

# CHILDCARE IS A FUNDAMENTAL PILLAR OF OUR ECONOMY

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With a new federal administration comes new ideas and priorities, and opportunities to look at improved ways to stabilize and grow our economy.

And while childcare has been a matter for political and economic debate and discussion for decades, it must now become a funding and political priority if we are to lift people out of poverty, strengthen the middle class, and see our economic engines function at full capacity.

We know childcare is a fundamental pillar of economic stability and growth in Santa Clara County and across the country precisely because we saw our economy grind to a halt when working adults suddenly didn't have access to childcare during the pandemic. Locally, tens of thousands of employees – mostly women – left the workforce when their children's schools or childcare providers closed. Hundreds of childcare providers permanently closed their doors. We saw consumer spending dry up when people left the workforce due to childcare gaps and found themselves with far less disposable income. Housing stability reached precariously low levels and small businesses closed in droves.

Despite the patent lessons of the pandemic, I still don't see the critical fix I believe is essential to creating a universally accessible, affordable childcare system. Childcare is not simply an individual parent's responsibility; it is a public good and should be supported as such. Employers, entrepreneurs, and small business owners benefit not only from their own employees having access to childcare – thus increasing productivity and retention – but from the general improved well-being of families across the community.

And yet we continue to believe that our current, very incomplete patchwork of solutions is adequate to meet the need. The state provides childcare vouchers for families who meet economic eligibility requirements but, in our County alone, nearly 2,000 families holding vouchers



in 2023 did not have access to an available, convenient program in which to enroll their child. Conversely, there are childcare providers, both for profit and nonprofit, that have empty seats because they cannot fill them with children of families who can afford to pay. There is a dire shortage of both facilities and workforce. New state-funded universal preschool and universal transitional kindergarten programs provide part day coverage for families for whom that model works. Some employers offer onsite or nearby childcare for their employees, but a number of large, local employers closed their childcare centers during the pandemic and never reopened them because more of their employees are working remotely. The need for childcare didn't dissipate, but the locations in which it was needed changed dramatically. Of course, only the largest employers can afford to provide onsite care anyway. It's an important piece of the puzzle but in no means a comprehensive solution.

A deeper look at the finances quickly underscores why our current patchwork of childcare options is insufficient to support an economy where everyone thrives.

According to the Economic Policy Institute, the average cost of unsubsidized childcare in California has risen to more than \$11,000 a year per toddler and upwards of \$16,000 for infants.<sup>1</sup> For many families, the cost of childcare for two children is more than their monthly rent or mortgage payment and that simply isn't tenable. Those costs have led to a troubling trend of parents, particularly women, leaving the workforce. In recent years, it has been reported that **40% of women in STEM careers in Silicon Valley left or changed jobs after having their first child.**

From nearly as long as there have been working moms, childcare has been viewed as either a "women's issue" or, at least, the sole responsibility of the child's parent. That thinking actually costs the US economy \$122 billion every year in lost wages, reduced worker productivity, foregone rents and more, as reported in Fortune Magazine in January 2023.<sup>2</sup>

The U.S. Chamber of Commerce has found that access to affordable childcare can decrease employee absences by up to **30%** and reduce turnover by as much as **60%**, leading to better economic outcomes for both businesses and the community.<sup>3</sup>

Some large local employers, including Genentech, NASA-Ames, and Stanford University, have provided onsite childcare to their employees for decades. Clearly, this service inures to their benefit in the form of employee retention and productivity. Some other large employers including Applied Materials offer an employee benefit that helps parents pay for childcare – assuming those parents can find access to convenient, quality programs that meet their needs. A benefit is only as good as the available access.

For many working parents in Santa Clara County, particularly women and communities of color, the high cost of childcare may mean the decision to have a child is in direct contrast to one's ability to build a career and grow one's personal finances. For people who want to have children, this is an absolutely unreasonable ask to make when we know how to solve for the challenge.

And while we are talking about economic benefits, let's fund childcare at a level to ensure the providers themselves aren't living in poverty and continue to operate their businesses. Childcare providers themselves—many of whom are

immigrants and women of color—barely get by on the voucher-mandated payments or on what their client families can afford to pay. We need public funding to bridge the gap between what parents can reasonably pay and the actual cost of providing high quality care in an industry that merits living wages.

The benefits of childcare extend far beyond immediate workforce participation. **Quality early childhood education** is critical for the long-term success of children and the strength of the community. Children who have access to high-quality childcare are more likely to develop the cognitive, social, and emotional skills they need to succeed in school and in life. They are more likely to graduate from high school, pursue higher education, and secure well-paying jobs. They are also less likely to engage with the criminal justice system or struggle with substance abuse.

When children succeed, entire communities thrive.

There must be funding at scale to create sufficient center-based and home-based facilities and to build a workforce that can provide these essential services and do so at a wage that allows them to live in their community while keeping costs affordable to parents.

Publicly funded childcare would free large businesses to focus on their core missions, knowing that their salaried and contracted employees can access childcare in a way and at a location that is convenient for them. Small businesses can hire comfortably knowing that employees are less likely to miss shifts or call in to report unavailability if they have consistent access to reliable childcare.

The hospitality and retail sectors will benefit from more people having some disposable income to invest in the local economy. And, finally, the small and micro businesses that are the most common iterations of childcare can grow, and providers can share in the consumer economy knowing they are playing a significant role in attracting and retaining families.

Santa Clara County is at a critical juncture.

As the region grapples with workforce shortages, rising costs, and deepening economic inequality, investing in affordable childcare is one of the most impactful steps we can take to foster both short-term poverty alleviation and long-term growth and prosperity. By ensuring that families have access to quality care for their children, we create a more resilient workforce, stronger communities, and a brighter future for everyone.

The challenges are clear, but so are the solutions. Childcare is not just a service for working parents—it is a crucial component of a thriving economy.

Childcare is a public good. Let's fund it as such.

<sup>1</sup> "Child Care Costs in the United States." Economic Policy Institute, October 2020.

<sup>2</sup> "The Childcare Crisis Poses a \$122 Billion Economic Threat to the U.S." Fortune, February, 2023.

<sup>3</sup> "Supporting Employees through Childcare Services." U.S. Chamber of Commerce Foundation, May 2018.