

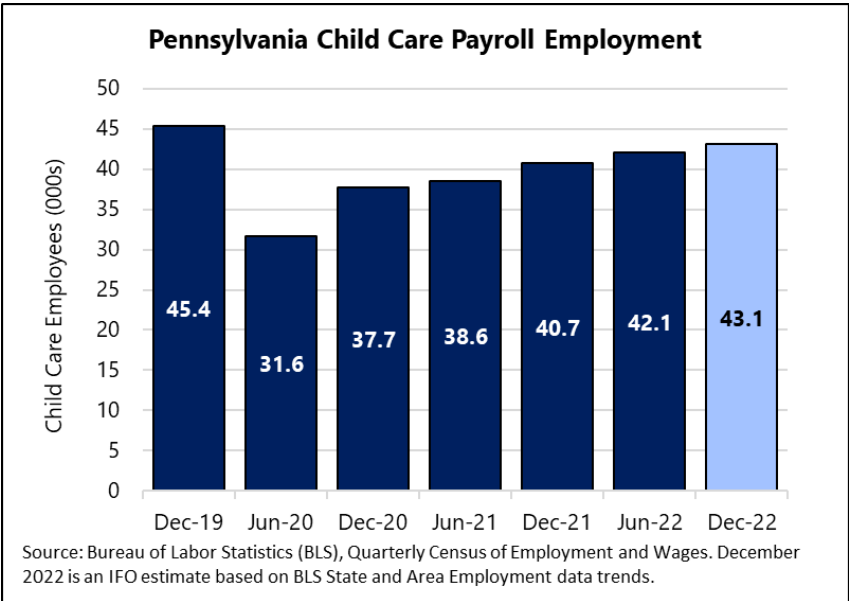
Post-Pandemic Child Care Cliff



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This research brief is the second in a series that examines the end or phase-out of various programs tied to the federal public health emergency that will impact the state economy.

Since the onset of the COVID-19 pandemic and related mitigation efforts, many firms have struggled to retain employees and fill job vacancies. That outcome could be partly due to a lack of affordable child care options for working families, as the child care industry has yet to revert to pre-pandemic employment levels. In June 2020, industry payroll employment (excludes self-employed individuals) had contracted by approximately 30% (-13,800, excludes government entities) compared to December 2019 (see figure). By December 2020, nearly half of that loss had been recouped. By December 2022, the estimated number of child care workers was down by 2,300 (-5% from December 2019), as the industry recovered 3,000 jobs in CY 2021 and 2,400 jobs in CY 2022.



The American Rescue Plan Act (ARPA) of 2021 included \$24 billion in Child Care Stabilization Grants to address the lack of child care options for parents returning to work. Of that amount, \$729 million (3.0%) was awarded to Pennsylvania. The Commonwealth allocated an additional \$90 million in ARPA State Recovery Funds to the Department of Human Services (DHS) for more child care stabilization grants – a total of \$819 million for grants to child care centers across the state.

(This total does not include increases in the Child Care Development Block Grant (CCDBG) or other funds that were provided in ARPA or previous federal stimulus legislation.¹) Awarded funds can be used for pandemic-related costs, operations, staff salaries and recruitment and child care worker development. Data from DHS show that nearly all funds (\$818 million) have been distributed, but it is not known how much remains unexpended by child care providers.

To entice child care workers back into the labor force, employers used a portion of ARPA funds to supplement wages. The table on the next page displays the annual growth rate of the average weekly wage for private child care workers compared to all private payroll workers statewide. For all three years during the public health emergency, the growth rate of the average weekly wage for child care workers significantly exceeds all private workers. Although the child care industry’s average weekly wage growth

¹ The Commonwealth received \$865 million in additional funding through the Child Care and Development Block Grant (CCDBG) in 2020 and 2021. Funds from the CCDBG are traditionally used to provide financial assistance to low-income families, improve teacher workforce and support higher standards in child care programs. Child care centers also received approximately \$250 million of Paycheck Protection Program forgivable loans and an unknown amount of Employee Retention Credits to retain employees.

outpaced all private workers, the sector remains relatively low-paying. For June 2022 (latest data), the average weekly wage for a worker in the child care industry (all occupations) was 45% of the average private sector employee. It should be noted that part of the differential is likely due to the higher composition of part-time workers in the child care sector.

	2019	2020	2021	2022	Weekly Wage (2022)
Child Care	4.1%	14.3%	12.0%	7.5%	\$556
All-Private	3.7%	12.9%	5.4%	4.9%	\$1,244

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
Notes: Calendar year 2022 data through June. Calendar years 2019 to 2021 are year-over-year growth rates for Quarter 4. 2022 is year-over-year growth from Quarter 2.

The impact of higher wages on the industry’s payroll costs is notable. For CY 2019, total wages paid for the state private child care industry were \$1.04 billion. For CY 2021, total wages grew to \$1.05 billion (+1.3%), despite a 13.5% workforce contraction. Based on wage data through June 2022 and employment trends through December 2022, total wages for CY 2022 are projected to be \$1.20 billion. Relative to CY 2019, the difference is approximately \$160 million in additional wages for the child care sector and does not include benefits or employer payroll costs (e.g., health insurance, Social Security). As ARPA (and other) funds are depleted, child care centers will need to adjust their budgets to maintain the higher wages for current staff and to attract new staff. Specifically, child care centers will need to (1) reduce staffing at the administrative, worker or auxiliary level (e.g., clerical and other related staff), (2) raise tuition/fees or (3) some combination thereof. Centers not currently filled to DHS-monitored maximum staffing ratios could also enroll more children to increase revenue.

The table on the next page displays the distribution of the state’s ARPA funds to child care centers by Early Learning Resource Center (ELRC) region as established by DHS. The ELRCs are contracted entities that work with child care centers to determine DHS program eligibility, enroll children in child care and provide technical assistance. The ELRCs are responsible for the final distribution of funds provided to the Commonwealth through ARPA. Statewide, child care providers received approximately \$19,445 per child care worker from ARPA funds in CY 2021 and CY 2022. This ranges from a high of \$29,610 in Region 8 (Centre, Northumberland and surrounding counties) to a low of \$14,440 in Region 2 (Clearfield, Jefferson and surrounding counties). Statewide, this represents a maximum potential increase of \$9,700 per annum (split evenly across years) if all ARPA funds were used to increase compensation for child care workers. However, providers only allocated a portion of ARPA funds to personnel costs. Based on data submitted to DHS, an estimated \$607.2 million (74%) was allocated to personnel, while the remainder was designated for operational expenses (e.g., rent, utilities). Based on those data, the annual funds allocated for personnel averaged \$7,200 per child care worker statewide (assumes even split across two years). Data from the U.S. Bureau of Labor Statistics show that the median hourly wage for a Pennsylvania child care worker (excludes administrators and auxiliary staff) was \$11.01 per hour in May 2020.² The potential \$7,200 annual increase, assuming 30 hours per week for 50 weeks a year, would increase average hourly wages by \$4.80

² See: [May 2020 OEWS State Occupational Employment and Wage Estimates](#).

per hour (44%). Additional funds have not been made available, and it is unclear if the industry can maintain wages sufficient to retain staff and attract new workers once funds are fully exhausted.

Regional Distribution of ARPA Child Care Funds					
ELRC Region	Notable Counties	Child Care Stabl. Funds	State Recov. Funds	Total	Funds per Worker
8	Centre, Northumberland	\$14.0	\$2.1	\$16.0	\$29,609
18	Philadelphia	144.2	14.6	158.8	24,383
1	Crawford, Erie, Mercer	22.2	3.0	25.2	23,916
13	Berks, Schuylkill	26.5	3.1	29.6	22,783
17	Montgomery	69.0	9.2	78.2	22,368
16	Bucks	46.7	5.7	52.4	21,197
5	Allegheny	72.0	9.7	81.7	20,020
9	Cumberland, Dauphin	38.3	5.0	43.3	19,476
	Statewide	728.9	89.0	817.9	19,445
19	Chester	34.8	4.4	39.2	18,962
15	Delaware	39.2	4.1	43.3	18,561
14	Lehigh, Northampton	45.0	5.1	50.1	18,514
12	Lackawanna, Monroe	24.7	3.1	27.7	18,256
10	Adams, Lancaster, York	43.8	5.7	49.6	17,815
7	Clinton, Lycoming, Tioga	9.1	1.1	10.2	17,453
11	Columbia, Luzerne	22.5	3.0	25.5	14,996
3	Beaver, Butler, Lawrence	22.1	2.9	25.0	14,945
4	Washington, Westmoreland	25.6	3.6	29.2	14,816
2	Clearfield, Jefferson	9.2	1.2	10.4	14,437
6	Franklin, Cambria, Blair	20.0	2.4	22.4	13,012

Workers are private payroll child care workers and exclude self-employed individuals and government employers. For 2021, QCEW data show that federal and local governments employed roughly 1,200 child care workers.
Source: Worker data from BLS QCEW (Quarter 2 2022). Regional funding from DHS. Calculations by the IFO.

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Mathieu Taylor and Frank Lill produced this research brief. Questions regarding this document can be directed to mtaylor@ifo.state.pa.us or flill@ifo.state.pa.us.

Office Website: www.ifo.state.pa.us