Child Care Crisis

Pandemic Underscores Need for Flexible Work Options for Working Parents

- 110,000 child care workers left labor force at start of pandemic.
- 420,000 child care slots may be lost permanently.
- Cost is most significant barrier to increasing child care-related employee benefits; 72% of employers say they lack resources to invest more in child care.
- 91% of voters agree (56% strongly) that state labor laws should be changed to make it easier for employees to work from home.

The COVID-19 pandemic shed an important spotlight on California's child care crisis. Approximately 110,000 child care workers left the labor force in the beginning of the pandemic and many child care centers that had to shut down early in the pandemic ended up closing permanently. The Center for American Progress estimates that as many as 420,000 child care slots may be permanently lost in California as a result of these lost provider jobs. Even those centers that are still operating are not doing so at full capacity. About 99% of care centers and 78% of home-based child care providers reported that they had fewer children enrolled than before the pandemic.

Due to facilities being financially unable to reopen and the shortage of child care workers, this lack of available child care had a detrimental impact on women in particular. Women were forced to leave the labor force due to the need to care for young children at home. According to the Bureau of Labor Statistics, in March 2020, unemployment rates for men and women were similar. By September 2020, however, the national unemployment rate for women was approximately three percentage points higher than for men. Women were leaving the workforce at a rate of four times more than men nationally and two times more in California. Women of color were disproportionately affected.

The crisis continued into 2021. According to data from the U.S. Census Bureau, millions of families were still making adjustments to their work schedules because young children were unable to attend daycare due to COVID-19 concerns. A report from McKinsey & Co. shows that women feel far more burnt out in 2021 than they did even in 2020, citing caring for children and other family members as one of the primary reasons.

2021 BUDGET INCLUDES MAJOR CHILD CARE REFORM

In 2021, California experienced a historic budget windfall. In recognition of the impact of reduced child care options for working mothers, both the Governor and Legislature prioritized child care reform. Many groups, including the California Chamber of Commerce, supported this effort.

Even prior to COVID-19, the high cost of child care acted as a barrier to many parents being able to enter or remain in the workforce. A robust, quality, and affordable child care network is not only crucial for the development of young children, but also essential for millions of working parents. Due to the breadth and complexities of the topic, it was one of the budget trailer bills that took the longest to negotiate, with debates about how much reform was necessary. For example, the Legislative Women's Caucus issued the following statement on the Governor's May Revision:

> "The pandemic has shattered decades of progress improving women's economic advancement and participation rates in the workforce, lowering them to mid-1980s levels. Many women who left jobs did so because of caregiving duties, many others because the job they held was eliminated. As we examine the details of the May Revise, child care and women's economic security will remain a priority for the Women's Caucus," said Assemblywoman Cristina Garcia (D-Bell Gardens), Chair of the California Legislative Women's Caucus. "While we are pleased with the Governor's proposal to increase child care spaces by 100,000, we stand by our budget request to expand the number of children served by 200,000, implement child care reimbursement rate reform, waive family fees for *all* families, and modernize the administration of child care programs.

CalChamber

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> "California is a diverse state with diverse child care needs, as such, we need to ensure that our expansion of slots has diversity of care providers and targets kids from 0-12. We must simultaneously increase *both* provider rates and the number of childcare spaces as well as waiving the fees on low-income families.
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> "Nothing less than California's strong economic recovery and an equitable future for women and children is at stake. Proper funding for providers — our childcare heroes, will positively impact the predominantly female workforce that delivers care to our children; the families who can return to the workforce; and the children who benefit now who are our future workforce. We thank Governor Gavin Newsom for his proposed investment in childcare and we look forward to continuing working with his Administration, as well as Senate and Assembly leadership. Together, we know that we will get women back to work and children back to learning."

Ultimately, a compromise was reached in budget trailer bill AB 131. The bill included significant reforms, such as:

- Waiver of family fees for subsidy-funded child care through June 2022
- Addition of 110,000 new, subsidized child care spaces
- Provision for stipends for those receiving subsidies
- Increase in subsidy payment rates to providers

In addition to AB 131, the budget included funding for expansion of transitional kindergarten. The bill phases in transitional kindergarten starting in the 2022–2023 school year through 2026 by expanding eligibility every two months. By 2026, all children who turn 4 years of age by September 1 can enroll in transitional kindergarten. Both bills will help provide some relief to working parents and bolster early learning for children.

On January 10, 2022, the Governor issued his proposed 2022–2023 budget. It expands on the 2021 budget by proposing an additional $5.8 billion in spending on child care programs. That money would be used to again increase subsidized child care spaces, increase provider rates, and fund infrastructure improvements. That proposal was being reviewed by the Legislature as this publication went to print, and it is likely the Legislature will include that proposal or a similar one in the final budget.

ROLE OF EMPLOYERS IN CHILD CARE

The employer community recognizes the importance of a robust child care system to assist working families. Some companies support their workers through onsite child care, allowing children in the work place, helping employees pay for back up child care each year, or allowing new parents to work part-time or remotely.

One example of success in bringing stakeholders together on this issue is the effort by the Santa Rosa Metro Chamber of Commerce. After the devastating 2017 wildfires in Sonoma, the Santa Rosa Metro Chamber made an effort to develop partnerships with businesses, education groups and the city to find ways to reduce costs for child care providers and educate employers about ways to support workers. Employers that provided child care benefits discussed their programs with other employers and worked with local child care experts. The city agreed to make multiple policy changes to lower the cost of building new child care centers, and both the city and a local employer agreed to invest in a new center. It is evident from the success of the Santa Rosa example that local efforts must be part of the equation of addressing child care.

The most significant barrier to increasing child care-related employee benefits is cost. A study by the U.S. Chamber of Commerce Foundation shows that, of those employers that cannot increase investment in child care needs, 72% of them said they do not have the funds or resources. (*See* "Piecing Together Solutions: Employer Childcare Assistance Now and Looking Ahead," November 2020). In interviewing employers on this topic, renting or building even a small child care center costs millions of dollars due to the specifications required for such centers.

At least one company reported that its center does not make any money; it operates as a loss. Others needed to charge employees rates comparable to other child care centers to have the resources to continue to operate centers. At least one business in California that previously reimbursed employees for child care had to stop because of all the new mandates that were put on businesses in 2020 related to COVID-19.

AB 1179 (Carrillo; D-Los Angeles), introduced in 2021, would have required all employers with 1,000 or more employees and all public employers to pay for 60 hours of "back up" child care per employee. Back up child care is defined in the bill broadly to include child care where the employee's "regular childcare provider cannot be utilized." The amount the employee would receive was tied to their rate of pay, so it was equivalent to 60 hours of pay with employees making more getting the most benefit rather than lower-income employees. The Assembly Appropriations Committee, which analyzes the fiscal impact of legislation on the state, indicated there were "unknown costs" to the state as a result of providing state workers with 60 hours of pay for child care. The committee ultimately held the bill, presumably due to the high costs associated with providing employees with that additional pay.

FLEXIBLE WORK OPTIONS FOR WORKING PARENTS

Incentivizing remote work is another option to balance the challenges of child care for working parents. California's inflexible Labor Code and steep penalty system currently dissuades employers from providing employees more flexibility during their workday or remote work.

Added costs such as split shift premiums, daily overtime, meal and rest break premiums, and a broad expense reimbursement requirement make workplace flexibility prohibitively expensive. Some employers are hesitant to continue to offer telecommuting after the pandemic because these wage and hour laws were not designed with telecommuting employees in mind. Any failure to adhere to certain rules or a good faith dispute about a law's interpretation immediately triggers penalties and attorney fees under various Labor Code provisions, including the Private Attorneys General Act (PAGA).

Employees want flexibility, whether it is through a more flexible daily schedule, alternative workweek schedule, or the ability to continue to telecommute after the conclusion of the pandemic. In a recent CalChamber poll, 91% of voters agree (56% of them strongly) that the state's labor laws should be changed to make it easier for employees to work from home. As to specific changes:

- 88% support changing overtime requirements to allow alternative workweek schedules.
- 82% support allowing employees to take rest periods at any time of their choosing.
- 80% support allowing employees to forgo their 30-minute meal period to go home earlier.
- 79% support allowing employees to split their shifts to accommodate personal needs.

CALCHAMBER POSITION

The CalChamber recognizes the challenges working families face with reliable and affordable child care and supports the efforts made with the budget surplus to increase child care slots and reduce costs. The Governor and Legislature should build upon this success with the anticipated budget surplus in 2022 instead of imposing costly mandates on the employer community.

In addition, other policy changes can be made through legislation that will provide employees with more flexible work options to help with family responsibilities.

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