reason for selecting arrangement by income group

*Parents could select more than one option

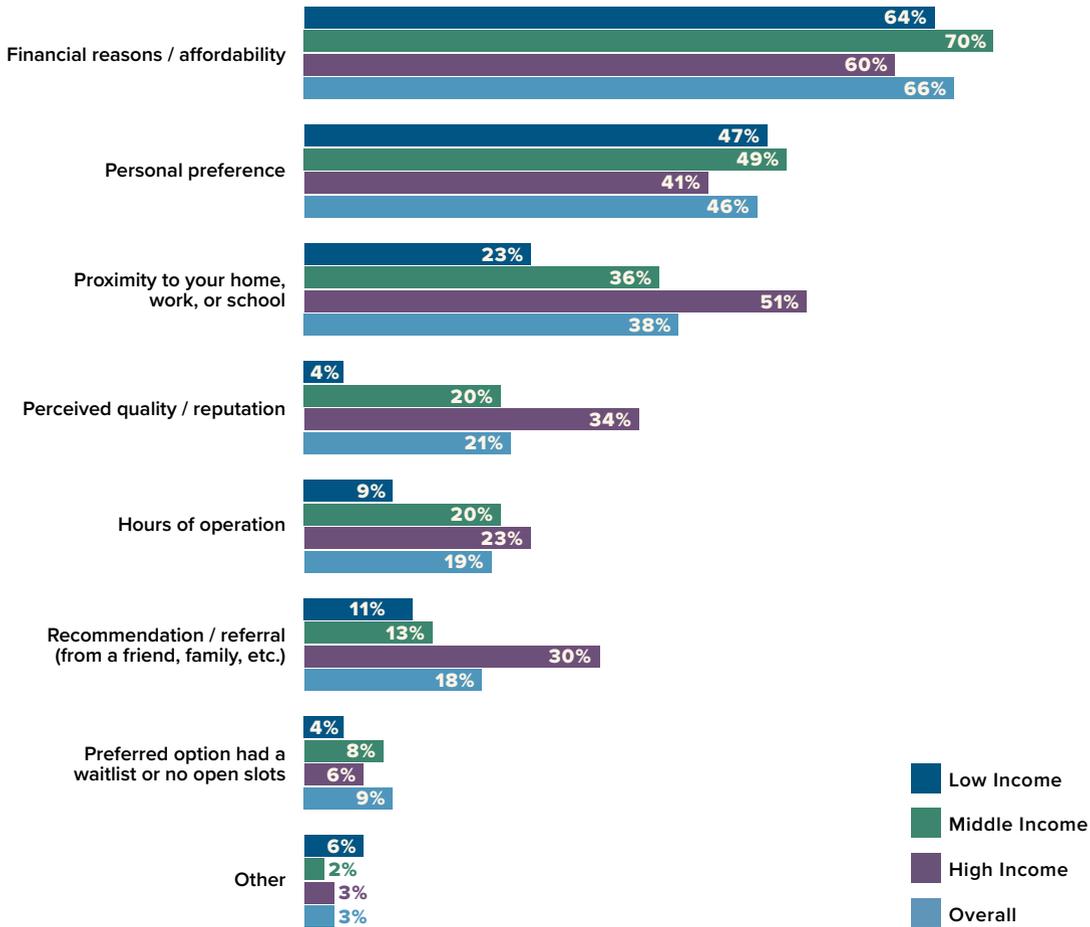


FIGURE 03.

Primary source of funding for childcare by income group

*Parents could select more than one option unless they reported no childcare costs

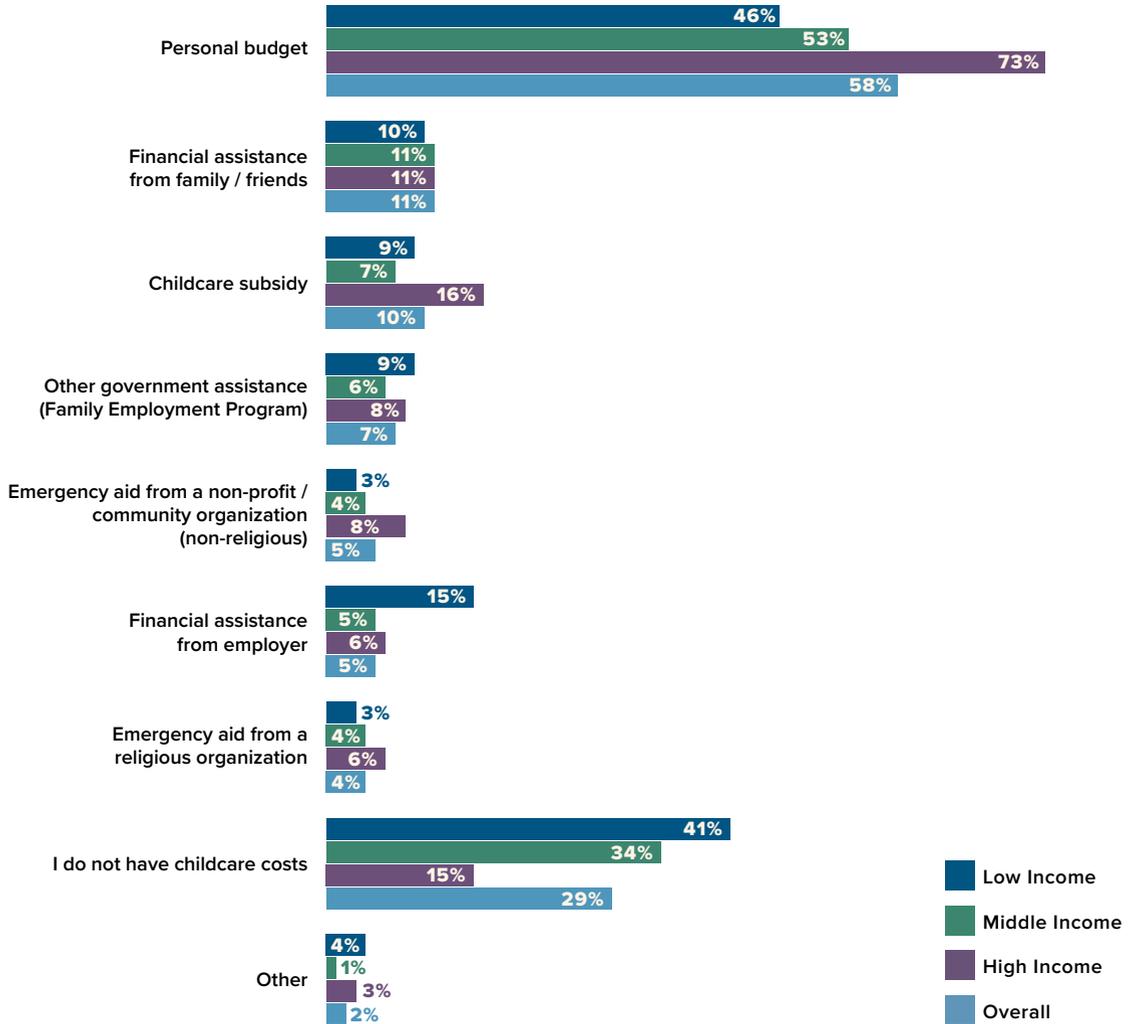


FIGURE 04.

Parents' reported monthly childcare expenditure by income group

*Parents entered a dollar amount manually



Current Employment Dynamics

Recent societal shifts brought on by the advancement of technology and the COVID-19 pandemic have changed working dynamics for parents locally in Michigan and across the country. Parents especially benefit from flexible working options, such as remote work and flexible hours, which gained mainstream status beginning in 2020. A 2022 McKinsey study found that 58% of Americans reported working at least one day from home each week, and 35% had the option to work fully remote. Among the key findings in the study was the revelation that 87% of workers prefer to work remotely, given the option.²²

Of course, many employees do not have the option of working remotely—a fact particularly relevant to the state of Michigan, which boasts an above-average number of healthcare and manufacturing jobs. High-income employees in technology, business, architecture, and other white-collar jobs more often work from home, where they potentially have the flexibility to tend to their children, while low-income parents are more usually required to commute to their workplace. Where possible, remote work is an attractive option for companies looking to help their employees take care of their families. For those in jobs where employees' physical presence is required, more creative measures will need to be considered.

In Michigan, 60% of cohabitating parents with a child under the age of six have both parents participating in the labor force, while 34% have only the father in the labor force.²³ Parents who work full-time reported working just over 40 hours per week on average, while part-time parents average 22 hours (FIGURE 5). Most full-time employed parents in our study reported working a traditional (cont.)

“After the birth of our second child I dropped to part-time. My mother-in-law helps out once a week with our kids. My mom used to take our oldest once a week, but she had to start working again due to financial struggles, so we no longer have her help. Our kids have been on a daycare waitlist for 1.5 years now.”

— MICHIGAN MOTHER OF MULTIPLE CHILDREN UNDER SIX

²² <https://www.mckinsey.com/industries/real-estate/our-insights/americans-are-embracing-flexible-work-and-they-want-more-of-it>

²³ <https://data.census.gov/table?q=C23008&q=040XX00US26&tid=ACSDT1Y2021.C23008&moe=true>

“nine-to-five” weekday schedule, while part-time workers reported having a fixed or shift schedule more often than full-time (FIGURE 6). A parent’s working schedule and job location frequently dictate the childcare options available to them. Thus, parents must weigh competing priorities, balancing their career or education goals with the responsibilities of raising children.

Parents were prompted to select the response option that best describes their current employment and report the number of hours they work (if applicable).

FIGURE 05.

Average hours per week by employment status

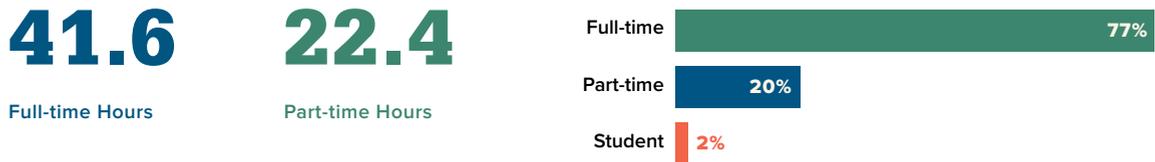
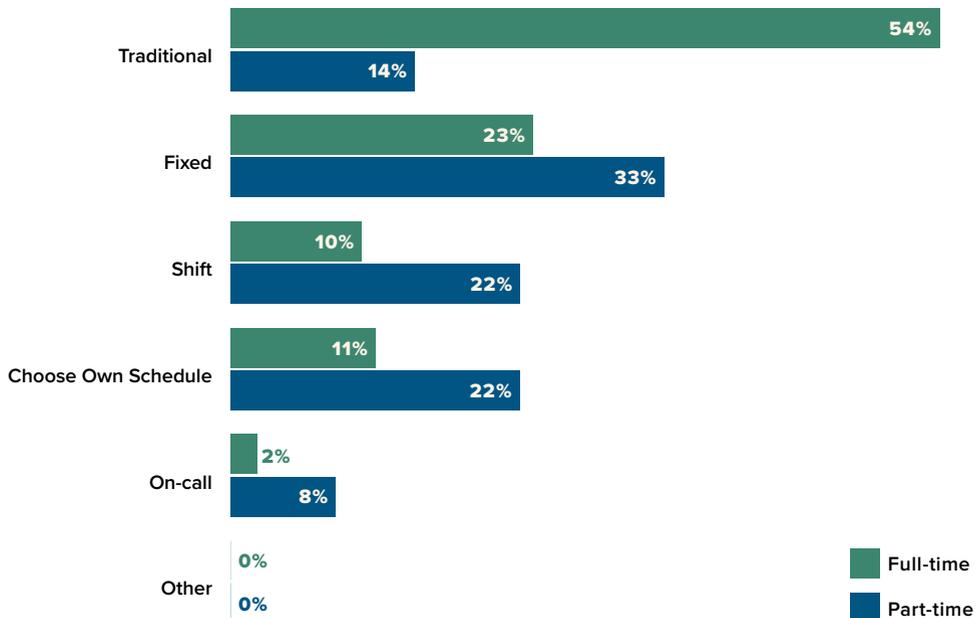


FIGURE 06.

Full vs. part-time job schedule²²



MICHIGAN FATHER OF MULTIPLE CHILDREN UNDER SIX

“I am working remotely due to the pandemic. I was given the option to do so by my employer, and I have stayed home ever since because then I can help with school pickup and dropoff.”

Impact of Childcare on Employment and Education

Working parents are acrobats. Each day, they perform a balancing act, juggling work, school, and development opportunities while also trying to raise a family. Occasionally, the family circus is disrupted by sudden changes in employment that threaten the parent’s ability to maintain the act. Research from the Center for American Progress (CAP) revealed that each year from 2016–2018 in the U.S., more than 2 million parents of children aged five and younger—nearly 1 in 10 parents—had to quit a job, not take a job, or greatly change their job because of childcare problems.²⁴ An estimated 7.3% of parents experienced childcare-related job disruptions in 2020;²⁵ some parents were laid off and gave up trying to find work due to caregiving responsibilities while others left the workforce to provide childcare.²⁶

- 32% percent of households have experienced changes to their own employment situation due to childcare issues (FIGURE 07).

Michiganders who responded to our study reported their employment being affected in a variety of ways, including voluntarily or involuntarily leaving their jobs, decreasing their hours from full-time to part-time, or being unable to increase their hours or accept a new position. In addition to those who have already experienced changes to their work, 18% of working parents plan to leave their job in the next 12 months (FIGURE 8). Thirty-nine percent of those who indicated plans to leave their job within the next year cited a desire to seek new work opportunities, while 32% are dissatisfied with their current employment, and 29% are leaving primarily for childcare concerns. Low-income groups were the most likely to be planning on leaving their current employment (FIGURE 9).

Our survey asked a question from the National Survey of Children’s Health (NSCH) to provide a comparison to the national data from 2019:

“During the past 12 months, did you or anyone in the family have to voluntarily leave a job, not take a job, or greatly change your job because of problems with childcare for this child, age 0–5 years?”

According to the NSCH, just over 9.4% of parents in the U.S. reported that childcare issues are causing significant disruptions to their employment, with Michiganders experiencing disruptions above the national average (14.4%). (FIGURE 10). The parents in our survey reported much higher rates (31.9%) of childcare issues significantly impacting employment for their household. Aside from differences in survey design that affect the comparison of our data to the NSCH, the COVID-19 pandemic and ongoing economic uncertainty have likely contributed to an increase in the proportion of parents who feel that their employment has been disrupted by the childcare crunch.

²⁴ <https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/>

²⁵ <https://www.americanprogress.org/article/child-care-crisis-causes-job-disruptions-2-million-parents-year/>

²⁶ <https://19thnews.org/2021/01/about-700000-parents-with-young-kids-left-the-workforce-in-2020-for-many-loss-of-child-care-was-to-blame/>

“I finished my bachelor’s degree in May 2022. I was going to work part-time until starting graduate school, but the cost of childcare for my child who stays home with me didn’t make sense. I am starting graduate school in the fall and will be putting my second child in childcare at that time.”

– MICHIGAN MOTHER OF TWO YOUNG CHILDREN

FIGURE 07.

Percentage of parents who experienced employment changes due to childcare issues, by income group



FIGURE 08.

Parents planning to leave employment over the next 12 months, by gender



FIGURE 09.

Parents planning to leave employment over the next 12 months, by income group



Childcare issues also pose significant challenges to parents who are seeking to further their education. Twenty-five percent of parents in Michigan are pursuing, or have pursued in the last 12 months, some type of school or work training program (FIGURE 11). Most often, parents are enrolled in work training or graduate school (FIGURE 12). Unfortunately, many of these parents went from full-time to part-time in school or a work training program, were dropped from a class roster, or left a program entirely due to issues with childcare.

FIGURE 10.

Percentage of parents who answered “Yes” to the NSCH question, comparison by state²⁶

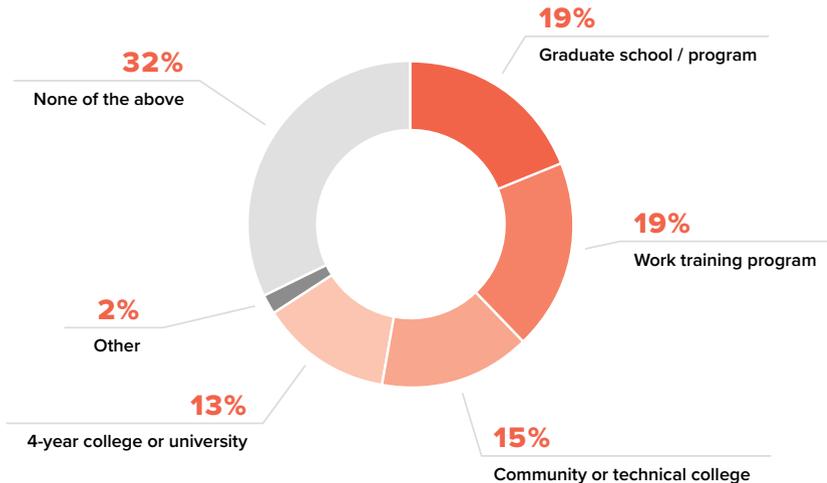
COMPARED NATIONALLY	PERCENT
Nationwide NSCH (2019)	9.4%
Michigan NSCH (2019)	14.4%
Arizona Untapped Potential (2021)	34.1%
Arkansas Untapped Potential (2021)	34.6%
Missouri Untapped Potential (2021)	27.6%
Texas Untapped Potential (2021)	29.8%
Utah Untapped Potential (2022)	33.5%
Michigan Untapped Potential (2023)	31.9%

FIGURE 11.

Percentage of parents who attended a school or work training program in the last year



FIGURE 12.
Type of education being pursued



“I have been fired from a job because of my lack of reliable childcare. I have not taken jobs at organizations that I would’ve loved to work for because I don’t have reliable childcare and travel was necessary. The lack of reliable childcare has played a huge part in my daily life and adds stress to my family.”

— MICHIGAN FATHER OF A FIVE-YEAR-OLD

Childcare Subsidies, Benefits, and Accommodations

To support families in caring for their children, the federal government provides various subsidies and tax benefits. The state of Michigan additionally funds programs such as Great Start Readiness and Michigan Head Start. Parents in our study also reported using a number of tax benefits to help pay for childcare, the most common being the Child Tax Credit (60%), followed by the Earned Income Tax Credit (34%), and the Child and Dependent Care Tax Credit (22%) (FIGURE 13). In all, most Michigan parents are taking advantage of at least one government assistance program or tax break.

While these programs are helpful, employers have a role to play in bridging the gap between state-sponsored or subsidized care and parents' capacity to tend to their children. In our study, only 18% of respondents reported that their employer offered childcare assistance, benefits, or accommodations, with the most frequently shared examples being flexible work hours and paid maternity leave. Employers are increasingly offering more flexibility to parents of children, a trend sparked by the pandemic that is proving to be highly appealing to parents.²⁷ When asked to name the benefits they believe to be most important or useful, parents most often mention flexible hours and remote work (FIGURE 14). Clearly, employees crave flexibility. In turn, businesses that provide these benefits support and incentivize participation in the workforce, reduce turnover, and improve employee satisfaction.²⁸

“While we are lucky to have a family member watching our son, affording us the most flexibility we could ask for, we still have to make sure we leave work by a certain time each day. If overtime is necessary, it must be planned in advance—which is very hard to do with my job.”

— MICHIGAN MOTHER OF A TWO-YEAR-OLD

²⁷ <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/married-to-the-job-no-more-craving-flexibility-parents-are-quitting-to-get-it>

²⁸ <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/How%20We%20Work/Gender-parity/Brief-Benefits-of-flexible-working-arrangements-en.pdf>

Some employers fear that remote work will reduce employee productivity, but emerging evidence suggests that these concerns are overblown. Studies conducted before and after the COVID-19 pandemic have shown that most remote employees demonstrate higher levels of performance than their in-person colleagues.²⁹ Since remote work is not feasible for many parents, especially those in industrial or customer service-oriented jobs, it must be considered only one part of a more comprehensive childcare solution.

Respondents were provided with a brief explanation of each of the below programs.

FIGURE 13.

Parents use of assistance programs
 *Parents could select more than one option

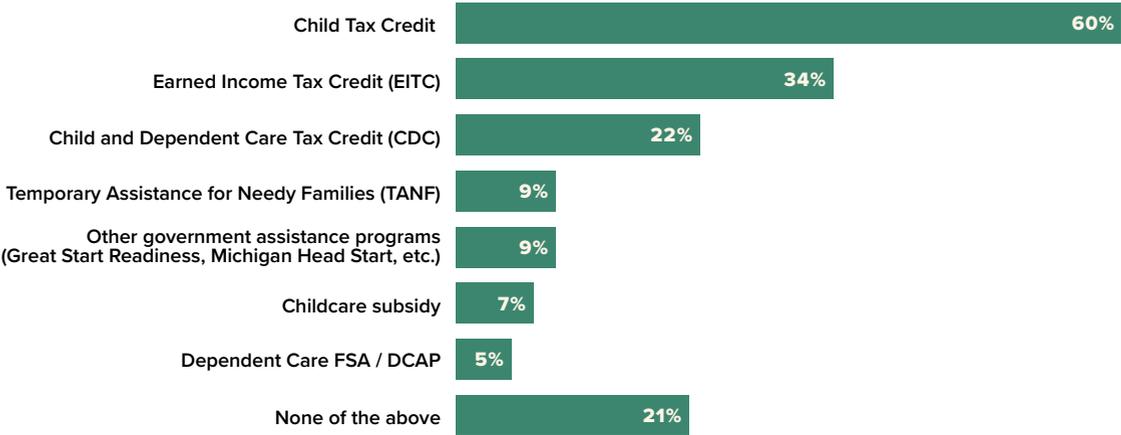


FIGURE 14.

Top three most important employer benefits selected by parents
 *Parents could select more than one option



54%

Flexible Working Hours



50%

Remote Work / Work from Home



42%

Flexible Working Days

²⁹ For example, see (2015) Bloom, Roberts, et al., *The Quarterly Journal of Economics*, Feb. 2015

Parent Preferences and Decision Criteria

In deciding between available childcare options, parents must weigh their individual preferences against practical matters such as ease of access, affordability, and level of trust and safety. Those who want to work have to manage competing priorities, not all of which can be adequately addressed. Parents face difficult tradeoffs between cost, convenience, and quality, and often settle for childcare solutions that do not perfectly match their preferences.

Overall, just under three-quarters (73%) of parents in Michigan are satisfied with their current childcare arrangement. However, satisfaction is not evenly distributed, and tends to vary based on income level, gender, and ethnicity. Satisfaction peaks among high-income parents, 77% of whom are satisfied with their current childcare situation, compared to 75% of middle-income parents and just 59% of low-income parents (FIGURE 15). One explanation might be that high-income parents have financial freedom to enroll in the childcare option of their choice, while low-income households are forced to rely on less optimal accommodations. Additionally, men are significantly more likely to express satisfaction with their childcare arrangements than women, and white persons experience higher satisfaction relative to nonwhite persons.

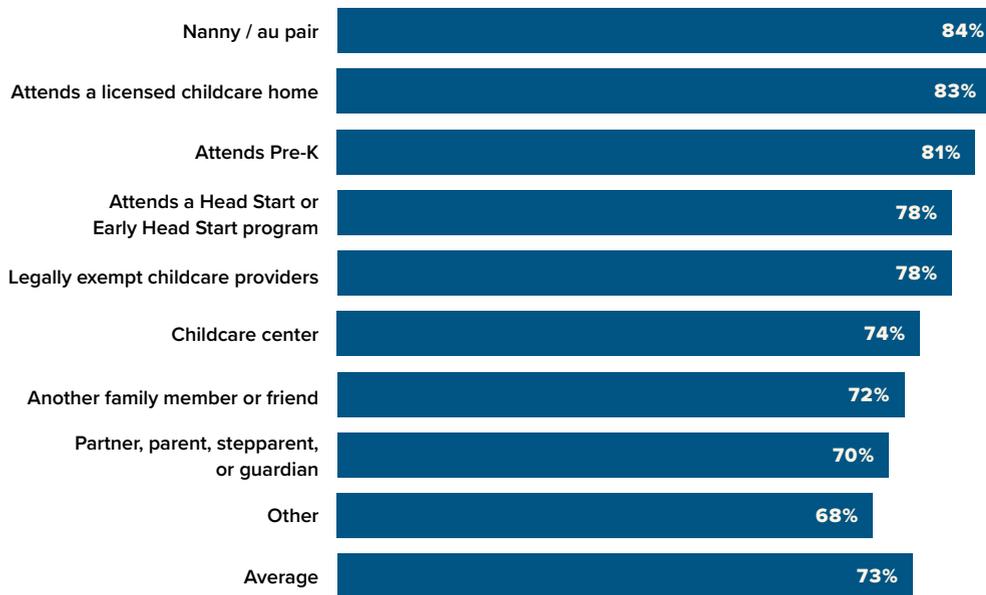
In Michigan, the childcare arrangement with the highest levels of satisfaction is hiring a nanny or au pair. Hiring a nanny is expensive, rendering it an option only for higher-income families, but parents are reassured by the constant presence of a qualified caretaker who is fully invested in their child. Parents also have a high level of trust in licensed institutions such as childcare homes and Pre-K or Head Start programs and would send their child there nearly as frequently as they would hire a nanny (FIGURE 16).

FIGURE 15.
Satisfaction with current childcare arrangement

SATISFACTION WITH CURRENT CHILDCARE ARRANGEMENT	LOW INCOME	MIDDLE INCOME	HIGH INCOME	OVERALL
Satisfied	59%	75%	77%	73%
Unsatisfied	11%	6%	3%	6%
Neither satisfied nor unsatisfied	30%	19%	20%	21%

FIGURE 16.

Percentage of parents who are satisfied with their given arrangement



Satisfaction with current childcare arrangements also varies by gender, ethnicity, and caregiver status.

75%

White parents are more satisfied than non-white parents (65%).

82%

Men are more satisfied than women (68%).

73%

Primary caregivers are much less satisfied than their non-caregiver partners (83%).

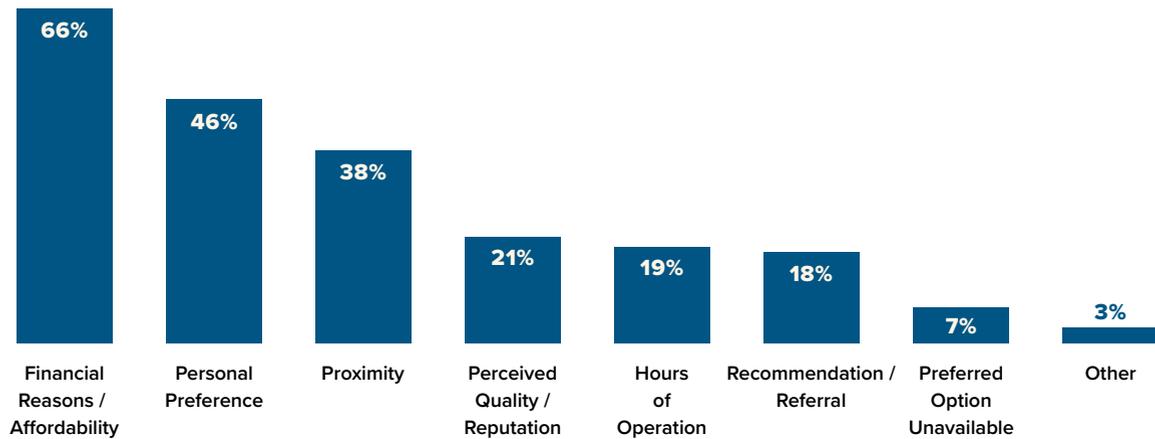
“I had to turn down jobs and find ways to work from home when I got my degree last year. I made it through school—which was very hard with a child under one—so I knew it wouldn’t be possible to start with a two-year-old.”

— MICHIGAN MOTHER OF A TWO-YEAR-OLD

When it comes to decision criteria, parents primarily select a childcare arrangement based on financial considerations; affordability is key. Cost is viewed as the biggest hurdle to accessing quality childcare, with two-thirds (66%) of parents mentioning it as a primary driver behind selecting their current childcare arrangement (FIGURE 17). The financial burden of childcare costs is particularly felt by low-income households, which consequently express less satisfaction with their childcare arrangement and are more likely to need to change their arrangement in the next 12 months. When choosing a childcare arrangement, quality of care and trust in the caretaker are top considerations for parents (FIGURE 18).

Moving forward, parents will continue to seek childcare that matches their needs and preferences while reflecting their financial constraints. Women, people of color, and low-income parents are especially feeling the strains of inflation and rising childcare costs—they want better care for their child, but do not know where to find it or how they will pay. Understanding these diverse perspectives will allow businesses, the state of Michigan, and local communities to align on solutions to address the most pressing problems.

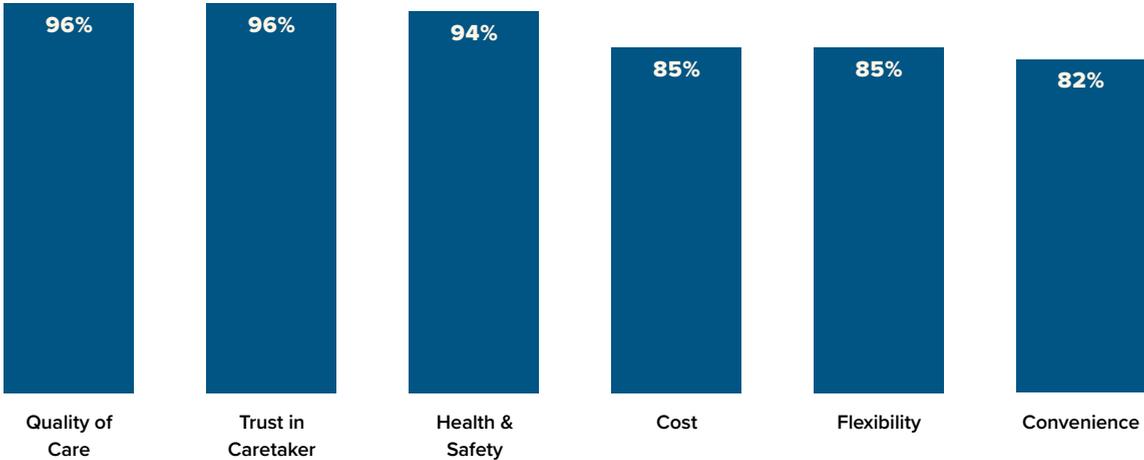
FIGURE 17.
Reason for selecting current arrangement



“I would like to find a drop-in program for my one-year-old to attend once or twice a week. The cost of attendance for a school that provides quality care and education is way out of our budget. I wish we could afford a Waldorf or Montessori school for my child to socialize and start her education but it’s not accessible.”

— MICHIGAN MOTHER OF A ONE-YEAR-OLD

FIGURE 18.
Percentage of parents who indicated a given factor is of high importance



Immediate and Lasting Costs of Childcare Issues

We estimate that breakdowns in childcare are costing Michigan \$2.88 billion in untapped economic potential annually. Workplace disruptions in the form of absenteeism and employee turnover and lost tax dollars from unearned wages account for Michigan's lost economic value.

Working parents often struggle with employment due to childcare issues and may be absent, arrive late, or otherwise be interrupted at work if they are unable to access adequate care for their children. In Michigan, 63% of parents missed work at least once in the last three months due to childcare issues, and those that missed work did so for an average of ten days per year. Parents who miss work incur costs to themselves and employers; families suffer from reduced wages, and businesses bear the financial cost of making up for the lost work by paying overtime or hiring temporary workers. When accounting for these issues, we estimate that the direct employer cost due to absenteeism in Michigan is \$1.26 billion per year.

Parents who experience a significant change in their childcare arrangement or life situation may choose to voluntarily leave the workforce. At times, difficulties balancing work and childcare concerns lead to parents being involuntarily let go from their work positions. As employees leave the workforce, employers face significant replacement costs. Secondary research indicates that it costs about one-fifth of an employee's yearly salary for them to be replaced.³⁰ Using this benchmark, we estimate that the turnover cost to employers in Michigan to be \$1.04 billion annually. This number represents the significant sum of money companies burn through each year replacing parents who perhaps could have continued in their current position if they had access to adequate childcare assistance.

Costs from breakdowns in childcare are not isolated to employers and families. As people miss work or leave employment, there is an economic cost to Michigan through decreased tax revenues. The consequences of decreased household income are felt repeatedly in the form of reduced sales and excise taxes. We estimate that every year Michigan fails to capture \$576 million in taxes not excised because of insufficient childcare resources.

The \$2.88 billion in lost economic value for Michigan each year is not some abstract number; it represents money taken from the pocketbooks of Michigan's families, businesses, and governments. Each dollar lost due to insufficient childcare is a dollar that will not be used to fund a single mother's education, provide for a special-needs child, or put food on a struggling family's table. The annual loss to the state of Michigan is certainly eye-opening; compounded over decades, and measured in terms of unaddressed human suffering, it becomes staggering.

³⁰ <https://www.americanprogress.org/article/there-are-significant-business-costs-to-replacing-employees/>

THE UNTAPPED POTENTIAL

- \$2.88B

Childcare issues result in an estimated \$2.88 billion annual loss for Michigan's economy

DIRECT EMPLOYER COSTS

\$1.04B

Turnover costs to employers

+ \$1.26B

Absences costs to employers

\$2.30B

Total

DIRECT TAX REVENUE IMPACT

\$460M

State tax loss from turnover

+ \$116M

State tax loss from absences

\$576M

Total

MICHIGAN FATHER OF A TWO-YEAR-OLD

“Affordable
childcare is not
quality childcare—
the only truly
quality childcare
is very expensive
with trained
professionals.”

Immediate Effects on Employment and Education

- More than half of parents enrolled in education programs have had their education disrupted by childcare issues. Women were more likely to report that childcare affected their education than men (FIGURE 19).

For the purposes of this report, immediate and long-lasting effects were examined through the dual lenses of education and employment. The Bureau of Labor Statistics maintains historical educational attainment and employment data that charts a strong correlation between an individual's level of education, their lifetime earnings, and their likelihood of being unemployed. Stated simply, more education equals more money and better job security.³¹ Thus, hurdles preventing parents from finishing school are detrimental to the economy on both a micro and macro scale.

Across the state of Michigan, 25% of parents have been enrolled in school or work training programs at some point throughout the past year. These parents are often trying to provide better lives for their families by advancing their career prospects, but find their educational goals threatened by childcare gaps. Of those who have attended a school or work training program in the last year, 52% have found their education interrupted by childcare concerns, including going from full-time to part-time (21%), choosing to stop attending an education program (17%), or being dropped from their class or program entirely (21%) (FIGURE 20). Educational disruptors negatively influence the earning potential of parents and their ability to contribute to the economy.

Overall, 32% of employed parents in our survey experienced recent disruptions to their employment. Fifteen percent of parents left the workforce by either being let go (6%) or quitting (9%) as a direct result of issues with childcare. These effects were not experienced equally by all groups. Low-income households were the most likely to experience a change in work due to childcare (FIGURE 21). Women (35%) were more likely than men (27%) to experience employment changes due to childcare issues (FIGURE 22). Women reported a higher rate of being fired or quitting and were more likely to be completely removed from the workforce than men (FIGURE 23). These gender differences with regards to employment are consistent with other findings.³²

³¹ <https://www.bls.gov/emp/chart-unemployment-earnings-education.htm>

³² <https://www.americanprogress.org/article/child-care-crisis-keeping-women-workforce/>

FIGURE 19.

Childcare issues impacted postsecondary education or training program, by gender

*Parents could select more than one option



FIGURE 20.

Education changes due to childcare

HOW PARENTS SAID CHILDCARE ISSUES IMPACTED POSTSECONDARY EDUCATION OR TRAINING PROGRAM	OVERALL
* Parents could select more than one option	
Dropped from a class roster at school or at a work training program	21%
Stopped attending school or a work training program	17%
Went from full-time to part-time	21%
Did not go / declined going from part-time to full-time	10%
None of the above	48%

FIGURE 21.

Percentage of parents that childcare issues have affected employment, by income group



FIGURE 22.

Percentage of parents for whom childcare issues have affected employment, by gender



FIGURE 23.

How parents said childcare issues impacted their employment by gender

HOW PARENTS SAID CHILDCARE ISSUES IMPACTED THEIR EMPLOYMENT, BY GENDER	FEMALE	MALE	OVERALL
* Parents could select more than one option			
Was let go / fired by employer	7%	3%	6%
Quit a job	11%	6%	9%
Went from full-time to part-time	9%	9%	9%
Did not go / declined going from part-time to full-time	4%	1%	3%
Declined a promotion	4%	6%	5%
Declined a raise	0%	1%	0%
Declined / turned down / could not accept a job	6%	4%	5%

“My biggest challenge is trust. I have a major issue with leaving my children with people I don’t know, even close family members. I just do not want to leave my children; it causes anxiety and worry throughout the workday.”

— MICHIGAN MOTHER OF MULTIPLE CHILDREN UNDER THE AGE OF SIX

In our study, 73% of working parents reported that in the last six months they were forced to adjust their schedules via means such as alternating work hours with someone else in their household (21%), working while simultaneously caring for a child (28%), and working fewer hours (29%) (FIGURE 24). When adjustments cannot be made, parents are forced to neglect work responsibilities; sixty-two percent of parents missed work or school at least once in the last three months due to childcare issues. Short of being absent, parents may experience interruptions at work or school due to childcare. 55% percent of Michigan parents reported being late to work or school at least once due to childcare—including 64% of fathers. Similarly, 56% of parents reported feeling disrupted, and 54% confessed to being distracted at least once in the past three months (FIGURES 25 TO 28). Employers without flexibility in their work policies may see parents, especially those from low-income households, opt to exit the labor market when forced to decide between balancing a work schedule and paying for childcare services or staying home.

Survey findings indicate that whether or not childcare issues drive parents completely out of the workforce, there are immediate effects on employment and education. These data help businesses understand in what ways parents may be most vulnerable, helping employers tailor their childcare benefits to the parents who need them most. Such decisions have an immediate effect on an employee's hours and income, but also have a lasting impact by altering the trajectory of an individual's career and professional development.

“I quit my job since I couldn’t afford to pay for childcare. I then had to turn down a position for a full-time job because I was going to make too much money and not get any government assistance to help me afford the day care. So, I wasn’t able to take the new job or keep the old one.”

— MICHIGAN MOTHER OF A THREE-YEAR-OLD

FIGURE 24.

Actions taken over the last 6 months

WHAT PARENTS SAY THEY HAVE DONE IN THE LAST 6 MONTHS TO PROVIDE CHILDCARE, BY INCOME GROUP	LOW INCOME	MIDDLE INCOME	HIGH INCOME	OVERALL
Alternate work hours with someone in my household	12%	22%	25%	21%
Work less hours	30%	27%	33%	29%
Work outside of normal business hours	21%	24%	28%	24%
Take unpaid leave	9%	15%	9%	12%
Take paid leave	6%	15%	23%	16%
Travel to extended family or friends for childcare support	10%	10%	18%	12%
Had a relative move in with you for childcare support	13%	8%	9%	9%
Worked (onsite or virtually) while simultaneously caring for a child	17%	28%	34%	28%
Delayed entry into the job market	10%	14%	9%	12%
Left employment (voluntarily or involuntarily)	23%	13%	11%	14%
None of the above	37%	26%	22%	27%

FIGURE 25.

Frequency of missing work or class in the last 3 months, by gender

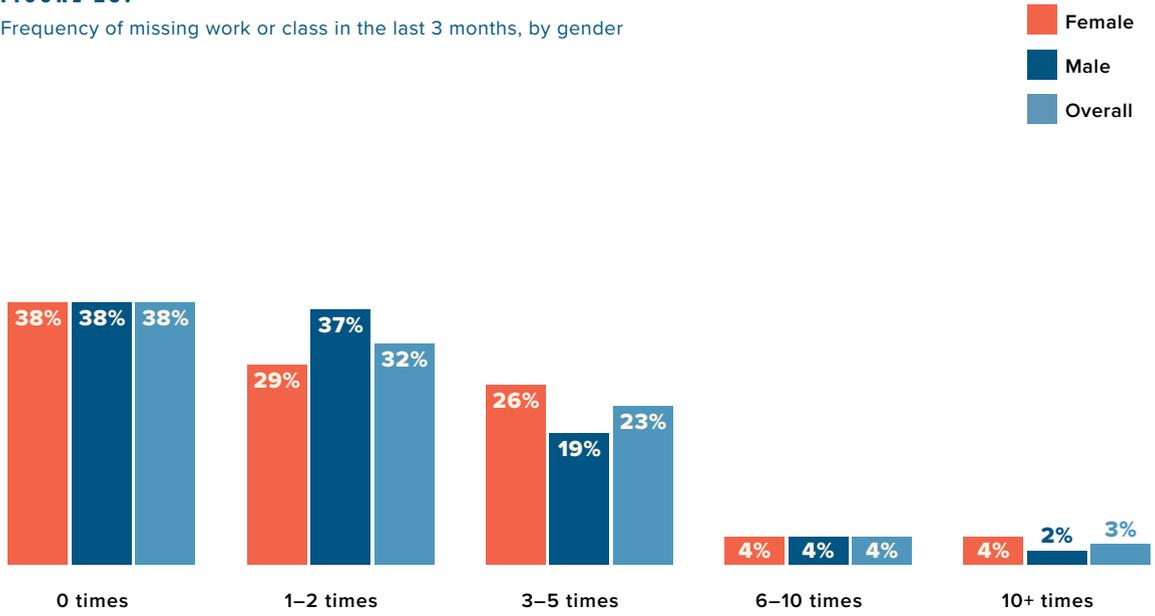


FIGURE 26.

Frequency of being late to work or class in the last 3 months, by gender

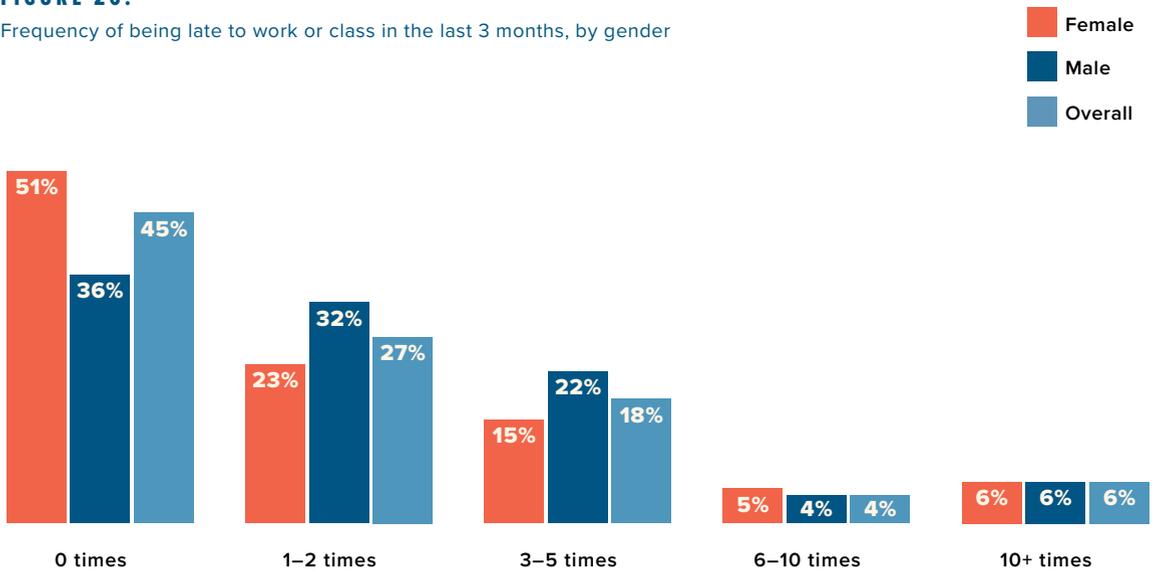


FIGURE 27.

Frequency of being disrupted work or class in the last 3 months, by gender

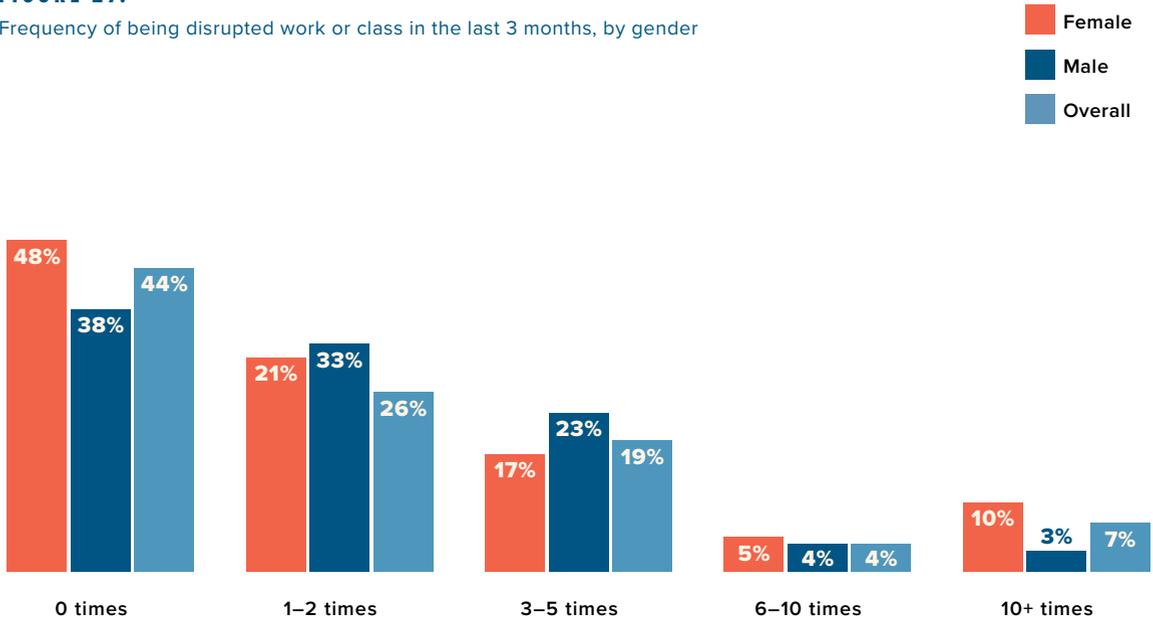
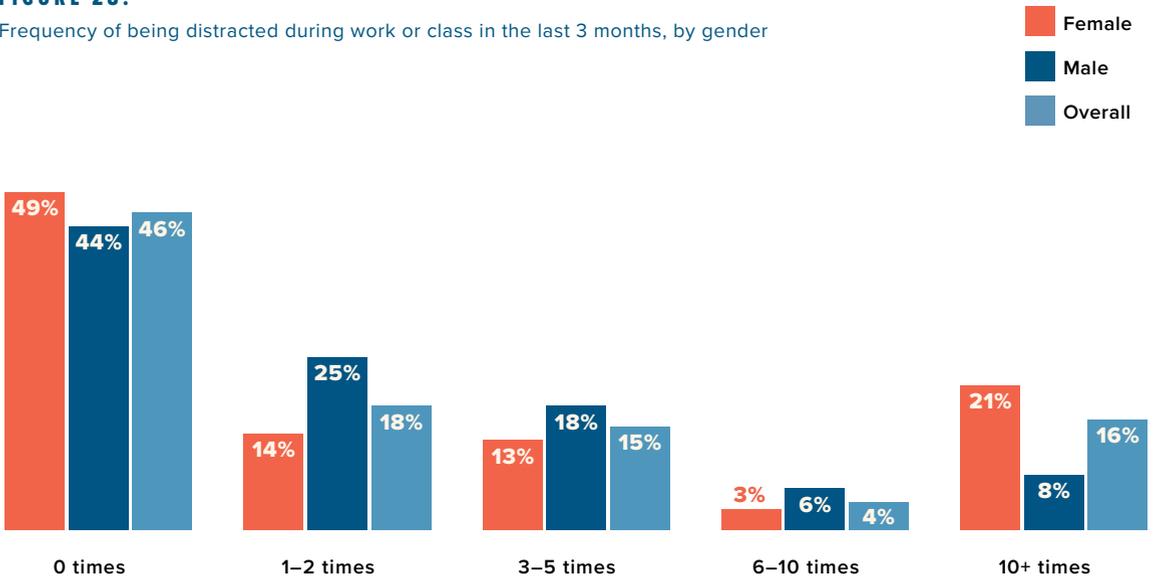


FIGURE 28.

Frequency of being distracted during work or class in the last 3 months, by gender



Lasting Effects on Employment and Education

Unfortunately, the far-reaching effects of childcare gaps on employment and education are not easily remedied. Parents who have stopped attending education and work training programs usually take extended leaves before returning—if they return at all. Our study shows that 40% of Michiganders who depart from their education due to childcare issues, but plan to return, anticipate waiting for at least a year, and another 19% either do not plan to return or do not know when they will be able to (FIGURE 29). The longer people spend away from their education program, the less likely it is that they will return.³³ Only 13% of students who drop out of school re-enroll, and they typically do not re-enroll at the same level of institution.³⁴ Even for those who do return, the choice to delay education puts the potential for increased earnings on hiatus and pushes the attainment of a higher income to a later period in life. Doing so has long-term ramifications that can affect loan repayments, debt accumulation, interest, and retirement savings.

In contrast, 62% of those who have left or are planning to leave the workforce due to childcare concerns plan to spend less than a year away from employment (FIGURE 30). Parents are much more likely to feel a sense of urgency to get back to work than school; after all, college credits do not put food on the table on their own. However, that still leaves 38% of those that have left or are planning to leave the workforce on the sidelines for potentially a year or more. Attempting to resume a career can also be intimidating for parents, who may feel pressured to maintain their skills and stay current on industry trends.

The immediate effects of missed wages from exiting the workforce are apparent, but the cumulative effect of this decision has a multiplicative effect beyond the sum of lost annual earnings. Take a young worker making \$50,000 per year as an example; simple math suggests that the total cost of stepping away from work for three years would be \$150,000 in unearned wages. However, the Center for American Progress estimates that over their lifetime, that worker will lose an additional \$200,000 in future wage growth and approximately \$165,000 in lost retirement assets and benefits, leading to a total cost of more than \$500,000.³⁵

³³ National Student Clearinghouse Research Center (October 30, 2019) *Some College, No Degree*

³⁴ *Ibid.*

³⁵ <https://www.americanprogress.org/article/calculating-the-hidden-cost-of-interrupting-a-career-for-child-care/>

MICHIGAN MOTHER OF MULTIPLE CHILDREN UNDER SIX

“Childcare is expensive. It seems like everything that I make at work, I am having to turn around and pay someone else to have them watch my kids. What is the point in working to have your paycheck go right out the door?”

Women bear the brunt of the childcare-related economic losses; women with children earn slightly less than males with children earn, even after controlling for job and qualifications. Our study revealed that women are also more likely than men to quit a job to care for a child, with similar reports from Payscale, McKinsey, and the Federal Reserve Bank of St. Louis confirming this assertion. Translated, this means women are not only leaving the workforce at higher rates but are also being penalized with a higher opportunity cost for doing so.

In short, childcare issues are exacerbating existing issues with poverty in Michigan in two ways: first, by reducing the ability of parents to get ahead through education, and second, by contributing to gender inequality by keeping women from achieving their personal and career goals.

FIGURE 29.

Time to return to education for those leaving education

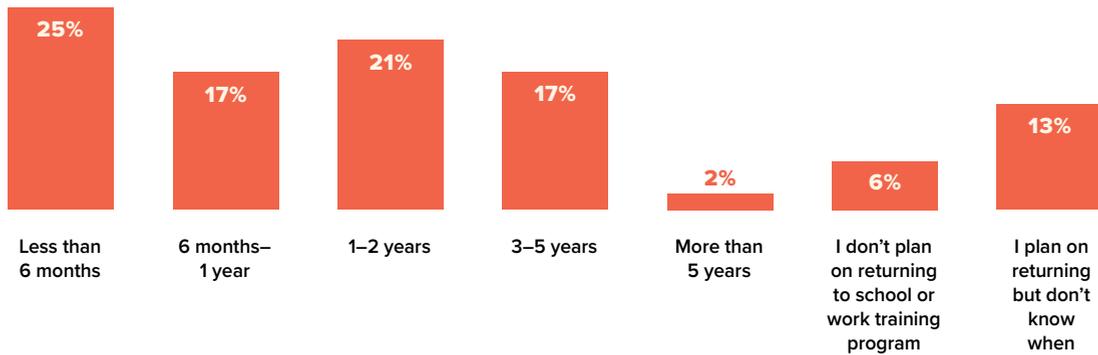
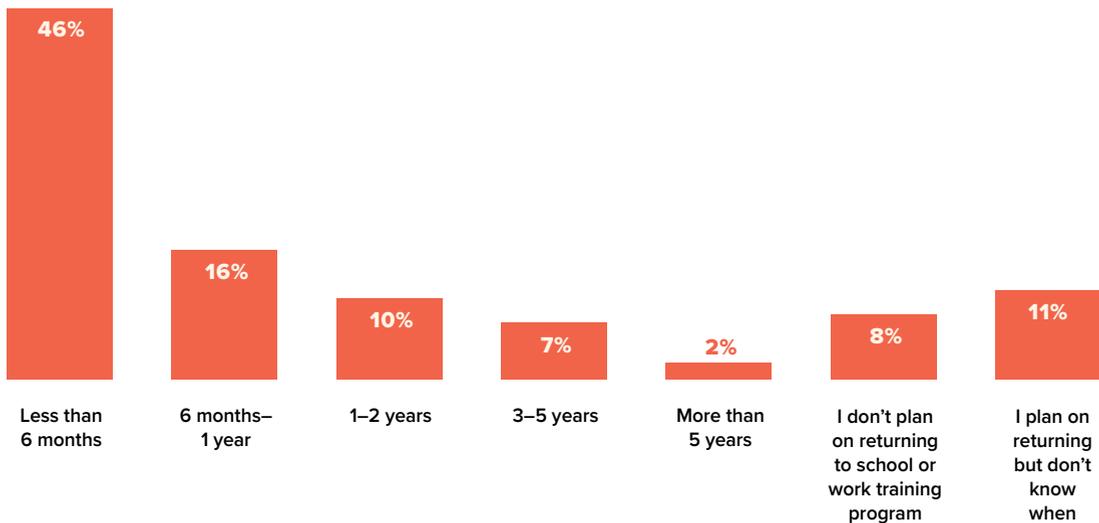


FIGURE 30.

Time to return to work for those leaving employment



“This past year, I was so worried that I could not take good care of my child that I asked for a long leave from a job training program arranged by my company.”

— MICHIGAN MOTHER OF AN INFANT

Conclusions and Implications

Our study is a conservative estimate of the economic toll impacting employers and the state of Michigan by gaps in childcare coverage. The research indicates that access to childcare has a sizable impact on parents' career development and potential. Without access to childcare, working parents compromise on their futures to meet immediate childcare needs.

Turnover and absenteeism stemming from childcare issues results in costs for parents, their employers, and the state. Employers can reduce the number and severity of challenges that parents, especially women and low-income groups, face by implementing family-friendly policies like flexible working hours and remote work when possible. In doing so, businesses strengthen their human capital and increase the size of the available talent pool when hiring. Government leaders bear the responsibility of administering state programs meant to ease the burdens of working with children, and legislators and executives should thoughtfully consider impactful measures that will alleviate existing childcare issues.

This research raises a tantalizing question: what could Michigan's parents and leaders do with an additional \$2.9 billion each year? It is our hope that smart solutions produced in cooperation with government, businesses, and parents, will benefit all Michiganders, and lead the state to unprecedented economic success in years to come.

**What could
Michigan's
parents and
leaders do with
an additional
\$2.9 billion each
year?**



RESEARCH SPONSORS

The research for the Untapped Potential report was conducted by the U.S. Chamber of Commerce Foundation in partnership with the Grand Rapids Chamber, the Michigan Chamber of Commerce, and the Early Childhood Investment Corporation (ECIC).

APPENDIX A: SURVEY METHODOLOGY AND RESPONDENT DEMOGRAPHICS

As with the previous studies conducted by the U.S. Chamber of Commerce Foundation, this study was conducted in two phases.

First, the U.S. Chamber of Commerce Foundation and Michigan Chamber of Commerce partnered with Cicero Group to conduct a statewide survey of households with children under six who are not yet in kindergarten. Parents were asked a series of questions designed to investigate the intersection of workforce participation, education, and childcare issues. This survey was conducted online and sampled a population representative of Michigan’s racial and income demographics (FIGURE 31).

As mentioned in the body of the report, those surveyed were allowed to select from response options that were inclusive of a “parent, stepparent, or guardian” when indicating their current and pre-pandemic childcare arrangement. Income was self-reported by respondents, who selected the range that best described their income before taxes. Responses were later regrouped to establish “Low” (less than \$30,000 per household), “Middle” (\$30,000 to \$100,000 per household), and “High” (greater than \$100,000 per household) income classifications.

Second, Cicero Group estimated the economic impact of childcare issues based on phase one survey results and secondary data sources such as U.S. Census Bureau. Cicero’s proprietary economic model is a simple quantification of lost economic activity resulting from insufficient childcare support. The model is an approximation only, though it is presumed by Cicero to be an accurate measurement of conditions in the State of Michigan at the time of the study.

FIGURE 31.
Respondent characteristics

RACE	White	Hispanic or Latino	Black	Asian	American Indian / Alaskan Native	Native Hawaiian / Pacific Islander	Multiple
N=501	371	25	76	13	1	2	11

SEX	Female	Male	Other	INCOME	Low	Middle	High	Prefer not to say
N=501	336	165	0	N=501	90	249	158	4

MARITAL STATUS	Married	Single	Other	REGION	Rural	Suburban	Urban
N=501	369	107	25	N=501	112	244	145

APPENDIX B: ECONOMIC IMPACT METHODOLOGY

Economic impact consists of two areas:

- 1. Overall cost to employers**
- 2. Lost tax revenue for the state**

Within these buckets, lost economic value is composed of turnover and absences costs.

Within these buckets, lost economic value is composed of turnover and absences costs.

The authors of this report pulled data from The American Community Survey (ACS) to calculate the total number of parents in the labor force with children under six. In Michigan, there are an estimated 617,643 people in the workforce that match this description. We subsequently applied the proportion of parents who indicated in our survey that in the last six months they voluntarily or involuntarily left the workforce due to childcare (14%) to this population to estimate the total number of working parents of children under six who left the workforce. Applying Boushey and Glynn's cost of turnover (21%) to the annual mean salary for these workers, we arrived at the total cost to employers due to childcare-related employee turnover.³⁶

For absences, we applied the mean hourly wage to the number of parents who missed work, then assumed each worker missed an eight-hour shift. Although non-salaried workers forgo wages when they miss work, employers still pay a cost in lost productivity to those absent workers. Additional costs to employers may be incurred via overtime pay to other workers who must cover shifts, or if the company is forced to hire and pay temporary workers.

Just as childcare-related turnover hurts employers, state taxes are directly and indirectly impacted when employees lose their jobs or miss out on wage increases. Estimates from The Institute on Taxation & Economic Policy were used to determine appropriate tax rates.³⁷

³⁶ For more on Boushey and Glynn and their calculations behind the average cost of turnover, reference their publication with the Center for American Progress, *There Are Significant Business Costs to Replacing Employees*

³⁷ *Who Pays?* <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf>

Notes:

