

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



U.S. Chamber of Commerce
Foundation

Untapped
Potential in

AIR



The U.S. Chamber of Commerce Foundation is dedicated to strengthening America's long-term competitiveness. We educate the public on the conditions necessary for business and communities to thrive, how business positively impacts communities, and emerging issues and creative solutions that will shape the future.

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Untapped Potential: How Childcare Impacts Arkansas's Workforce Productivity and the State Economy

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Having a dynamic and competitive labor force increases the incentive to focus on supporting childcare efforts in the state.

Introduction

The U.S. Chamber of Commerce Foundation has always seen childcare as a two-generation workforce issue: essential to support the workforce of today and vital to develop our workforce of tomorrow.

Before the COVID-19 public health crisis, access to affordable, quality childcare was hard to come by for working parents trying to enter, re-enter, or stay in the workforce. The pandemic exacerbated the existing issues in America's childcare system and created an impossible situation for parents, employers, and childcare providers. Working parents struggled to balance home childcare and work as childcare providers fought to stay open and serve their communities, leaving employers wondering how and when their employees with children can return to work.

The first five years of life are critical for children to build a strong foundation upon which future learning is built, yet currently, supply cannot meet demand—a problem that existed prior to the COVID-19 pandemic, which has only become more severe as a result. The challenges we face are persistent and complex but solvable, and the business community must be part of that solution.

As a result of these challenges, a stronger understanding of how childcare breakdowns impact working parents, their employers, and the state economy was necessary. The Chamber Foundation partnered with the Arkansas State Chamber of Commerce on this report to better understand the unique needs of working parents in Arkansas and examine the current childcare landscape.

The Southeast is one of the fastest growing regions in the nation and Arkansas's unemployment rate is well below the national average at slightly over 4%. Having a dynamic and competitive labor force increases the incentive to focus on supporting childcare efforts in the state. As the population increases, finding and affording childcare will become an even larger issue for parents who are eager to enter the workforce. Without suitable childcare options, many Arkansans will be forced to exit the workforce, which has negative financial impacts on their household and limits the talent pool available to businesses in an already tight labor environment.

Our report estimates how often parents are missing work or educational opportunities because of insufficient childcare. With that information in hand, we model the financial impact to the Arkansas economy to understand the untapped economic potential due to childcare breakdowns. The results highlight the challenges facing families with young children and clearly show the need for flexible access to high-quality, affordable care. It is essential that any proposed solution be developed by and tailored to the unique needs and distinct challenges of each community, and directly address the issues of access, affordability, and quality.

Progress is being made in Arkansas, and the Chamber Foundation is committed to supporting these positive steps forward. To do so, partnerships between early education advocates and the business community are vital to ensure that Arkansas's children, families, businesses, and economy are strong. The persistent childcare challenges will not be fixed overnight, and they won't be remedied by a single sector. It is our hope that this report and the data it presents provide a better understanding of the challenges being faced and create opportunities for partners to discover the solutions.

Executive Summary

There have been numerous studies highlighting the developmental benefits of high-quality childcare for young children as well as the professional benefits for their parents. Children gain a strong foundation, and their parents can pursue careers or enhance their education or vocational skills. When there are breakdowns in the childcare system, it can cause children to miss valuable opportunities, and parents may experience disruptions to their work or education. Despite the myriad benefits resulting from high-quality childcare, many families are struggling to find viable options for their children. In 2019, the U.S. Chamber of Commerce Foundation conducted studies in four states—Idaho, Iowa, Mississippi, and Pennsylvania—to better understand the size of the childcare problem in those communities. The report estimated that each state lost hundreds of millions of dollars in economic activity due to breakdowns in childcare. The following year, the U.S. Chamber examined how parents, employers, and providers were responding during the pandemic to childcare choices, workplace situations, and the provision of care.

Building on that work, the U.S. Chamber of Commerce Foundation partnered with the Arkansas State Chamber of Commerce and Excel by Eight Foundations to understand how much breakdowns in childcare are currently costing Arkansas.

In this study, we looked at the causes of childcare challenges as well as motivations behind why parents select various childcare arrangements. Many employers want to facilitate greater access to childcare as a way of creating productive work environments and satisfied employees but do not know where to begin or how to expand or improve current benefits or options. To answer these questions, we sought to learn what types of childcare benefits working parents are currently receiving and which benefits they desire most from employers. Importantly, we considered the effects of the COVID-19 pandemic on childcare, which put an unprecedented burden on parents who saw schools and childcare settings closed or rendered unsafe for millions of children.

The results of our research confirm what many stakeholders have begun to realize—childcare issues prevent many Arkansas parents from working or pursuing postsecondary education. As a result of childcare challenges, such as breakdowns in care, affordability, or lack of access, working parents may arrive late to work or leave early, forgo promotions, postpone school and training programs, and sometimes leave the workforce altogether.

As policymakers and business leaders consider ways to position Arkansas for success, supporting childcare solutions could enable Arkansas to capitalize fully on its resources.

TOPLINE FINDINGS

– \$865M

THE UNTAPPED POTENTIAL:
Childcare issues result in an estimated \$865 million loss annually for Arkansas's economy

– \$200M

Arkansas loses an estimated \$200 million annually in tax revenue due to childcare issues

– \$665M

Absences and employee turnover cost Arkansas employers an estimated \$665 million per year

76%

76% of parents reported missing work due to childcare issues in the past 3 months

27%

In addition to the majority of households in which parents, stepparents, or guardians provide childcare, 27% of households use other family members and friends to supplement care

~11%

Approximately 11% of parents voluntarily left a job due to childcare issues

27%

27% needed to make adjustments to their education due to childcare issues

The Southeast is one of the fastest growing regions in the nation and Arkansas unemployment rate is well below the national average at slightly over 4%.



Population: 3 million

Average Household Income: \$47,597

Minimum Wage: \$11 per hour

Capital: Little Rock

Surveyed: 393 parents of children 5 years and younger

ARKANSAS PROFILE

Recently, Arkansas Secretary of Commerce Mike Preston spoke to the impact COVID-19 had on the state's labor market. He highlighted that the most common factor keeping women home and out of the workforce is likely childcare.¹ According to Child Care Aware, there are approximately 227,555 children under six in Arkansas, each with their own childcare needs.² Furthering this challenge, 35% of Arkansans live in a childcare desert.³ Although low-income families have more difficulty affording the high cost of childcare, access to childcare is an issue for many working parents. Households in the highest-income neighborhoods in Arkansas are situated in childcare deserts at double the rate of those in the lowest-income neighborhoods (41% compared to 20%).⁴ This means access to childcare is a concern for working parents no matter their income.

Arkansas, along with all other states, receives annual federal discretionary funds through the Child Care and Development Fund (CCDF) to subsidize childcare for eligible families. Because the pandemic exposed and amplified existing childcare challenges, to help stabilize the childcare ecosystem and meet acute new needs, Arkansas also received over \$625 million in supplemental discretionary funds.⁵ The state administered grants to help all regulated childcare providers with operational costs to safely remain open or reopen and preserve access to childcare for Arkansas's families. In addition, funding was provided to parents that qualify as essential workers for childcare support, and for supplemental voucher payments to providers.⁶

Despite these pandemic-related initiatives, the impact on Arkansas's working parents is clear. However, to fully understand the challenges facing Arkansas caregivers, we need to look at the economic impact of these childcare issues on the state. When employees leave the workforce, how much income are they sacrificing? When employees leave or miss work due to childcare disruptions, how does this effect the employer? Our study explores the economic implications of these challenges and highlights the motivations behind the decisions working parents make.

¹ <https://www.nwahomepage.com/knwa/fewer-women-returning-to-workforce/>

² Child Care Aware of America - Arkansas Fact Sheet

³ <https://childcaredeserts.org/2018/?state=AR>

⁴ *Ibid.*

⁵ State Use of Supplemental CCDBG Funds in the CARES Act During 2020, Bipartisan Policy Center, (February 2, 2021), accessed June 2021 at: <https://bipartisanpolicy.org/blog/state-ccdbg-2020/>; State Use of Supplemental CCDBG funds from the CRRSA, Bipartisan Policy Center, (March 17, 2021), accessed June 2021 at: <https://bipartisanpolicy.org/blog/state-use-of-supplemental-ccdbg-funds-from-the-december-2020/>; Fact Sheet: Rescue Plan Funding to Rescue the Child Care Industry so the Economy Can Recover, White House, (April 15, 2021), accessed June 2021 at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/15/fact-sheet-biden-harris-administration-announces-american-rescue-plan-funding-to-rescue-the-child-care-industry-so-the-economy-can-recover/>

⁶ Christian letter to U.S. Office of Child Care, Administration of Health and Human Services, February 25, 2021. At: https://www.acf.hhs.gov/sites/default/files/documents/occ/CRRSA_60_Day_Report_2021_Arkansas.pdf

Survey Results

We surveyed parents with children under the age of six to gauge how childcare issues impacted their lives across employment and education. Survey respondents are reflective of Arkansas's racial demographics and are distributed across the socioeconomic spectrum. We also captured the decisions parents make regarding childcare arrangements—who they selected as providers and why. Stakeholders need to know the motivations behind parents selecting childcare providers so they can better align their efforts toward effective solutions.

Key Findings

Current Childcare Dynamics

Knowing how childcare is currently organized and the resources parents rely on for care is vital to understanding the impact that childcare issues have on the economy. To get a complete picture, parents responded to questions about their current childcare arrangements.

- **Parents, stepparents, or guardians provide at least some childcare** for most households (**63%**).
- Parents primarily pick their childcare provider based on **affordability and personal preferences**.
- When it comes to cost, **families pay an average of \$544 per month for childcare**, although costs can vary dramatically by provider type and household income.
- **Sixty-six percent of families pay for childcare out of their personal budget**, with only 9% receiving state childcare provider assistance.

Our research shows that households across the income spectrum primarily have a parent, stepparent, or guardian as a source of childcare (**FIGURE 01**). However, middle- and high-income groups choose childcare centers or pre-K at a higher rate than low-income parents, while low-income parents rely more heavily on other forms of support.

Around 60% of families across income groups chose their current childcare arrangement for financial reasons, which makes affordability by far the biggest driver of the childcare-provider decision (**FIGURE 02**). For high-income households, proximity to home, work, or school is the second most cited reason at 54%, whereas personal preference is the second reason for low and middle-income households. This suggests that affordability is the primary concern of working parents when thinking about childcare regardless of income group.

Nearly half of Arkansas households across income groups indicated that they expected to change their current childcare arrangement within the next 12 months, with high-income households leading the pack. Arkansans indicate that their family's childcare plan requires an often-evolving approach that involves several factors, including family, friends, formal childcare centers, work environment, and the parents themselves.

While Arkansans are using several methods for acquiring childcare, they are generally paying for it using their family's personal budget (**FIGURE 03**). Monthly childcare expenditures vary greatly for families in different income bands. Low- and middle-income households spend approximately \$410 and \$560 per month, while high-income families spend over \$780 per month. In developing solutions to this childcare challenge, policymakers and stakeholders should consider ways to support the individuals that are shouldering the burden. Higher-income groups have the resources to rely on childcare and pre-K centers for childcare, whereas lower-income households opt for more creative and affordable solutions such as relying on a family member or friend for childcare. Therefore, it is important to understand and support parents in ways that best serve to bridge the childcare gap between income groups.

“After my childcare option closed and my daughter’s preschool was on pause, I had to quit my job in order to provide childcare for them.”

– ARKANSAS MOTHER OF MULTIPLE CHILDREN UNDER THE AGE OF SIX

FIGURE 01.

Household breakdown of current childcare arrangement by income group

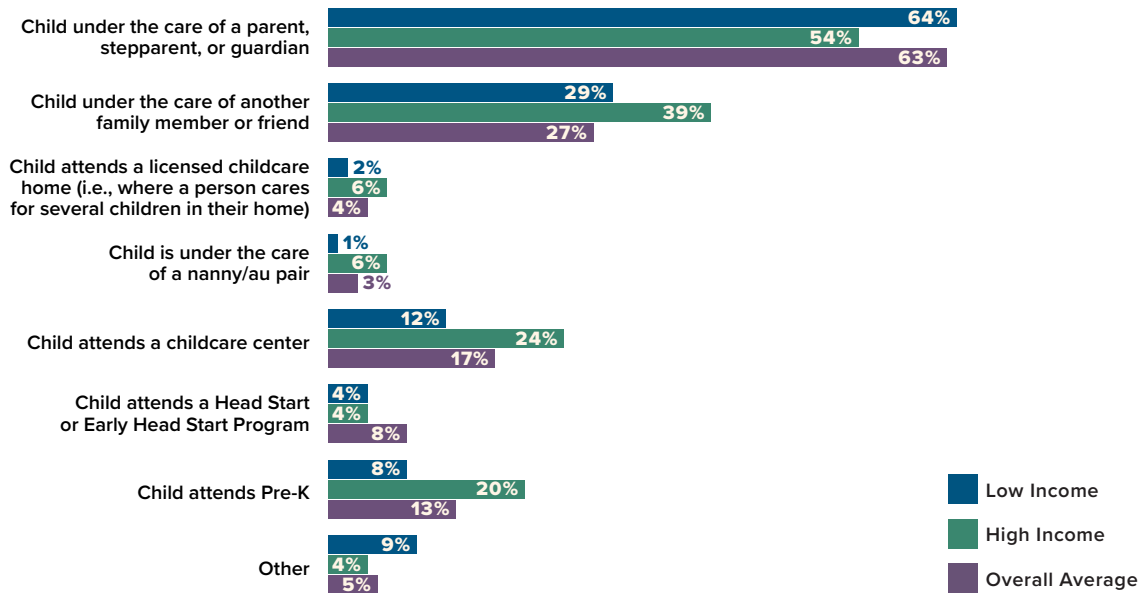


FIGURE 02.

Household breakdown of primary reason for selecting arrangement, by income group

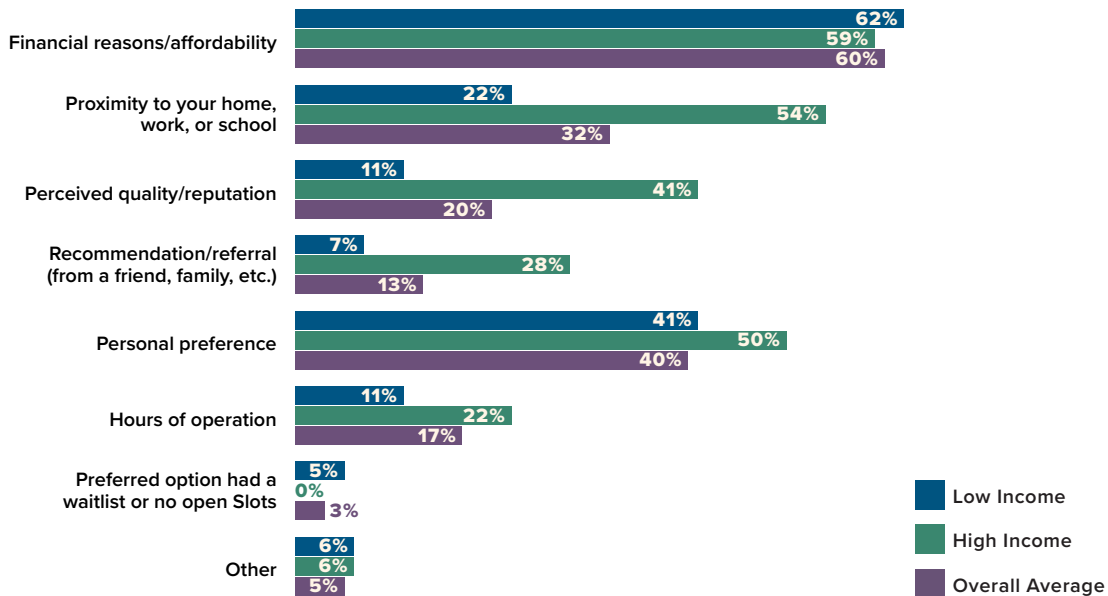
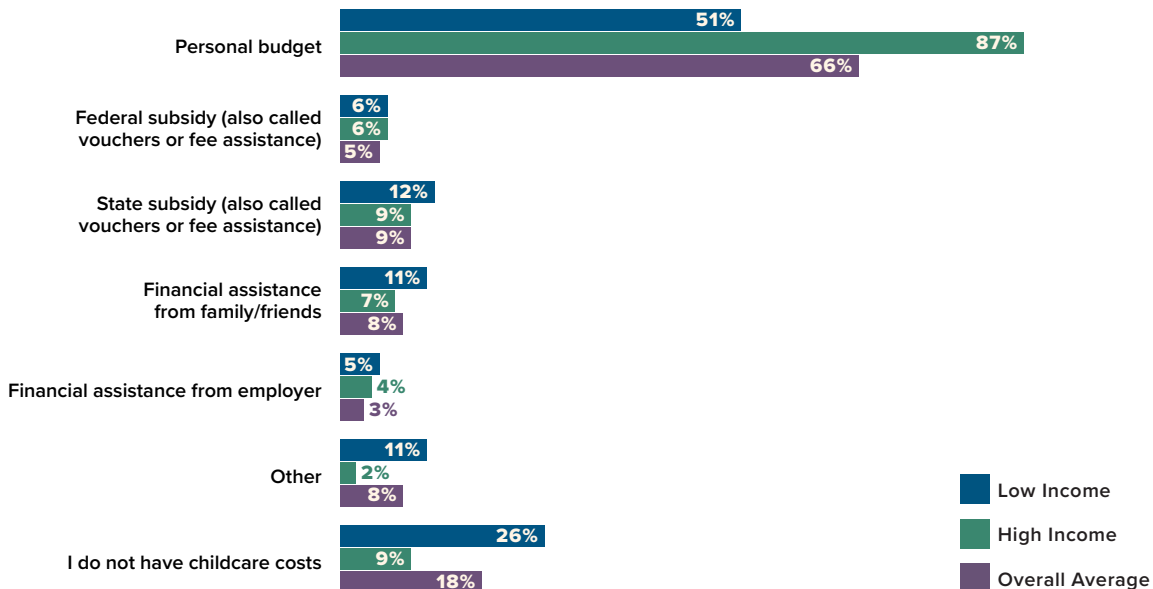


FIGURE 03.

Household breakdown of primary funding for childcare, by income group



Current Employment Dynamics

Research from the Center for American Progress (CAP) revealed that in each year from 2016 to 2018, 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.⁷ CAP also found that the nearly 700,000 working parents with children under the age of five—primarily working mothers—dropped out of the labor force in 2020. Some parents were laid off and gave up trying to find work due to caregiving responsibilities; others left the workforce to provide childcare.⁸ These problems were notable in Arkansas last year as well. CAP estimates that parents in the state had the fifth highest rate of childcare-related job disruptions in the nation.⁷

Clearly, the challenges associated with childcare can have significant impact on parents' employment. Before we explore the specific challenges facing working parents in Arkansas that were uncovered in this research, consider the current employment situation of the Arkansans we surveyed.

- **Eighty-four percent of the respondents that are currently employed are working full-time**, in comparison to 12% who are working part-time and 4% who are working students
- Full-time employed respondents **worked an average of 43.5 hours per week**, while part-time employed respondents **worked an average of 24.9 hours**
- Part-time employees are far more likely to have flexible work schedules—an employment benefit in high demand—but less likely to work salaried jobs, which highlights **the tension between job flexibility and compensation (FIGURE 04 AND 05)**

FIGURE 04.

Full-time vs. part-time job schedule

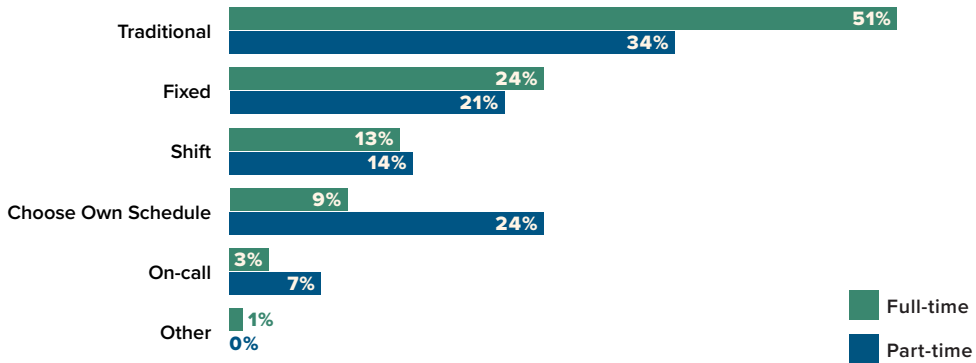
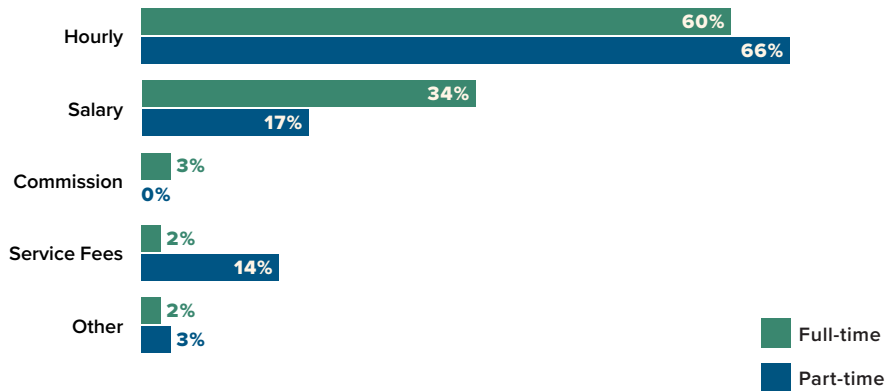


FIGURE 05.

Full-time vs. part-time job compensation



⁷ <https://www.americanprogress.org/issues/early-childhood/news/2020/02/18/480554/child-care-crisis-causes-job-disruptions-2-million-parents-year/>

⁸ <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/>

Impact of Childcare on Employment and Education

Thirty-four percent of respondents reported that they or someone in their household has left a job, not taken a job, or greatly changed jobs because of problems with childcare in the last 12 months.

- **Thirty-one percent of respondents have experienced changes to their own employment situation due to childcare across income groups (FIGURE 06).**

This includes parents voluntarily or involuntarily leaving their jobs, decreasing their hours from full-time to part-time, being unable to increase their hours, or being unable to accept a new position.

Even parents who have yet to experience disruptions to their employment are impacted. Perhaps because they anticipate challenges in the future, 16% of working parents said they plan to leave their job in the next 12 months, and of those, 37% will do so because of childcare issues.

Another essential piece of information is the age of the children when parents decide to voluntarily leave their jobs. Knowing this can inform targeted initiatives or policies for working parents. Around 10 million U.S. mothers living with their own school-age children were not actively working in January—1.4 million more than during the same month last year, indicating that childcare support can be a key factor to bringing U.S. mothers back to the workforce if they choose to.⁹

According to the National Survey of Children’s Health (NSCH), just over 9% of parents in the U.S. reported that childcare issues are causing significant disruptions to their employment, whereas slightly fewer Arkansas parents (6%) are experiencing disruptions.¹⁰ The parents in our survey reported much higher rates (31%) of childcare issues significantly impacting their employment. Aside from the differences in survey design that affect the comparison of our data to the NSCH, it is also likely that rates of separation due to childcare increased during the COVID-19 pandemic as many childcare options were no longer available to parents and increased economic turbulence caused disruptions.

Childcare issues are also posing significant challenges to parents that are enrolled in educational programs. More than 20% of respondents we surveyed are pursuing some type of school or work training program. Over this past year, many parents went from full-time to part-time in the program, dropped from a class roster, or dropped out of the program entirely.

- **Twenty-seven percent of respondents have experienced disruption to their education due to childcare across income groups (FIGURE 07).**

⁹ <https://www.census.gov/library/stories/2021/03/moms-work-and-the-pandemic.html>

¹⁰ <https://www.childhealthdata.org/browse/survey/results?q=8354&r=1&r2=4>

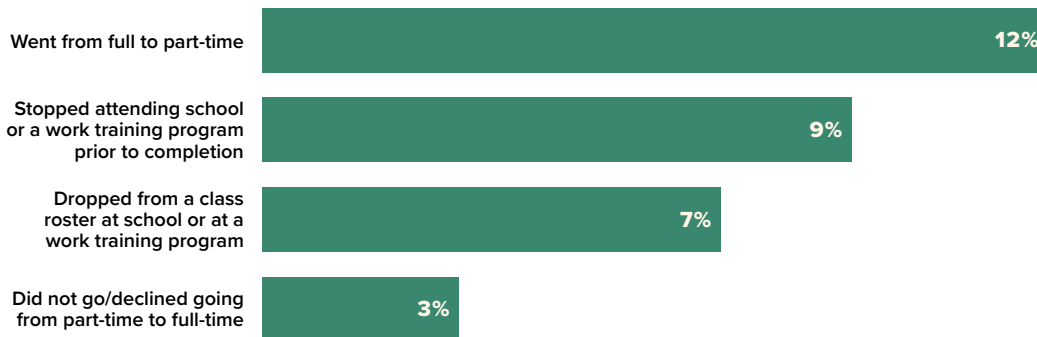
FIGURE 06.

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



FIGURE 07.

Education status changes due to childcare



Childcare Subsidies, Benefits, and Accommodations

For many Arkansas parents, childcare support comes from a wide range of sources. Some receive financial assistance from the people in their lives, others rely on government subsidies or assistance programs, while others have childcare benefits built into their compensations package. These programs offer a lifeline to families and remove a critical barrier that would otherwise keep parents from entering the workforce or pursuing education.

Nearly one-fifth of respondents receive benefits from their employer that help them manage their childcare, though middle- and high-income households are at least twice as likely to have their employer offer these benefits than low-income earners. Flexible working days and paid leave are the most common benefits received as well as the most desired. For example, 54% of Arkansas's households value flexible working days as one of the most important child-related benefits, with work from home and flexible working hours as the second and third most important at 46% and 32%, respectively.

Childcare assistance or subsidies through government programs can also help parents overcome the challenges they are facing. Arkansans that care for children under the age of six primarily utilize the Child Tax Credit program and the Earned Income Tax Credit program to subsidize their childcare needs. Furthermore, respondents across income groups identified the increase to the Child Tax Credit as the single most preferred government-provided childcare benefit. These findings are consistent across income groups as well as among full-time and part-time workers.

FIGURE 08.

Benefits desired by parents, in order of highest average rank

*Parents ranked their top three choices



The Role of COVID-19 Pandemic on Childcare

Our study briefly explored the COVID-19 pandemic and the effects it has had on childcare. The pandemic exposed and amplified challenges that many parents were already managing in households across the country. Our work in 2019 highlighted the significant costs childcare issues were having on several state economies, but the pandemic has added a layer of complexity to the existing set of challenges.

Thirty-four percent of respondents have changed their childcare arrangement due to COVID-19, with 58% citing health and safety as their main concern. As the country comes out of the pandemic, some challenges will naturally abate for working parents, but new solutions will be needed to fill in the lasting gaps that have been exacerbated over the past 18 months.

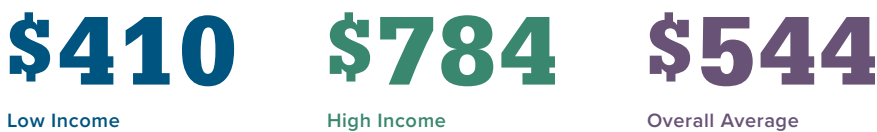
FIGURE 09.

Percent of parents likely to change their current childcare arrangement within the next 12 months, by income group

INCOME GROUP	PERCENT
Overall	49%
Low Income	46%
Middle Income	51%
High Income	54%

FIGURE 10.

Average total cost per month for childcare per household, by income group



Economic Impact

We estimate that due to breakdowns in childcare, Arkansas has \$865 million of annual untapped economic potential.

Working parents often face challenges at their job due to childcare issues. Many parents are absent, arrive late, or are otherwise disrupted at work when their chosen childcare arrangement does not provide adequate care for their children. These challenges were exacerbated by COVID-19 and the changes that the pandemic brought to childcare and employment. According to our research, more working parents missed work due to childcare issues and were absent more days on average than parents before the pandemic.¹¹ In Arkansas, 76% of workers missed work at least once in the last three months, and those that missed work did so for an estimated average of 15 days over the last year. If a parent is absent, this presents a financial cost to both the employer and the parent. The parent may lose wages for time missed, and the employer experiences a loss in productivity as well as the financial cost of paying overtime to other workers or even hiring and paying temporary workers to make up for the missed work. When accounting for these issues, we estimate that the direct employer cost due to absenteeism in Arkansas is \$355 million per year.

“Due to COVID-19, I had to quit a job so that I could stay home with my daughter and do virtual school with my son.”

-ARKANSAS MOTHER OF A 2-YEAR-OLD CHILD

¹¹ <https://www.uschamberfoundation.org/reports/untapped-potential-economic-impact-childcare-breakdownsus-states>

¹² <https://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>

If a parent experiences a significant change in their childcare arrangement or life situation, this can cause them to voluntarily leave the workforce or be terminated by their employer. Our research showed that some employees had to leave their employer because of childcare issues, and some believe they were terminated because of childcare issues. As employees leave the workforce, employers face significant costs to replace them. Research indicates that it costs about one-fifth of an employee’s yearly salary for them to be replaced.¹² Using this benchmark, we estimate that the turnover cost to employers in Arkansas is \$310 million annually.

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 Arkansas through tax revenues. Income tax revenues will decrease, and reduced income leads to less sales and excise taxes being collected on purchased goods and services. We estimate that Arkansas loses a total of \$200 million in taxes annually due to employee turnover and absenteeism.

THE UNTAPPED POTENTIAL:

\$865m

Childcare issues result in an estimated \$865 million loss annually for Arkansas’s economy

FIGURE 11.
Direct employer costs



FIGURE 12.
State tax costs



Immediate Effects on Employment and Education

When parents experience childcare issues, there are immediate consequences with lasting impact on their lives. Parents who have breakdowns in their childcare are more likely to experience disruptions or distractions in their professional lives. Sometimes these breakdowns in childcare can lead to separation from employment (voluntary or involuntary) or other significant changes to employment. To compare national data, we asked a question that the National Survey of Children's Health (NSCH) included in its 2019 administration of the survey:

The National Survey of Children's Health (NSCH) asked¹³

“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?”

As mentioned previously, 6% of Arkansas parents reported childcare issues are causing significant disruptions to their employment, as reported by NSCH. The parents in our survey reported much higher rates (34%) of childcare issues significantly impacting their employment or the employment of someone in their family.

As the COVID-19 pandemic affected people's ability to have reliable childcare, increased numbers of people experienced immediate disruptions to their work, and these effects were not experienced equally by all groups. High-income households were the least likely to experience a significant change in work due to childcare, and women were much more likely than men to experience a significant change. These trends are reflected in national economic data as well. During the pandemic, the unemployment rate rose to 16.1% for women, while for men the rate reached 13.6%.¹⁴ Lower-income households were more likely to lose a job than high-income households as well.

While the NSCH question allows us to compare to national surveys, we wanted to dive deeper into how exactly childcare issues impacted parents' ability to work or pursue higher education. We asked parents how their jobs had been impacted over the past 12 months.

Overall, 31% of parents experienced significant disruptions to their employment, with 7% being let go and 11% quitting as a direct result of issues with childcare. These data indicate that working parents of young children are making career decisions based on childcare needs, which may negatively impact their future careers and financial stability.

FIGURE 13.

Percentage of Parents Who Answered “Yes” to the NSCH Question, Compared Nationally

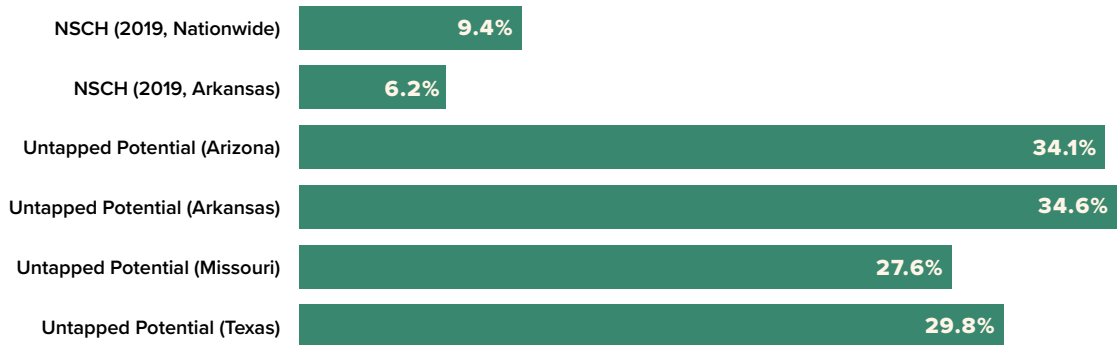


FIGURE 14.

Percentage of parents who answered “yes” to the NSCH question, by income group

HOUSEHOLD INCOME LEVEL	PERCENT
Low (<\$30k)	35%
Medium (\$30k–\$99k)	34%
High (\$100k+)	30%

FIGURE 15.

Percentage of parents who answered “yes” to the NSCH question, by gender

GENDER	PERCENT
Female	34%
Male	31%

¹³ <https://www.childhealthdata.org/browse/survey/results?q=8354&r=1>

¹⁴ <https://hbr.org/2021/04/to-keep-women-in-the-workforce-men-need-to-do-more-at-home>

ACCORDING TO THE NATIONAL SURVEY OF CHILDREN'S HEALTH (NSCH)

“6% of Arkansas parents reported childcare issues are causing significant disruptions to their employment. The parents in our survey reported much higher rates (34%) of childcare issues significantly impacting their employment or the employment of someone in their family.”

FIGURE 16.

How parents said childcare issues impacted their employment

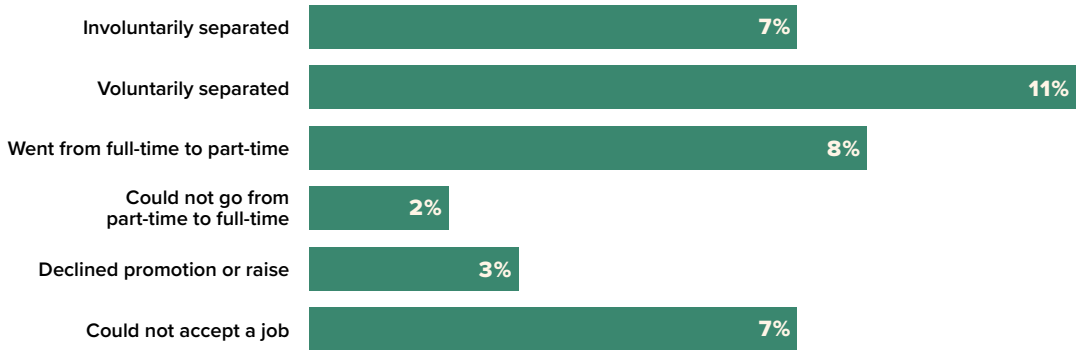
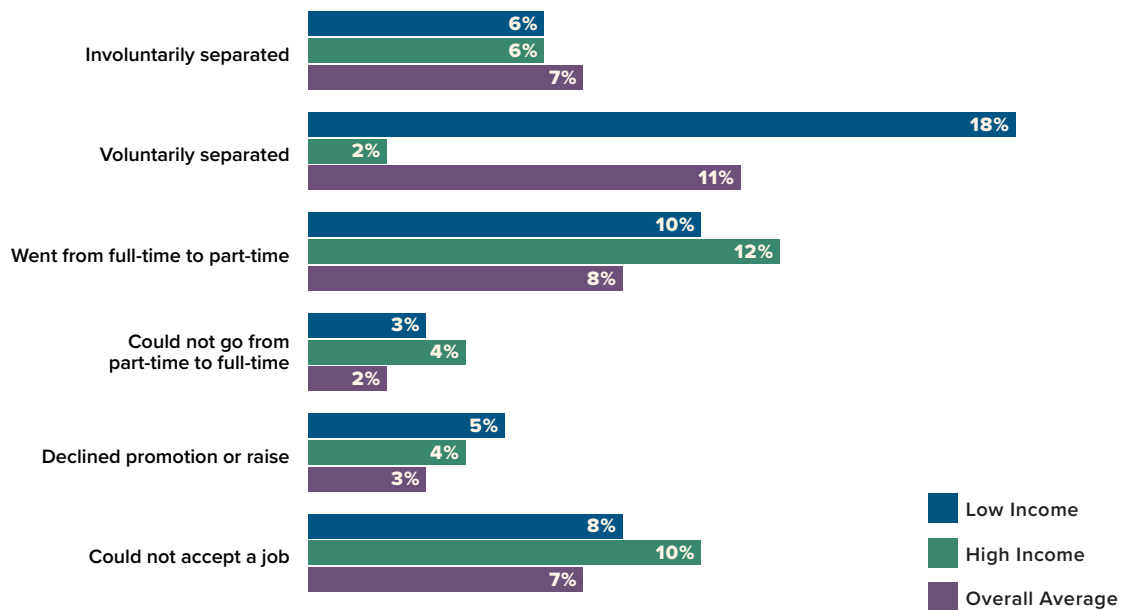


FIGURE 17.

How parents said childcare issues impacted their employment, by income



Women were much more likely to separate from their job voluntarily and cut back on time spent at work to provide childcare. They also suffered more opportunity costs as they declined promotions or did not accept jobs at the same rate as men.

Although COVID-19 did impact employment and childcare for many parents, the problem was prevalent before the pandemic, and will likely continue after the pandemic. Overall, nearly 16% of respondents are planning to leave their job in the next 12 months, and more than a third of these are planning to leave because of childcare concerns. While men and women plan to leave the workforce in similar numbers, women are far more likely to leave because of childhood concerns, with more than 40% citing childcare concerns for their reason to leave their employer.

Seventy-six percent of parents who voluntarily leave their jobs do so when their child(ren) is two years old or younger, indicating that childcare for infants and toddlers is the greatest need. This aligns with findings from the Arkansas Early Learning Investment Commission's and Ready Nation's report, "Growing Tomorrow's Economy Means Investing in Child Care Today."¹⁵ Additionally, due to smaller teacher to child ratios, which are critical to providing a safe environment for infants and toddlers, childcare for this group is more expensive than childcare for older children.¹⁶ The expense is one important factor in why parents may choose to leave the workforce when their children are one year old or younger. This data also helps businesses understand when their employees are most vulnerable to leave the workforce, helping them tailor their childcare benefits to the working parents that need them most.

It is also important to understand how childcare issues impede the ability of parents to pursue higher education or training, because this ultimately influences their earning potential and their ability to contribute to the economy. Twenty-one percent of parents surveyed indicated that they were currently pursuing or had pursued some type of school or work training program, and approximately one-third of these said that they have needed to make significant changes due to childcare.

¹⁵ Growing Tomorrow's Economy Means Investing in Child Care Today

¹⁶ Where Does Your Child Care Dollar Go? <https://www.americanprogress.org/issues/early-childhood/reports/2018/02/14/446330/child-care-dollar-go/>

Beyond significant changes to employment and education, working parents also experience other challenges at work and school due to childcare issues. Working parents miss work, arrive late, or are otherwise disrupted at work because of childcare issues. In Arkansas, 75% of parents have missed work or class in the past three months due to childcare issues. Sixty-four percent reported being late to work at least once in the last three months, and 69% reported being disrupted or distracted at work. While the impact of these interruptions is difficult to measure, they clearly impede parents' ability to perform their best at work or in class, creating negative influences on the ability to advance and learn. While women in Arkansas were more likely to leave the workforce for childcare issues, it appears that both men and women experienced equally high levels of interruption to their work and school in the first few months of 2021.

FIGURE 18.
How parents said childcare issues impacted their employment, by gender

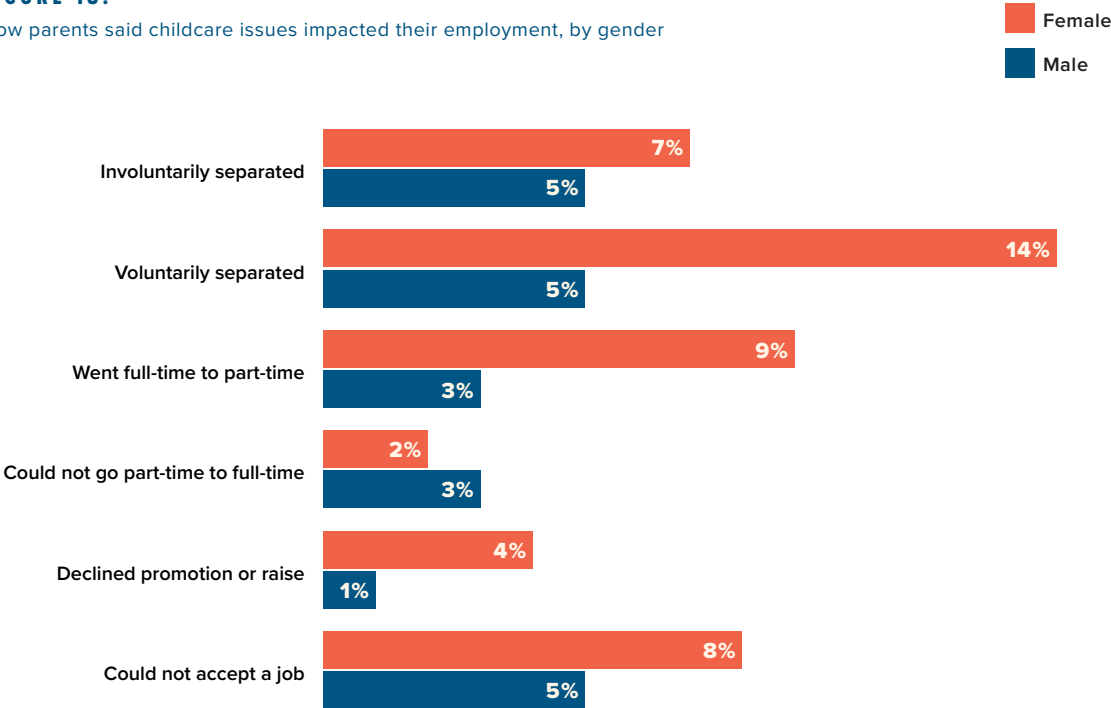


FIGURE 19.

Parents leaving employment over the next 12 months, by gender



FIGURE 20.

Percent of parents leaving employment citing childcare issues as a primary reason, by gender



FIGURE 21.

Parents leaving employment over the next 12 months, by income group



FIGURE 22.

Parents leaving employment citing childcare issues as a primary reason, by income group



FIGURE 23.

Type of education being pursued, by gender

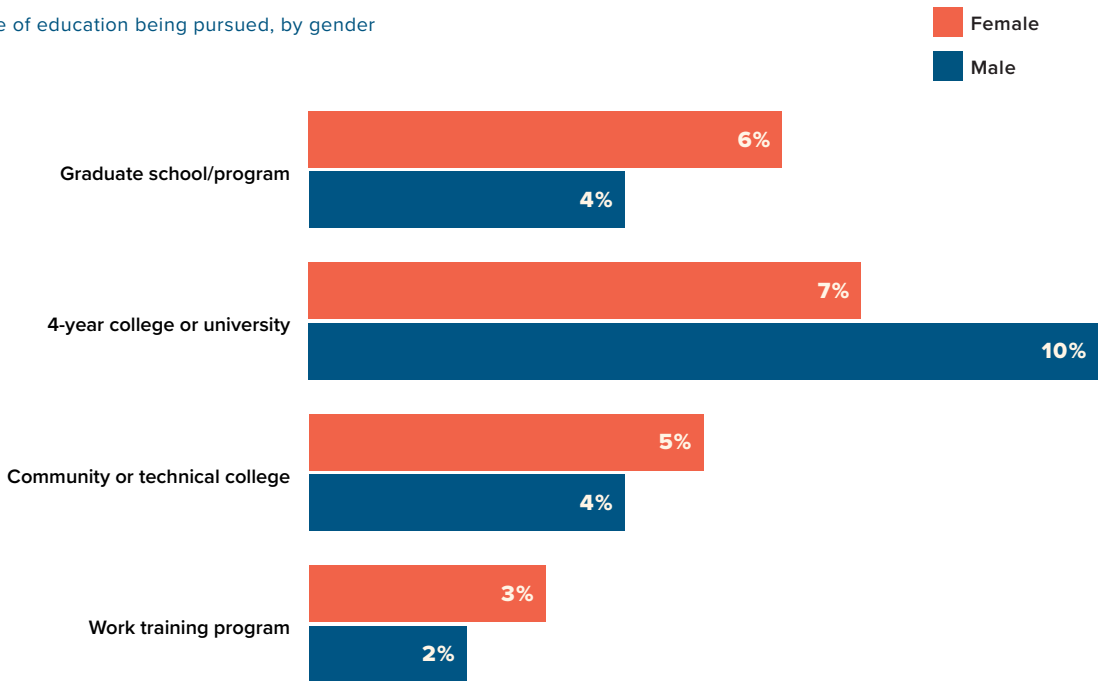
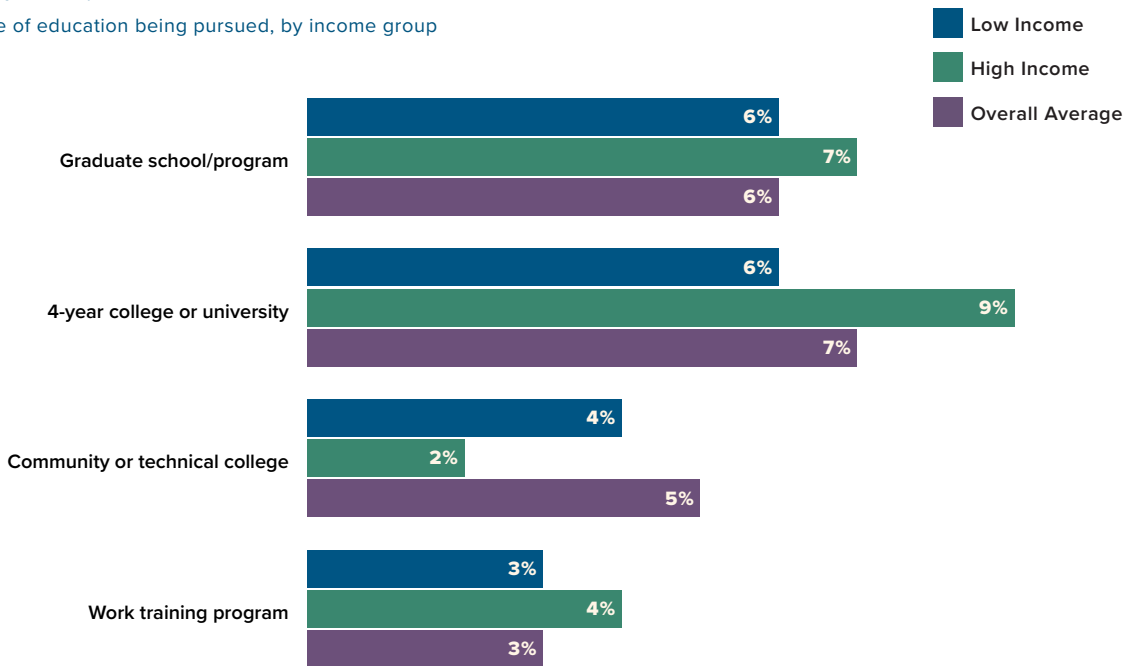


FIGURE 24.

Type of education being pursued, by income group



“I have been unable to find a new job that will work with the hours of availability for my son’s daycare center. I am also in school and have had to drop a class because taking care of him and doing school was not manageable”

-ARKANSAS MOTHER OF A 4-YEAR-OLD CHILD

FIGURE 25.

How parents said childcare issues impacted their postsecondary education or training program

*Parents could select more than one option

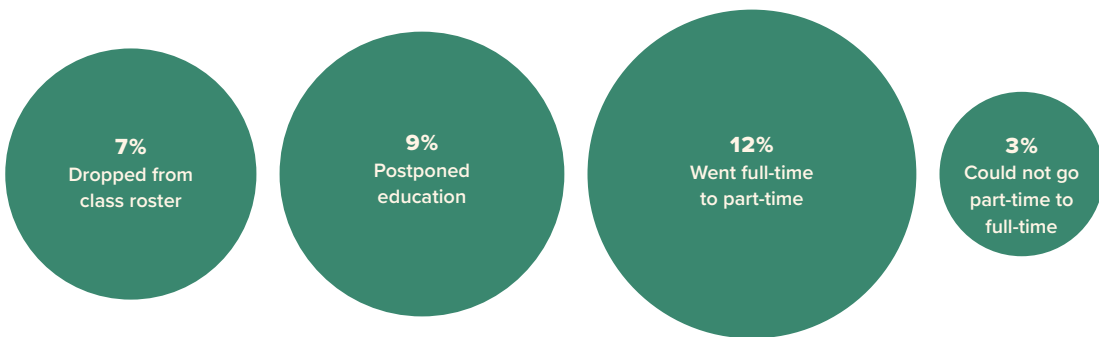


FIGURE 26.

How parents said childcare issues impacted their postsecondary education or training program, by gender

*Parents could select more than one option

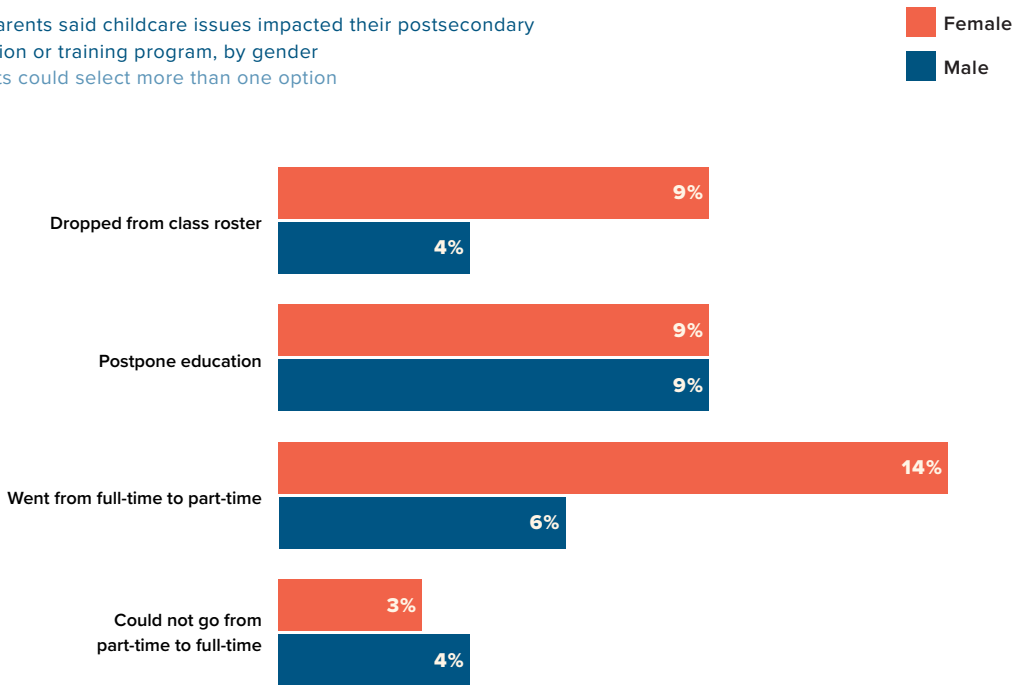


FIGURE 27.

How parents said childcare issues impacted their postsecondary education or training program, by income group

*Parents could select more than one response

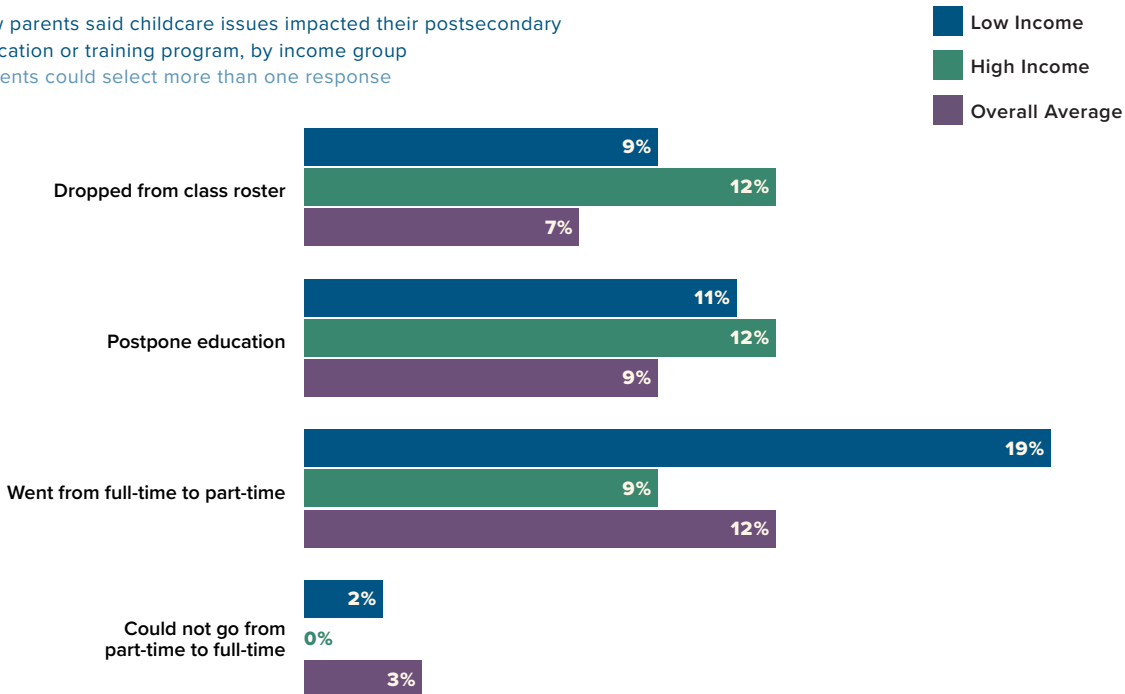


FIGURE 28.

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

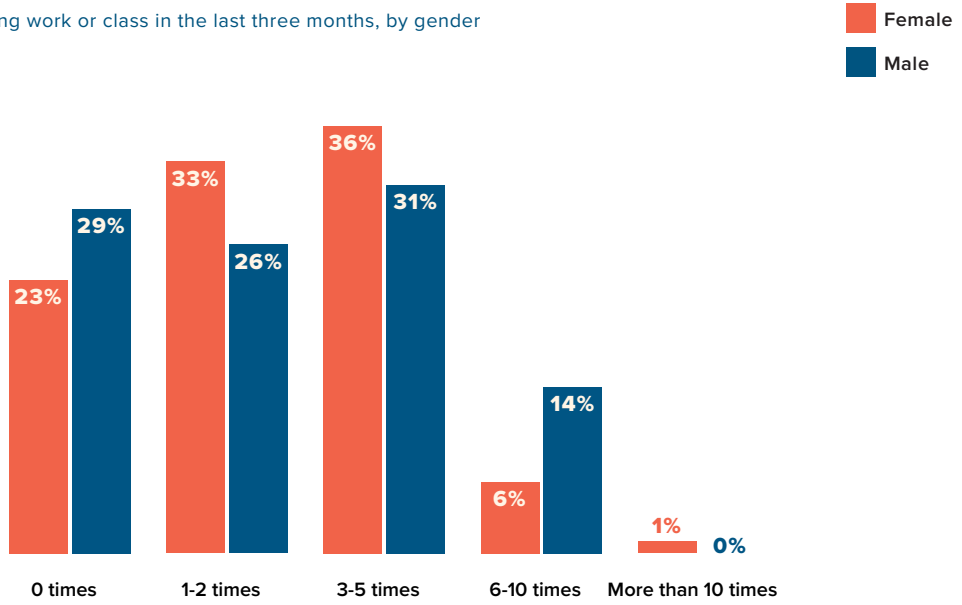


FIGURE 29.

Frequency of arriving late to work or class in the last three months, by gender

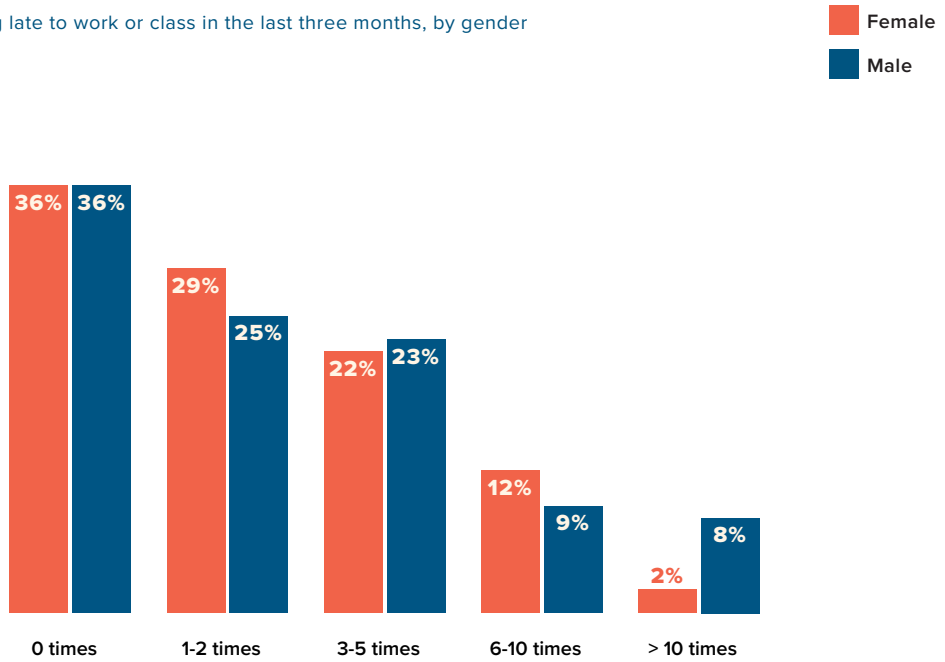


FIGURE 30.

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

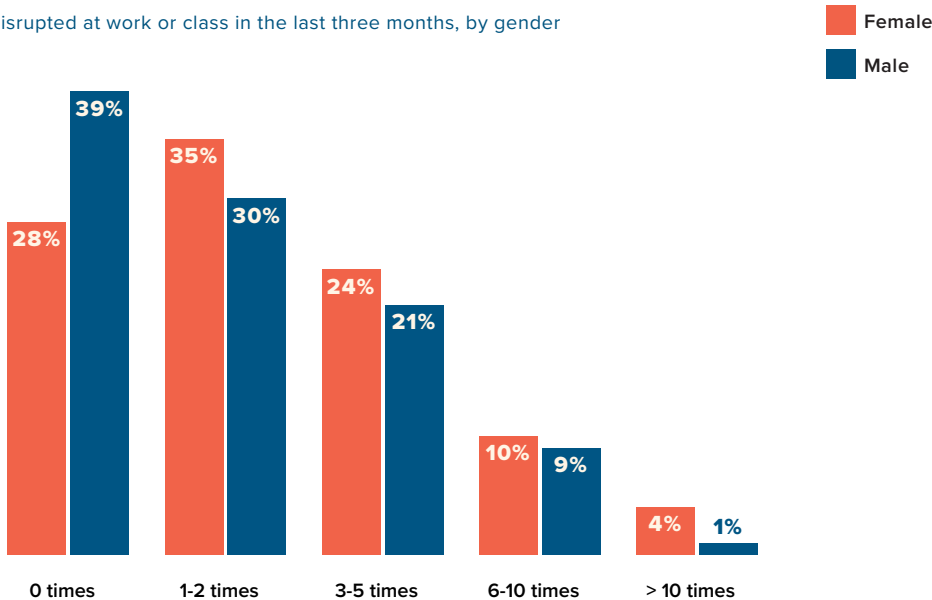
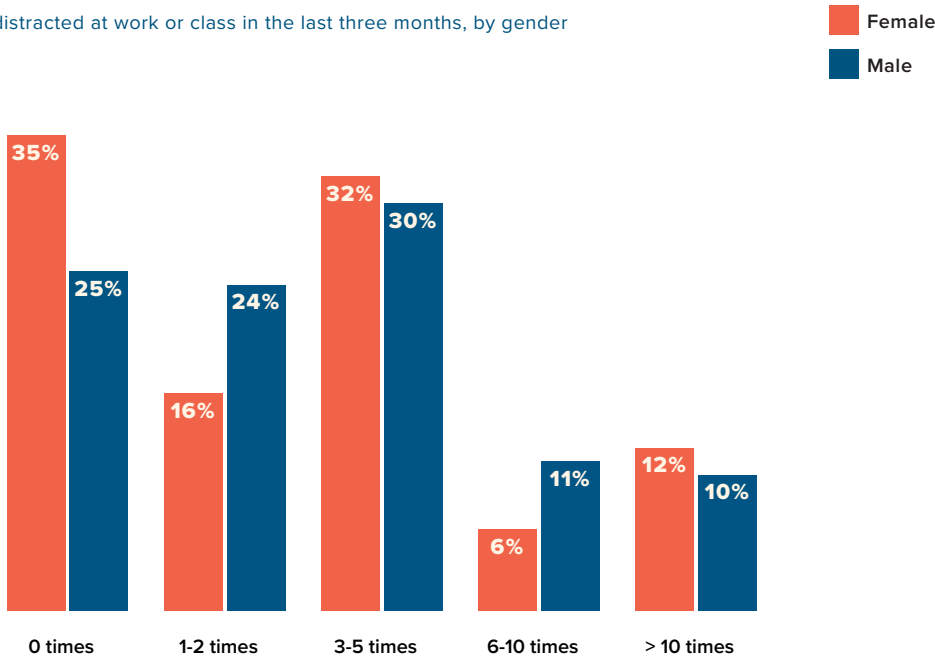


FIGURE 31.

Frequency of being distracted at work or class in the last three months, by gender



Lasting Effects on Employment and Education

Unfortunately, the effects on employment and education due to childcare are not easily remedied. When someone leaves work due to childcare, they are often out of the workforce for a significant amount of time. In Arkansas, 39% of those that have left or are planning to leave the workforce due to childcare concerns plan on spending at least one year away from employment or do not know when they will return. Twelve percent believe they will be out of the workforce for three years or more. The immediate effects of missed wages are apparent, but perhaps more important are the long-term ramifications that come with exiting the workforce, such as diminished future employment opportunities, increased debt accumulation, and lower retirement savings.

According to CAP, if a young worker is making \$50,000 per year and chooses to spend three years away from work to take care of a child, they will miss out on far more than \$150,000 of lost wages. It is estimated that over their lifetime, they 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 \$500,000.¹⁷ As they return to work, they will also have experienced a decline in their skills and will find it increasingly difficult to regain similar employment if they are away from the workforce for longer periods of time.

“We have had to scale back our small business growth over the last year because of issues with childcare.”

-ARKANSAS FATHER OF MULTIPLE CHILDREN UNDER THE AGE OF SIX

¹⁷ <https://www.americanprogress.org/issues/early-childhood/reports/2016/06/21/139731/calculating-the-hidden-cost-of-interrupting-a-career-for-child-care/>

FIGURE 32.

Time to return to work for those leaving employment

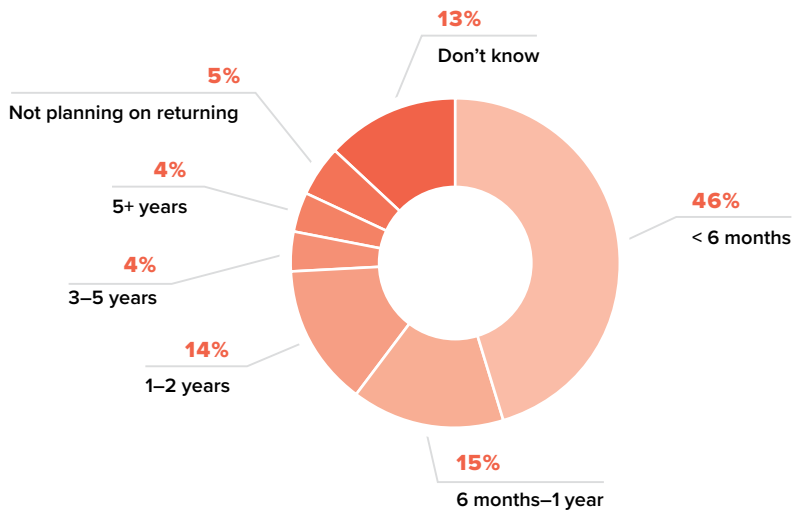
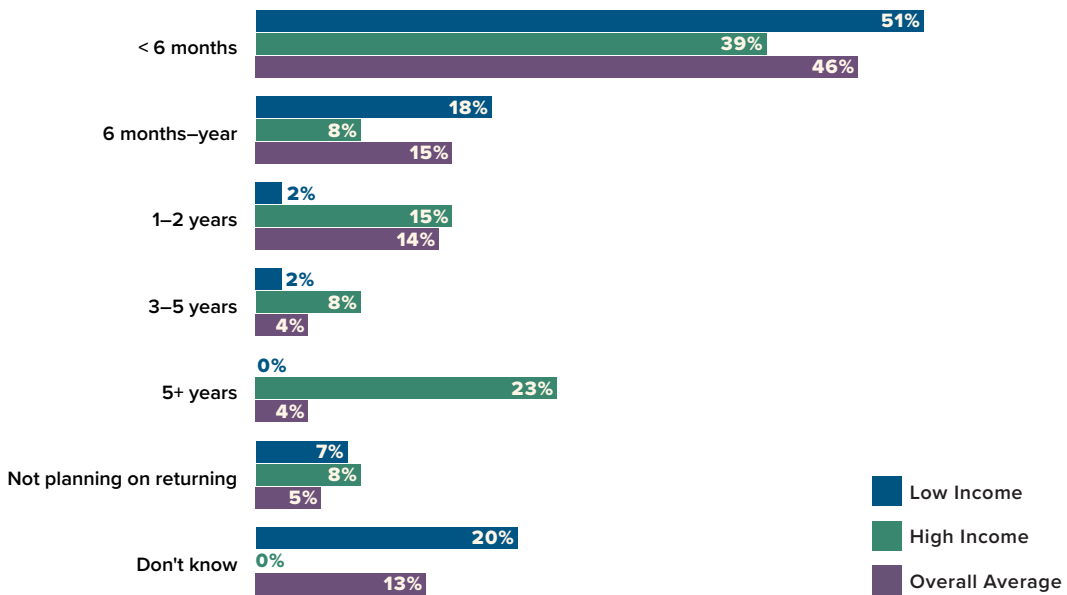


FIGURE 33.

Time to return to work for those leaving employment, by income group



In our study, women were less likely than men to return to work in under one year. According to the Census Bureau, more than 1.5 million mothers are still missing from the workforce since the beginning of the pandemic.¹⁸ Both men and women experienced record lows for labor force participation during the pandemic, but women have not rebounded at the same rate as men.

Leaving the workforce is not the only long-term issue with breakdowns in childcare. Many parents made other significant changes to their professional lives to take care of their children. As noted earlier, some parents went from full-time to part-time employment, decreasing their ability to progress professionally. Parents declined promotions, raises, and new job offers, potentially reducing their lifetime earnings and trajectory. These changes may not sound as drastic as leaving the workforce, but they come with significant financial and psychological effects. Workers who feel that their potential is not being realized because of childcare issues may experience long-term negative effects professionally and personally.

Beyond employment, parents enrolled in school or training programs experience many of the same long-term consequences as parents who choose to leave their jobs. An educated populace provides benefits to the entire economy, and on an individual level, higher education is strongly correlated with higher income. Research has shown that wage premiums for postsecondary education remain substantial and that education continues to be a good investment.¹⁹ Higher education is also correlated to better health and lower rates of unemployment.²⁰

Parents who have stopped attending education and work training programs are also facing long windows before they plan to return. If parents choose not to return to their education programs, their economic potential and ability to provide for their families may be diminished. Additionally, the longer people spend away from their education program, the less likely it is that they will return.²¹ Only 13% of students who drop out of school re-enroll, and they typically do not re-enroll at the same level of institution.²² Our research shows that less than one fifth of Arkansas's parents plan to re-enroll within six months. Understandably, parents are far more likely to postpone their return to school than their return to work, however this likely will have a significant impact on their lifetime earnings, ability to keep a job, and overall health.

¹⁸ <https://www.wsj.com/articles/nearly-1-5-million-mothers-are-still-missing-from-the-workforce-11619472229>

¹⁹ <https://libertystreeteconomics.newyorkfed.org/2019/06/despite-rising-costs-college-is-still-a-good-investment.html>

²⁰ Brookings Institution (April 26, 2017). *Eight economic facts on higher education* Brookings Institution

²¹ National Student Clearinghouse Research Center (October 30, 2019) *Some College, No Degree*

²² National Student Clearinghouse Research Center (October 30, 2019) *Some College, No Degree*

FIGURE 34.
Time to return to education

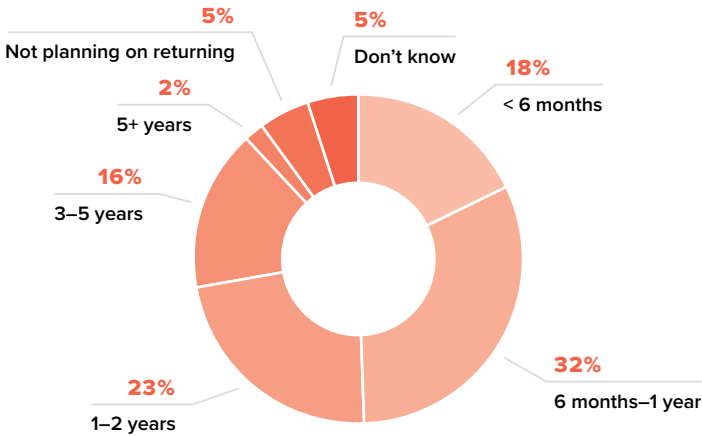
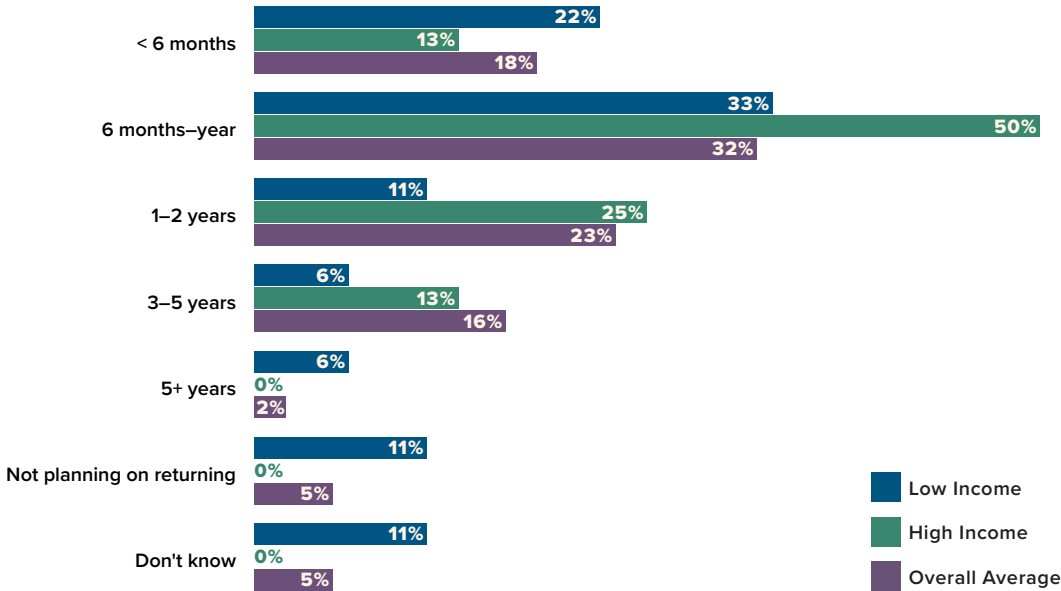


FIGURE 35.
Time to return to education, by income group



Conclusions and Implications

As mentioned, Secretary of Commerce Mike Preston is committed to bringing back Arkansas's workforce. With the newly announced \$178.5 million in block grants for the Child Care Development Fund Flexible Funding dollars allocated for the childcare network, Arkansas households have strong support to ensure improvement in childcare. With one of the most vibrant populations in the nation coupled with a diverse economy, Arkansas can certainly achieve its goal of bringing Arkansans back to the workforce.

Arkansas's reemployment programs provide a variety of workforce services and childcare assistance programs. Various services are available through the state and through outside organizations. Arkansas's flexible funding program is an example of innovative and important methods that can be implemented to alleviate Arkansas's childcare problem.

However, in order to fully bring back Arkansas's workforce, it will require the governments, businesses, childcare providers, and community organizations across the state to effectively collaborate. The fact that the companies who do provide childcare benefits generally offer the benefits their employees desire is promising, because it demonstrates that Arkansas employers are in tune with what their workforce needs.

There are many stakeholders in the state that are working together to solve issues surrounding childcare. One example of people coming together to help address childcare difficulties is the Arkansas Early Childhood Association (AECA). The AECA has developed early childhood teaching expertise through their T.E.A.C.H. scholarship program, led by the Excel by Eight Foundations Collaborative. In addition to their early childhood education program, the AECA is planning to maximize federal COVID-19 relief resources by reviewing Arkansas's plan for allocation of federal funding, gathering data from AECA member surveys, and sharing childcare recommendations based on the findings. By bringing different members of the community together, from government officials to college partners, organizations like the AECA are creating meaningful change in Arkansas.

It is estimated that Arkansas currently has \$865 million of untapped potential from turnover and absences due to lack of adequate and available high-quality childcare for all parents regardless of income level.

By listening to the needs of parents and working to find public and private solutions, Arkansas will be better equipped to unlock the economic potential of parents whose employment and educational options are currently limited by their childcare circumstances. Our findings suggest that the most successful approach to solving Arkansas's childcare challenges is to organize a diverse set of options that are flexible enough to fit the needs of individual families and account for specific community dynamics. The most effective childcare system will not be found in a one-size-fits-all solution, but rather a range of solutions that support the three key issues of access, affordability, and quality.



RESEARCH SPONSORS

The research for the Untapped Potential report was conducted by the U.S. Chamber of Commerce Foundation in partnership with the Arkansas State Chamber of Commerce.

APPENDIX A: SURVEY METHODOLOGY AND RESPONDENT DEMOGRAPHICS

As with the previous studies conducted by the U.S. Chamber of Commerce in Idaho, Iowa, Mississippi, and Pennsylvania, this study was conducted in two phases. First, the U.S. Chamber of Commerce Foundation and the Arkansas State Chamber of Commerce partnered with Cicero Group to conduct a statewide survey of households with children aged five and under who are not in kindergarten, asking these parents a series of questions investigating the intersection of workforce participation, education, and childcare issues. This survey was conducted online. Second, Cicero Group estimated the economic impact of childcare issues based on survey results from the first phase and secondary data sources, such as U.S. Census Bureau data.

RACE	White	Hispanic or Latino	Black	Asian	American Indian / Alaskan Native	Native Hawaiian / Pacific Islander	Other
N=393	286	14	58	3	7	2	16

SEX	Female	Male
N=393	295	95

MARITAL STATUS	Married	Single	Other
N=393	242	107	44

REGION	Rural	Suburban	Urban
N=393	171	133	89

APPENDIX B

The economic impact consists of two areas—first there is a turnover cost to employers. Second, states lose tax revenue when employees lose wages. We pulled data from The American Community Survey to calculate the total number of parents in the labor force with children under six. In Arkansas, there are an estimated 195,448 parents in the labor force with children under six. We applied the responses of parents who voluntarily or involuntarily left the workforce due to childcare to this population (18%) 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 employee turnover.²³ For absences, we applied the mean hourly wage to the number of parents who missed work. We then assumed they missed an eight-hour shift. Even for non-salaried workers who forego earnings when they miss work, we assume employers still pay a cost in either lost productivity to those absent workers, overtime pay to other workers who must cover a shift, or even hiring and paying temporary workers.

States lose tax revenues from multiple sources. When an employee loses his or her job, or foregoes wages, the state’s taxes are directly and indirectly impacted. We used the tax estimates from The Institute on Taxation & Economic Policy²⁴ to determine appropriate tax rates.

²³ There Are Significant Business Costs to Replacing Employees. Heather Boushey and Sarah Jane Glynn

²⁴ Who Pays? <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf>

Notes:



U.S. Chamber of Commerce
Foundation