Why Quality Child Care Matters to Employers in Virginia

January 2018

Why should employers care about child care?

- Employees with safe, reliable, quality child care are less likely to miss days of work due to child care related challenges.

- Employees with safe, reliable, quality child care are more likely to be able to focus on their work without the anxiety of worrying about their children while they are at work.

- Parents with quality child care know that their children are in a safe setting that promotes their children's healthy development.

- Children who are in a quality child care setting are more likely to start school ready to succeed. And, children who start school ready to learn are more likely to perform at grade level, less likely to drop out of school, and more likely to become part of a strong workforce in the future.

Quality Child Care and Low-Income Families

- Quality child care matters for the healthy development of *all* children with working parents. However, studies show that low-income children benefit the most from quality child care settings.

- Research shows that low-income mothers who are provided state and federal child care subsidies are more likely to work (and work 40 hours per week) than their peers who do not receive assistance.[1]

- In Virginia, nearly 15% of children under age 5 are living in poverty. More than one-third (34.2%) of single mothers raising children under age 5 are living in poverty.[2]

Average Price of Child Care in Virginia

In Virginia, the average annual price of child care in 2015 was:

- $12,792 for center-based infant care
- $9,568 for center-based preschool care
- $9,516 for family child care home based infant care
- $8,060 for family child care home based preschool-age care

Source: Child Care Aware of Virginia (2017)

387,000 children under age 6 in Virginia have working parents.[3] The cost of care is a struggle for many families, particularly for those with more than one young child.

Child Care as an Economic Driver

Investing in early learning is the best foundation for human capital. These investments have both immediate and long-term benefits to children, parents, employers and communities.

Access to high quality child care is not only a key work support for parents (to enable them to obtain and retain employment), but it is also critical for the healthy development of children to ensure that they start school ready to learn.

Early and sustained participation in quality child care and early learning settings leads to:

- more children graduating high school,
- higher earnings rates for parents and for the children once grown,
- reduced public spending on remedial education and services, and
- lower incarceration rates.

Child care as an industry can be an economic driver. For example, in Virginia, industry revenue combined with spillover effects (additional spending in the community) has a $2.1 billion impact on the economy.[4]

The child care industry employs nearly 40,600 individuals supporting an additional 15,900 jobs in other industry sectors across Virginia.[5]

High-Quality Child Care: Return on Investment

Recent research from Nobel Laureate economist James Heckman found that high quality early childhood education programs for low-income children can yield a 13% annual return on investment (ROI) through better outcomes in education, health, social behaviors, and employment, reducing taxpayer costs down the road and better preparing America's future workforce for the global economy.[6]

Employers Can Help

Let employees know about:

The Dependent Care Tax Credit (DCTC), a federal credit for working parents worth up to $1,050 for one child and $2,100 for two children based on family income and expenses for child care.[7]

Income Exclusion for Dependent Care. Employers may offer employees a Dependent Care Assistance Plan (DCAP), which allows employees to exclude from income up to $5,000 annually to be used for child care purposes (i.e., for children under age 13 or for the care of a disabled child).[8]

Families can take the dependent care tax credit or use the income exclusion but may not combine these benefits.

For employers, child care is a two generation strategy. Employers can help their employees access quality child care to promote workforce stability. Employers can help children, leading to a more skilled workforce in the future.

---

[1] Marshall, N.L., Robeson, W.W., Roberts, J.R. & Dennehy, J. (2013). *Child Care for Low-Income Families*. Wellesley Centers for Women. http://www.wcwonline.org/pdf/SubsidyStudyOverview.pdf
[2] U.S. Census Bureau, Demographic Profile Data, Table DP03. Selected Economic Characteristics. 2016 ACS 1 Year Estimates. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_1YR_DP03&prodType=table
[3] U.S. Census Bureau. Table B23008. Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents Universe, 2016 ACS 1 Year Estimates. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_1YR_B23008&prodType=table
[4] Committee for Economic Development, Child Care in State Economies. (2015)
[5] Ibid.
[6] Dr. James Heckman, University of Chicago, the Lifecycle Benefits of an Influential Early Childhood Program, 2016.
[7] U.S. Department of the Treasury, Internal Revenue Service, Publication 503, "Child and Dependent Care Expenses," 2016, http://www.irs.gov/pub/irs-pdf/p503.pdf
[8] U.S. Department of the Treasury, Internal Revenue Service, Publication 15-B, "Employer's Tax Guide to Fringe Benefits," 2016, http://www.irs.gov/pub/irs-pdf/p15b.pdf