

Fixing New York's Broken Child Care Market

The Case for Raising Child Care Compensation

Goal

The child care system in New York needs greater public investment to ensure care is accessible to all families who seek it and the vitally important child care workforce is paid a sustaining wage.

Solution

Transition New York to a system that appropriately compensates child care educators for the essential work they do through a three-phase process.

Why It Works

Raising workforce compensation in the child care sector will pay off with higher workforce participation, economic stimulation, and long-term success of children who get a better start in their early childhood education and out of school time.



“The free market works well in many different sectors, but child care is not one of them. It does not work for the caregivers. It does not work for the parents. It does not work for the kids. And because it does not work for them, it does not work for the country. Child care is a textbook example of a broken market.”¹

New York State should lead the nation by fixing that broken market. The child care system in New York needs greater public investment to ensure care is accessible to all families who seek it and that the vitally important child care workforce is paid a sustaining wage.

The Need

Parents can't afford to pay more for child care, but providers can't afford to charge less. This impacts both the capacity of the child care system and quality of care.



Cost is Too High

Multiple factors make child care unaffordable for many New York families.

According to Child Care Aware of America, the **average price of center-based infant care in New York state in 2020 was \$16,588 per year**, nearly twice the tuition at a public university in New York (\$8,500 per year).² New York is the **fifth most expensive state** in the country for infant child care, after adjusting for state median income. Child care is a labor intensive industry and **up to 80% of program expenses are for personnel**.³ New York is appropriately committed to child care quality and low child-teacher ratios. The state's high costs of living, real estate prices, and other factors also contribute to the price of care. Together, these dynamics make child care unaffordable for many New Yorkers without leading to sustaining wages for child care educators.

Recent investments in New York's child care assistance program **expanded eligibility** for assistance to families making up to \$69,090 for a family of three (300% of the federal poverty level). **Nearly half of young children** in New York now reside in a household that is income

¹ Yellen, J. (2021). [“Remarks by Secretary of the Treasury Janet Yellen on Shortages in the Child Care System.”](#)

² Child Care Aware of America. (2022). [Demanding Change.](#)

³ Center for American Progress. (2018). [Where does your child care dollar go?](#)

eligible for assistance. However, the cost of child care is **still prohibitively expensive** for thousands of families with incomes above that level. Low-income and middle class families alike are forced to grapple with difficult decisions about cutting hours, changing shifts, or leaving the workforce altogether to care for young children. Families with young children are likely to be especially stressed because younger parents are earlier in their careers and, consequently, at the lower end of their earning potential.

Given the current funding structure of child care in New York, **child care providers' wages are dependent on the prices they can charge families**. Wages can only rise substantially if costs to families also rise. But if prices rise too high, families cannot afford care. The rising cost of child care in the United States over the past several decades resulted in a 13% decline in workforce participation of mothers with young children.⁴

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Wages Are Too Low

While child care is too expensive for many families, **child care providers remain chronically underpaid**. This is despite providing a service that is foundational for New York's economy and the healthy development of children. NYS Department of Labor data reveal that the **median yearly wage for the industry ranges from \$29,889 in the North Country to \$35,788 in the Hudson Valley**, significantly below the overall median wage for every region of the state.⁵ It is estimated that **nearly half of child care providers themselves receive some form of government assistance** to support their families, about twice the rate found in the broader workforce.⁶

Despite their high skill, training, and value to children and families, **child care educators make less than 97% of all other professions in New York**.⁵ The systematic undervaluing of the critical roles they perform, largely provided by women of color, drives inequity and exacerbates gender and racial pay gaps. **Low wages are linked to high rates of turnover**. That leads to instability for families and the children who depend on stable, nurturing relationships with their caregivers for healthy growth and development.

⁴ Washington Center for Equitable Growth. (2016). [Is the cost of childcare driving women out of the U.S. workforce?](#)

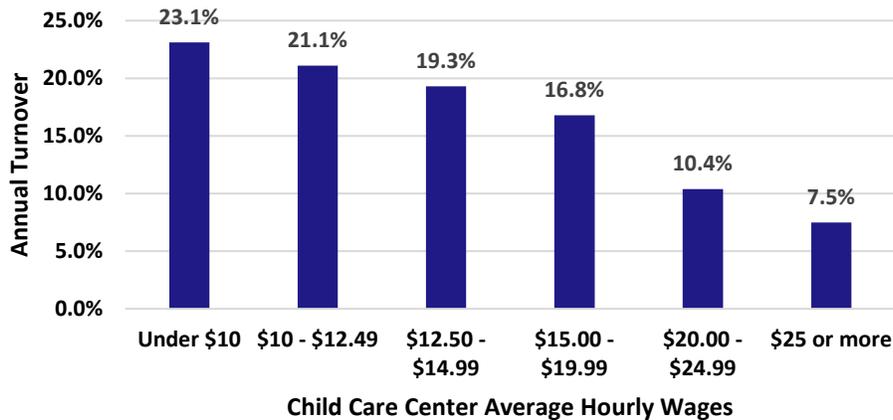
⁵ New York State Department of Labor. (2022). [Occupational Wage Data](#).

⁶ Paquette, D. (2016). *The Washington Post*. [Half of America's childcare workers need food stamps, welfare payments or Medicaid](#).

Region	Child Care Median Annual Wage	Overall Median Annual Wage	% Occupations that Pay More than Child Care
New York State	\$31,885	\$50,850	97%
Capital Region	\$30,680	\$49,681	97%
Central New York	\$30,036	\$48,818	99%
Finger Lakes	\$30,529	\$48,132	96%
Hudson Valley	\$35,788	\$49,910	94%
Long Island	\$32,752	\$50,269	97%
Mohawk Valley	\$30,971	\$40,450	92%
New York City	\$35,491	\$62,820	98%
North Country	\$29,889	\$46,211	99%
Southern Tier	\$31,181	\$48,426	93%
Western New York	\$30,326	\$47,764	97%

A recent analysis of national survey data by the Federal Reserve Bank of Minneapolis demonstrates a clear relationship between wages and turnover.⁷ **Programs offering higher wages have substantially lower turnover than those paying lower salaries.**

National Child Care Center Annual Turnover by Average Hourly Wages



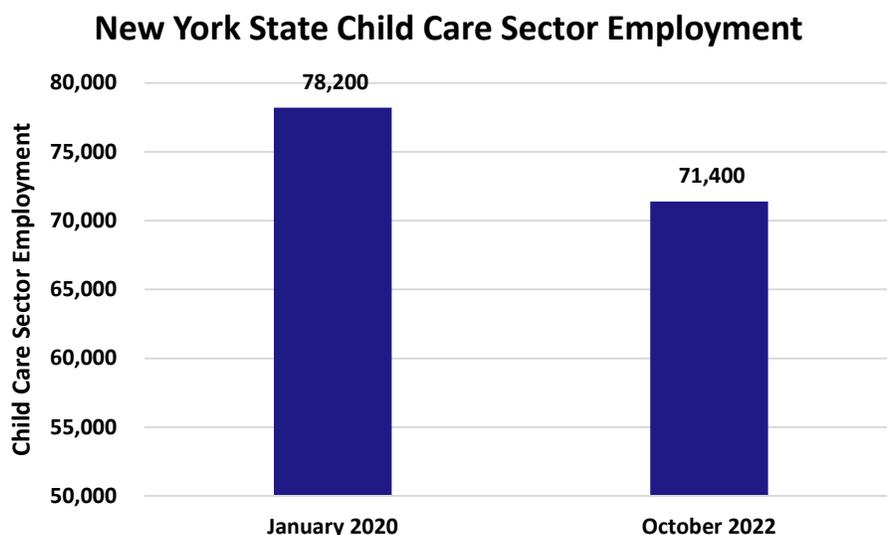
⁷ Federal Reserve Bank of Minneapolis. (2022). [Examining teacher turnover in early care and education.](#)

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Capacity is Insufficient

Child care programs across the state were devastated by the COVID-19 pandemic, with temporary and permanent closures leading to widespread layoffs. Unlike many other sectors, the child care workforce has not yet recovered from this disruption.

Current child care employment is 9% lower than the January 2020 level.⁸ Without adequate staffing, child care programs must reduce capacity or shut down completely, making it even more difficult for families to access quality care.



Recent analyses by The Children’s Agenda found that New York State had 1,326 fewer programs operating in July 2022 than at the start of the pandemic, representing a **loss of 10,554 child care slots.**⁹ Rural/upstate communities, high poverty areas, and communities of color were particularly hard hit by these losses.

A recent field survey by the National Association for the Education of Young Children found that 46% of respondents were serving fewer children than they would like, and 38% indicated they had a longer waitlist than before the pandemic. **The most common reason for programs serving fewer children was “Not enough staff because compensation is too low for recruitment and retention.”**¹⁰

⁸ New York State Department of Labor. (2022). [Current Employment Statistics](#).

⁹ The Children’s Agenda. (2022). [Rebuilding our Future](#).

¹⁰ National Association for the Education of Young Children. (2022). [Uncertainty Ahead Means Instability Now](#).

An October 2022 poll by Raising NY revealed that about **one in three families found it challenging to find a child care program** and **41% of respondents reported that issues with child care have affected their ability to attend work, school, or other commitments** two or more times in the last 30 days.¹¹ These figures were higher among families of color. The decrease in available slots is not simply a market reaction to low demand. Demand exists, but the market cannot sustain it.

Inadequate access to care leads to harmful disruptions for children’s learning and development, as well as lost work and educational opportunities for families, potentially resulting in both short- and long-term economic consequences. A recent analysis of the Census Household Pulse Survey by the Center for New York City Affairs concluded that **350,000 New Yorkers were not working because they were caring for children not in school or child care**.¹² Helping some of those parents return to the workforce would do a great deal to relieve the state’s labor shortages.

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Higher Wages Lead to Higher Quality

High quality care is critical to the development of young children, but low wages limit quality care. High wages can decrease worker turnover and help early care educators make a career of working in the field. Children benefit from consistent nurturing relationships with trusted adults. Studies show that **experienced workers can build stronger relationships with the children in their care and contribute to the health and development of young children**.¹³

Research also indicates “**the most important predictor of the quality of care children received... was staff wages**,”¹⁴ but staff wages are dependent on the financial capacity of families seeking care. High quality child care is therefore often limited to affluent families, despite considerable evidence that low-income children benefit the most from that care experience.¹⁵

¹¹ Raising New York. (2022). [New York’s Child Care Crisis](#).

¹² Parrott, J. Center for New York City Affairs. (2022). Testimony to the New York State Assembly Labor Subcommittee on Emerging Workforce, [Wage Increases Would Quicken Lagging NYS Recovery](#).

¹³ Center for the Study of Child Care Employment. (2018). [At the Wage Floor](#).

¹⁴ Center for the Study of Child Care Employment. (2014). [Worthy Work, STILL Unlivable Wages](#).

¹⁵ Bustamante, A., Dearing, E., Zachrisson, H. D., Vandell, D. L. (2021). *Child Development*, [Adult outcomes of sustained high-quality early child care and education: Do they vary by family income?](#)

The child care sector struggles with a **wage compression** challenge, in addition to low wages. This makes it difficult to incentivize staff to seek additional training or education. Child care educators who know it will be difficult to recoup the cost of higher education degrees and credentials may reasonably decide not to pursue those opportunities. This can further limit the availability of high quality care throughout New York.¹⁶

The Solution

New York can transition to a system of appropriate workforce compensation through a three-phase process.

The current approach to funding child care does not work for parents, children, child care providers, or employers. It is time for New York to transition to a system that appropriately compensates child care educators for the essential work they do. This shift will take time and investment from the state, but will pay off with higher workforce participation, economic stimulation, and greater long-term success of children who get a better start in their early childhood education. The Children’s Agenda proposes a three-year transition.



2023-24 State Fiscal Year

New York’s fragile child care sector needs **immediate support in the form of wage supplements for child care providers** while the state develops a comprehensive approach to adopting a cost of care reimbursement model. The supplements should be paid directly to workers to ensure the workforce receives increased pay. **North Carolina’s WAGE\$** program provides a model for New York to follow in administering a direct wage supplement program.¹⁷ New York could use the Aspire registry of child care workers to initially determine eligibility for the supplement. Doing so would allow the state to collect valuable workforce data and give an incentive for providers to enroll in that registry.¹⁸

A \$12,500 per worker annual supplement, paid quarterly, would be similar to the **District of Columbia’s child care worker bonus program**.¹⁹ This supplement would remain in effect until supplanted by the changes outlined below.

¹⁶ Center for the Study of Child Care Employment. (2018). [At the Wage Floor.](#)

¹⁷ Child Care WAGE\$. [Program Overview](#)

¹⁸ ASPIRE. [Program Overview](#)

¹⁹ Washington DC’s Early Child Educator Pay Equity Fund. [Overview.](#)

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2024-25 State Fiscal Year

The Governor's Child Care Availability Task Force should be charged, through legislation, with developing recommendations to the Office of Children and Family Services to **create tiers of higher wage supplements based on education, experience, and credentials**. This should be done in consultation with stakeholders in the field and with the Early Childhood Advisory Council. Those recommendations should be adopted through the 2024-25 state budget.

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2025-26 State Fiscal Year

By 2025, New York State should be prepared to shift to a **new model** of child care funding. This model should be **based on the true cost of high quality child care, with sufficient funding to support salaries and benefits on par with the public education system** in New York State (for a similar position with similar education, experience, and other factors). Again, the Child Care Availability Task Force would be responsible for working with state agencies and other stakeholders to develop the specific approach needed to transition to this method of funding child care in New York State.

Why The Solution Works

Fixing the child care market will have benefits for children, families, the workforce, and New York's economy.

Fixing the broken child care system in New York will take a commitment from New York State. But the benefits to the state will outweigh those costs. This approach will:

- **Stabilize the child care workforce**, leading to **higher quality care**. A stronger child care workforce will be able to provide higher quality care to children throughout the state, ensuring that more children are ready for Kindergarten and beyond.
- **Ensure the supply of child care grows** to make it available for the hundreds of thousands of low-income families with young children who are newly eligible for child care assistance.
- **Control costs** for middle class families with young children, especially those families not yet covered by the state's expanding child care assistance program. Raising worker pay without raising child care costs will help hundreds of thousands of New Yorkers afford child care.
- **Raise workforce participation, grow NY's economy, and raise tax revenues**. Increasing the availability of high quality care will not only benefit young children and their families, it will also strengthen New York's economy.