

THE TRUE COST OF CHILD CARE: ERIE COUNTY NY

Executive Summary of Phase One: Primary Findings

December 2021

Background and Goals

This is an executive summary of findings of a study of the costs of child care in Erie County, NY, undertaken in Fall 2021 by a Cornell research team from the ILR School in Buffalo. An Action Research project, it was undertaken in collaboration with the Live Well Erie Emergency Child Care Task Force, child care providers and advocates, and Erie County and New York State public officials. The goals of the project are to determine the actual cost of quality child care by modality in Erie County; compare those costs to OCFS “market rate” price of care and with NYS/Erie County DSS subsidy rates; compare current costs with true costs if all child care workers earned a thriving wage and the system was equitable, economically sustainable, and universally accessible; and to provide the data and analysis to County and State officials for consideration in public policy and budget negotiations in 2022.

Methodology

This study utilized a three-pronged methodological approach:

- a professional on-line survey was conducted with all 499 Erie County licensed providers resulting in 234 valid responses, a remarkable 49%, yielding a margin of error of +/-4 %, and a sample well representative by geography and by modality;
- public geographic and economic data were expertly analyzed for understanding the economics and workforce of the local child care industry;
- four focus groups, composed of eight to twelve providers each, by child care modality, examined nuances of true costs, as well as the challenges and opportunities for improving child care in Erie County.

Child Care Industry and Workforce Overview

In Erie County, the number of jobs in child care grew for five years, from 2013-2018, before starting to fall in 2019. The industry’s current workforce numbers from 3,100 to 3,300, when including self-employed. **That workforce is the lowest in over a decade, and recorded an 11% loss between 2019 and 2020 as child care workers leave the industry for jobs with increasing wages in retail and fast-food.** Average annual wages for full-time workers is just over \$23,000, with median hourly wage of \$10.38. Three-quarters of all child care workers earn less than \$15/hour, compared to just one-third of all workers in Erie County. Many providers work unpaid hours, especially family and group family providers who report working between 1,000 and 1,200 hours per year for which they are not compensated. More than half of all child care workers lack employer health care, compared to one-quarter of the county-wide workforce. **Child care workers in Erie County are disproportionately women (88%) and people of color (35%), therefore their low wages and poor benefits exacerbate existing patterns of economic and racial inequality.** Given the foundational role that child care work plays in support of the entire workforce system, allowing these dynamics to play out uninterrupted has multiplying, and devastating, effects throughout society and the economy.

Survey Results: Costs of Care

Seven out of ten survey respondents indicated that they currently do not make enough money to offer the level and quality of services they wish to provide. That situation is more severe for DSS subsidy recipients: over 80% of subsidized providers report inadequate revenue compared with 50% of providers who do not care for subsidy children, meaning that the **facilities serving more financially disempowered children are themselves more financially disempowered.** Two-thirds of providers who accept DSS subsidies agree that existing subsidy rates do not cover their *current* costs of care. Yet, subsidized facilities report higher interest in expansion of services, an important source of unrealized capacity. When asked to rank eight categories of needed investment if they had sufficient funding, higher salaries and better benefits for current staff, additional staff, and capital improvements top the list.



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The NYS Market Rate Survey, used to establish DSS subsidy rates is based on the *rates that providers charge parents and guardians*. Yet providers report being unable to raise their rates to desired levels because they will lose clients to lower cost alternatives or parents will drop out of the workforce to care for children themselves. These market pressures push providers to charge below-true-cost rates, assuring that the subsidy rate schedule does not reflect the true costs of child care. Further, unlike private payer practices, providers receive *subsidies based on attendance, not on enrollment*.



Costs of Care The graph to the left reports the costs of care under four scenarios:
 1) current conditions with 75% subsidy rate
 2) current conditions with 100% subsidy rate
 3) self-reported actual costs
 4) costs with higher wages and 100% subsidy rate.

The top chart to the right reports the approximate gap between current subsidy rates and current costs of care.

The bottom chart to the right reports the approximate gap between current subsidy rates and costs of care if all workers earned \$25/hour for full-time and \$20/hour for part-time work. This scenario would allow providers to begin implementing their number one priority of raising staff wages, and could begin to address worker shortages in child care.

Provider Type	Weekly Gap Per Child	Monthly Gap Per Child	Annual Gap Per Child
DCC and SACC	\$53	\$230	\$2,756
FDC and GFDC	\$107	\$464	\$5,564

Provider Type	Weekly Gap Per Child	Monthly Gap Per Child	Annual Gap Per Child
DCC and SACC	\$141	\$611	\$7,332
FDC and GFDC	\$240	\$1,040	\$12,480

Focus Groups

The in-depth conversations of four focus groups provided highly valuable information about the true cost of high quality child care, focusing particularly on non-personnel costs. The concerns of providers in the focus groups mirrored findings of the survey, and also highlighted less obvious, more inequitable, or unreimbursed cost factors. Among the most prominent cost concerns was unpaid working time. Group and Family Day Care providers report working on average 25 hours a week uncompensated. As one caregiver observed, ***“My biggest cost is what I’m not getting by doing this job.”***

The insufficiency of subsidies extend to the federal food subsidy which is inadequate to feed children fresh healthy food. For many facilities Insurance is the top non-personnel cost. Compliance costs, including antiquated and conflicting regulations, are another time consuming cost. Providers do not have sufficient funding for needed capital improvements. The child care industry’s inability to meet daily short-term expenses means that its long term physical infrastructure is *crumbling*—sadly, a word also used for the condition of its workforce of dedicated, compassionate caregivers and educators.

Conclusion and Next Steps: Seeking (E)Quality in Child Care

Gross disparities between the needs for equitably accessible, quality child care and current funding models make it obvious that great public investment is urgently required. This report of primary findings is phase one of a continuing collaborative project to assure that Erie County’s children, parents, caregivers and educators can thrive.

Investing in quality child care is a critical public investment into a better functioning, more equitable, democratic economy and society.



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