Why Quality Child Care Matters to Employers 2024

Why should employers care about child care?

- Employees with safe, reliable, quality child care are less likely to miss time from work due to child care related challenges, reducing absences, need for staff coverage and improving productivity.
- Employees are more likely to be productive and stay focused on their work without interruptions or the anxiety of worrying about their children.
- Staff with quality child care know their children are in a safe setting that promotes their children's healthy development and family's well-being.
- 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.
- Research shows that lower-income mothers, in particular, 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, over 14% of children under age 5 are living in poverty. Nearly 34% of single mothers raising children under age 5 are living in poverty.[2]

About 386,000 children under age 6 [3] and another 397,000 school-age children (6-12) in Virginia have working parents.[4] The cost of care is a struggle for many families, particularly for those with more than one child.

Average Price of Child Care in Virginia

In Virginia, the average annual price of child care in 2023 was:

- $14,618 for center-based infant care
- $11,185 for center-based preschool care
- $12,046 for family child care home infant care
- $10,473 for family child care home preschool-age care
- $8,999 for center-based school-age care
- $8,744 for family child care home school-age care

Source: Child Care Aware of Virginia (2023)

Child Care as an Economic Driver

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

Access to quality child care is not only a key work support for parents (to enable them to obtain and retain employment), but is also critical for the healthy development of children, stability and well-being of families.

Child care as an industry is a state and regional economic driver. For example, in Virginia, industry revenue combined with spillover effects (additional spending in the community) has a **$2.5 billion impact on the economy**.[5]

The child care industry employs over 40,500 individuals supporting an additional 13,246 jobs in other industry sectors across Virginia.[6]

High-Quality Child Care: Return on Investment

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.[7]

Employers Can Help Parents

The Dependent Care Tax Credit (DCTC). Inform parents about the 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.[8]

The 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).[9]

Families can take the dependent care tax credit or use the income exclusion, but may not use both.

Employer Sponsored Child Care

Employers can receive a tax credit equal to 25% of qualified expenses for employee child care and 10% of expenses for child care resource and referral services for employees.[10]

Qualified child care expenses include: (1) costs paid or incurred: to acquire, construct, rehabilitate or expand property that is used for an employer's child care facility; (2) the operation of an employer's child care program, including the costs of training and compensation for employees working in the child care program (and scholarship programs); or (3) contracts with a child care program to provide child care services for employees of the employer. Programs must meet applicable state and local laws and regulations. Such programs must have open enrollment to employees of the employer, not discriminate in favor of highly paid employees, and at least 30% of the children enrolled must be dependents of staff.

Qualified child care resource and referral services are amounts paid or incurred under a contract to provide child care resource and referral services to employees of the employer.

Child Care Aware of Virginia Recommends:

Expand the Supply of Child Care by funding new types of strategies, particularly in communities that have been identified as child care deserts.

- ✓ **Invest in public-private partnerships that engage employers.** Iowa, Kentucky, Michigan, North Dakota, Texas, and Wisconsin have implemented innovative grants to match employer support for employee child care. For example, North Dakota matches employer contributions of $300 or more for employee support for infant and toddler care. Kentucky matches employer support for child care for employees above the state income level for subsidy. The match declines as household income rises but never falls below a 50% match.

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, which leads to a more skilled workforce in the future.

vachildcare.com (804) 285-0846

---

[1] Marshall, N.L., Robeson, W.W., Roberts, J.R. & Dennehy, J. (2013). *Child Care for Low-Income Families*. Wellesley Centers for Women.
[2] U.S. Census Bureau, Demographic Profile Data, Table DP03. Selected Economic Characteristics. 2022 ACS 1-Year Estimates.
[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, 2022 ACS 1-Year Estimates.
[4] U.S. Census Bureau, School-age Children with Working Parents, 2022 American Community Survey 1-Year Estimates, Public Use Microdata
[5] Committee for Economic Development, Child Care in State Economies: 2019 Update.
[6] Ibid.
[7] Dr. James Heckman, University of Chicago, the Lifecycle Benefits of an Influential Early Childhood Program, 2016.
[8] U.S. Department of the Treasury, Internal Revenue Service, Publication 503, "Child and Dependent Care Expenses," 2023
[9] U.S. Department of the Treasury, Internal Revenue Service, Publication 15-B, "Employer's Tax Guide to Fringe Benefits," 2023
[10] U.S. Department of the Treasury, Internal Revenue Service, Form 8882, "Credit for Employer-Provided Child Care Facilities and Services."