

MICHIGAN FAMILIES STRUGGLE: THE BURDEN OF UNAFFORDABLE CHILD CARE

Nikki Goodnight, MSU MPP Program,
nikki@winmattgroup.com



Executive Summary

Unaffordable child care has been a rising concern for many families in the United States. While costs have been steadily rising for decades, families are facing financial hardships.

Low availability is also a leading concern with child care. Families struggle to find spaces for their children in local centers. Due to lack of availability, parents are forced to find alternative care options such as relying on friends and families and also leaving the workforce.

Due to parents leaving the workforce in order to care for children, our state wide workforce participation and economy faces harsh impacts and financial burden.

With child care now costing more than a mortgage payment, it is affecting the way families work and raise their children. After the COVID-19 pandemic and with inflation on the rise, we only saw worsening conditions when it came to accessible and affordable child care and no adequate policy recommendations to slow down adverse effects.

If our child care system remains as is and a solution to our problem is not found, we will continue to see sinking work force participation numbers, a major loss in statewide revenue, and we may even deter families from moving to Michigan.

The escalating costs of child care in the United States poses a significant challenge, placing a considerable financial burden on families and hindering access to quality early childhood education. The United States, despite its economic progress in the past year recovering from the COVID-19 pandemic and rising costs of inflation, lags behind in providing affordable and accessible child care solutions compared to other developed nations.

Context

Since the year 1990, the cost of childcare in the United States has risen by 214%. While it is expected that prices will not be the same in 2023 as they were in 1990, the average family income has only risen 143% since 1990. This means that the cost of child care is now exceedingly more expensive than it once was and families are currently not making enough annually to be able to afford it while also having to purchase all of their other household necessities.

In 2021, the average annual cost of childcare in the United States was roughly \$10,600 per child. It is estimated that childcare for a single child costs between 8% and 19% of the family's median household income.

Child care costs are 80% higher than the average cost of housing. In January 2023, inflation hit 7.5% and almost all families were struggling to make ends meet while the cost of products/goods and child care continued to rise. While inflation is decreasing, costs are still up.

The Problem for Families

In Michigan, the average cost of child care is around \$900 for 1 child. And the median household income for a married couple with children is \$79,000. Meaning families will spend nearly \$21,600 a year on care for only one child.

Our current state wide assistance program, the Child Care & Development Program (administered through MI Bridges and funded thorough the Social Security Act (SSA) and the Child Care and Development Block Grant (CCDBG), is not doing enough to help the large majority of Michigan families, and when compared to other states, we see that we are lacking investment and fair eligibility requirements.

The middle class makes up 52% of Michiganders and the middle-class income in Michigan ranges for a family of 4 from \$60,088.28 to \$179,368.

With an income eligibility of \$46,000 a year or less, this program leaves over half of our states residents not eligible for assistance.

Adequate child care keeps a child on a positive path as they grow up and their brains develop. When given access to good care, children demonstrate improved academic performance, exhibit decreased dropout rates, and attain higher test scores. Keeping children positive and happy in school and home life leads to an overall better situation for them in a learning environment and gives them more potential to do well in academics.

With a lack of good quality early child care, children are more than double the likelihood of experiencing anxiety, more than triple the likelihood of experiencing depression, and seven times more likely to engage in alcohol abuse.

The Problem for Child Care Facilities

Not only does the rise of child care costs cause issues for families, the rise also impacts child care facilities. Without proper funding or reliable sources of money coming in, child care and daycare centers face major problems. When too many parents have to pull their child out of care centers due to the price, the business is faced with the problem of having to close their doors or raise their wages.

And on top of that, it is hard to keep staff around due to lack of adequate pay. Child care providers are required to have certain degrees/certifications, but only make an average of \$13 an hour. Nearly 80% of all child care providers and teachers have attended college and received either an associates or higher and 29.9% of childhood educators have received a 4 year degree. The average cost of a 4 year degree in the United States is \$104,108. This means that these providers who spent over \$100,000 for a degree are only making a fraction of that cost back in their everyday, full time job.

Some providers make up to \$14 an hour, but it is still not enough to provide for themselves or a family. Providers making around \$14 an hour working 40-hour weeks for the full year, would earn less than \$30,000 annually, barely above the federal poverty line for a family of four.

This discussion around underpaid child care facilities is an ongoing battle, and the field disproportionately affects women and women of color since “professions that are seen as feminine and those that involve caring for others, are usually under compensated and are perceived as economic contributions of lesser value.

Lack of available space is also a big concern for child care centers because for every 4 children requiring care, there is only 1 spot available.

To become a daycare teacher (caregiver) in the State of Michigan you are required to have/obtain the following:



Associate's degree or Child Development Associate (CDA) credential; bachelor's degree necessary for advancement



CDA credential offered by the Council for Professional Recognition



High school diploma
480 hours of childcare experience
120 hours of professional education
Professional portfolio
CDA Exam
CDA Verification Visit

The Problem for the Work Force

A large factor in parents leaving the work force is due to the unaffordable nature and the lack of access for child care. It can be difficult to find suitable alternatives such as having a family member or friend care for children while a parent works, so families make the choice to have a stay at home parent.

Some issues we face when we see parents leaving the work force are:



Reduction in Labor Force Participation

Michigan ranks 39th out of 50 states in work force participation



Decreased Household Income

When one member of a household leaves their job, their household income decreases. This can lead to less economic activity and potential family struggles



Long-Term Economic Effects

A total of \$2.88 billion is lost per year due to employee turn over and absenteeism because of inadequate child care options in Michigan

Most people do not often realize that access to child care can impact so many people on a day to day basis. And that these struggles impact thousands of families around the state of Michigan. Continuing to ignore these problems could lead to irreparable impacts.

What Are Other States Doing?

Most states have their version of a state wide child care assistance program. These programs are created in the attempt to help families with the cost of child care, but some states are making bigger strides than others.

These programs all range in eligibility requirements, but the most important one to look at is income. Income is a large driving factor in most things families do, and it determines whether or not they qualify for state assistance.

Michigan's program, the Child Care & Development Program, offers a relatively strict income eligibility (\$46,000 a year) when comparing it to other states. Seeing that can make you wonder what other states are doing and what their eligibility requirements are.

A comparative analysis was done to compare Michigan's Child Care & Development Program to other state wide assistance program to see if Michigan was doing enough to provide assistance to large number of the states population. In this analysis we take a look at Minnesota, Pennsylvania, and Arkansas.

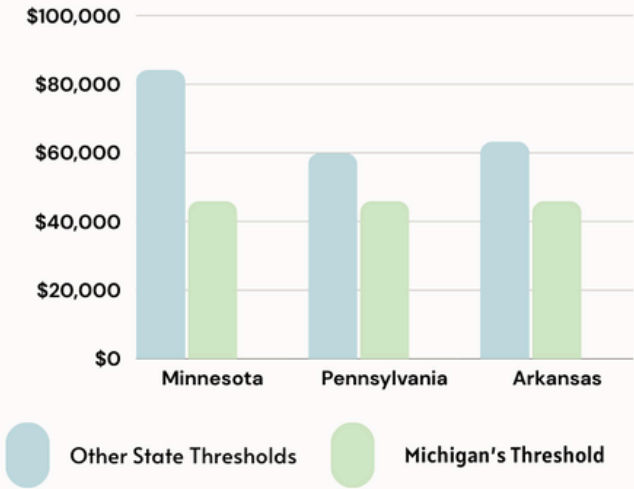
THRESHOLD FOR STATE ASSISTANCE

For a Family of 4

- Minnesota** - MFIP (Minnesota Family Investment Program), Transition Year Child Care, Basic Sliding Fee Child Care

Pennsylvania - Child Care Works (CCW) Child Care Subsidy Program

Arkansas - Child Care Assistance Program



As we can see, when compared to these 3 states, Michigan is lacking. Michigan is excluding a large number of their population due to having their income eleibility requirment where it is.

Minnesota, Pennsylvania, and Arkansas all have higher thresholds for income, meaning more families have the opportunity to utilize their programs.

These states offer a range of comparisons on the political spectrum and all have a higher income threshold than Michigan.

We cannot blame any political party in power for our lack of assistance, as these states that differ in political affiliation still continue to invest more money into their statewide assistance programs and allow more families to qualify for them.

- Minnesota**

Income capped at \$84,182

Pennsylvania

Income capped at \$60,000

Arkansas

Income capped at \$63,287

What Can Michigan Do?

Below are a set of recommendations for Michigan to help our families and child care facilities around the state.

1. For Families

Increase the threshold for our Michigan Child Development and Care Program to allow more families to qualify

In order to allow more families to apply for this state assistance program, we need to increase the amount a family can make a year.

If we don't, the program will be underutilized as half of the states residents do not qualify currently. Investing more money into our statewide program is a great idea for helping families around the state.

2. For Child Care Centers

Continue funding the Child Care Stabilization Grant Program

The Child Care Stabilization Grant Program, which was federally funded by the American Rescue Plan, gave money to our state's child care centers in order to help with expenses.

After the money ran out in 2023, child care centers are struggling financially due to lack of funding. Without assistance, they can close down or raise their rates. If we continue to fund this program, child care centers can remain open, leaving families more oppourtunities to find care.

How Can We Fund This?

Michigan's General Fund

Allocate a portion of Michigan's General Fund money and allocate it towards child care efforts

\$14.8 billion was recommended for the General Fund for the FY 25 budget

MDHHS or Education Budget

Allocate money from these budgets towards child care efforts

\$37.8 billion was recommended for the MDHHS FY 25 budget and \$23.4 billion for K-12 and Higher Education

Let's Get Creative!

Find new sources and create a small tax on them

Finding new sources to incorporate small taxes could be useful when the money is allocated towards child care

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