



WOMEN'S FOUNDATION
OF ALABAMA

CLEARING *the* PATH

THE BUSINESS CASE FOR CHILD CARE | 2024

WOMEN AND ALABAMA'S ECONOMY

Alabama's economy does not work without women.

More than one million workers, representing half of the state's workforce, are women. Women workers contribute \$43 billion in earnings every year to the state's economy, accounting for one out of every three dollars earned by working people in the state. These earnings are then spent and invested in businesses across the state, supporting job creation, hiring, and growth in the economy. Almost four out of every ten businesses in Alabama are owned by women, yet few women are CEOs at Alabama's companies. [1]

Alabama's economic growth and prosperity depends on clearing the path for women to participate in the workforce. To increase women's labor force participation, we must close the gender pay gap and eliminate barriers that keep women on the sidelines.

LABOR FORCE PARTICIPATION

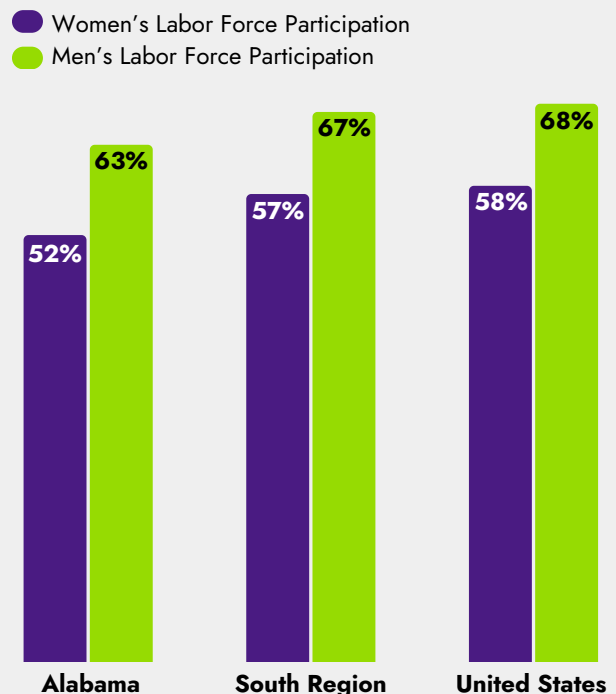
Barely half of all working age women in Alabama are able to look for work or have a job — a startling sign that women can't fully participate in or benefit from Alabama's economy. (see Figure 1)

This is especially true when you compare Alabama's women in the labor force to the participation rate of women in the surrounding region and the rest of the United States, where almost 6 out of 10 women are participating in the labor force.

This suggests that Alabama's women face higher barriers that hinder their ability to work and, consequently, limit their long-term earnings. These obstacles include caregiving responsibilities, particularly as primary caregivers, and a crucial lack of accessible and affordable childcare for working mothers. Women of color, often the sole caregivers and breadwinners, are disproportionately affected.

Figure 1.

Women have lower labor force participation rates in Alabama than men and other women in the South and United States.



Source: U.S. Census Bureau, American Community Survey, Five-Year Estimates, 2015-2019

Women play an irreplaceable role in Alabama's economy. If women are participating and benefitting fully in the labor force, the overall economy will improve.

Specifically, ensuring women in Alabama are paid the same as men for the same work would generate the following statewide economic impacts:

- Increase the total amount of labor income earned by the state's workers by \$12.8 billion. [2]
- Create 59,000 new jobs for Alabamians to fill.
- Grow Alabama's GDP by almost \$22 billion in one year – roughly equivalent to all the economic growth the state has had since 2004. [3]

BARRIERS TO WORK

Labor force participation for women with young children is limited in large part by barriers in access to quality and affordable child care. There are only enough child care seats for about 36 percent of Alabama's young children, even though 65 percent of children under five have a working single parent or both parents in the labor force. [4]



CHILD CARE AND ALABAMA'S ECONOMY

Investing in child care is an investment in Alabama's economy.

Researchers, business leaders, and early childhood education experts agree high-quality, accessible child care is essential for Alabama's economic future.

Child care is an essential resource for Alabama's workforce, yet the supply of affordable and accessible child care is not keeping up with the growing demand. In 2022, nearly 85,000 hardworking Alabama families needed access to child care but had no quality options in the communities where they live. This represents 40% of children under age 6 who may need childcare but whose families cannot reasonably access it. In over half of Alabama's counties, there are three times as many children as there are licensed child care spaces. This demand will continue to increase as Alabama's success in industry recruitment and job creation outpaces the increase in available child care slots.

THE CHILD CARE INDUSTRY

Access to high-quality, affordable child care drives labor force participation — especially for women — and fuels regional and statewide economic growth. Employers, in turn, benefit from a deeper pool of potential employees, lower turnover and absenteeism due to child care barriers, and an easier time attracting skilled workers and families to Alabama. Child care businesses — the majority of which are women-owned — account for \$427 million of the state's economic activity.

Taking into account multiplier effects and including the spending by childcare businesses and employees, the sector contributes an estimated \$21 billion to the state's economy. In addition to building awareness in the business community about the importance of child care and the value-add of child care investments, our legislative leaders also have the opportunity to invest in the industry that keeps Alabama working. State-level policy can incentivize the expansion of child care to support Alabama's growing economy and get Alabamians back to work. [5]

Despite the sector's economic importance, many child care providers — often woman-owned small businesses — struggle to stay in business and child care professionals earn low wages. Providing care for young children is expensive, in large part because of the high ratio of adults to children necessary to create a safe environment for young children. More than 60 percent of child care provider expenses are for staff compensation. [6] As of Q2 in 2023, there were 5,349 child care workers in Alabama making an average annual wage of \$23,700 and an annual demand of 825 workers. [7]

ALABAMA'S WORKFORCE

There are 1,334,591 families in Alabama with an average family size of 3.02. This number is expected to increase by 0.29% over the next five years. [8] Parents in Alabama make up 35% of the workforce. Reliable child care is crucial for over one-third of workers for reducing absenteeism, productivity loss, and increasing employee retention. In 2022, however, there were 85,000 families that did not have access to child care. [9] Addressing the supply gap in child care for those 85,000 families could increase Alabama's labor force participation rate by 3% which would introduce an additional 66,000 people into the workforce, boosting the economy.

The Century Foundation released a report which highlighted the possible earnings loss for parents due to the child care supply gap. The estimate suggests that parents in Alabama might experience a loss of \$75 million in earnings by reducing work hours or exiting the workforce. Additionally, the report calculated a reduction of \$86 million in employee productivity and a decrease of \$2.7 million in state income tax due to the childcare cliff. [10]



A 2023 Survey from AlabamaWorks [11] found that:

- Child care is deemed important by 63% of parents for their ability to work.
 - Workers with children believe that child care is essential for them to be able to attend work regularly, specifically for women under 35, African Americans, and low-income earners.
 - Child care is less important for women 35 and older, white workers, and high-income earners.
- Only 14% of employers provide childcare services or vouchers, with 11% receiving government assistance, while 31% rely on support from their community or family.
- Awareness about available childcare or transportation assistance is low, with only 40% of workers and 60% of parents being informed.

Overall, addressing the child care supply gap in Alabama is essential for economic growth, reducing financial strains on families, and increasing workforce participation.

UNDERSTANDING THE LANDSCAPE

Alabama's economy does not work without child care.

To strengthen the child care industry, Alabama has to address three pressing challenges related to child care: accessibility, affordability, and quality. Alabama will not reach its workforce goals without putting intentional focus and producing solutions to build an accessible and affordable child care industry.

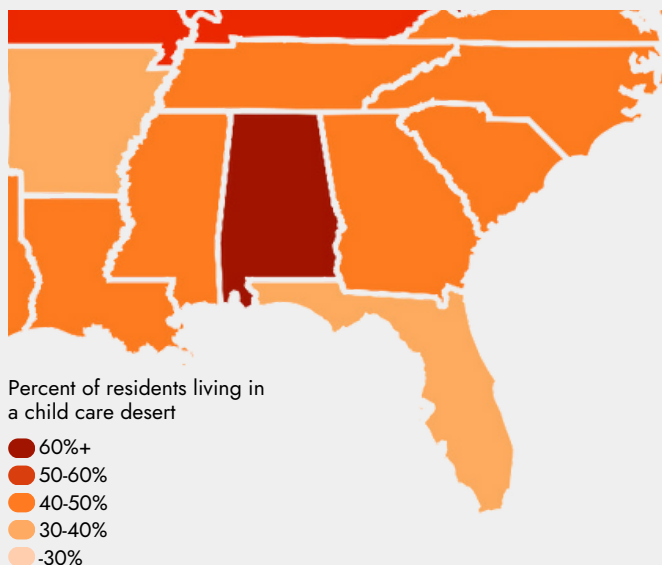
ACCESSIBILITY

There are not enough licensed child care providers across the state of Alabama to serve families and unleash the full workforce potential of parents. While 293,000 children under age five live in Alabama, there are 102,187 licensed child care seats and 21,000 First Class Pre-K Slots. That is only enough to serve 36 percent of Alabama's young children. [12] It is likely, though, that at least some of those child care spaces are available because some parents who want to enter the workforce cannot afford child care options, are not receiving subsidies, or are not finding the care that works for their family. Other workers may be using informal child care that is not licensed, but which they can afford and meets their geographic or scheduling needs.

The 65 percent of Alabama's young children—over 190,000—with either one or both parents in the workforce are likely to require some type of care while their caregivers are at work. However, there are only enough licensed seats to serve two-thirds of them. This translates to 67,000 children with employed parents but with no licensed child care seat available.

MAP 2.

Child Care Deserts in the Southeast



Source: ChildCareDeserts.org, Center for American Progress

A recent report by the U.S. Department of Education found that Alabama has the highest occurrence of "child care deserts" of any state in the southeast (see Map 2). A child care desert is a census tract where there are more than three young children for every available seat in a licensed child care provider.

When licensed child care is unavailable, parents face tough choices. Parents may decide that placing their child with a provider of uncertain quality or safety is not worth the risk to their child's well-being or their own mental health. Opting out of work or education, or choosing an unlicensed child care without the minimum standards of health and safety oversight are all choices Alabama families make every day.

AFFORDABILITY

Even when child care is technically accessible, it frequently proves unaffordable, even for middle- or upper-class families. When the cost of high-quality child care exceeds a parent's earnings, some may choose to exit the workforce and stay at home or opt for part-time work to reduce child care expenses. [13]

The average weekly cost for infant/toddler child care in Alabama was \$139 as of 2021, which translates to approximately \$556 a month, or \$6,672 a year. [14] That's 12 percent of the annual income for a household with children earning the median income (\$55,000). Recent national research found that "in no state does the cost of center-based infant and toddler care meet the federal definition of affordable." The U.S. Department of Health and Human Services defines affordability as paying no more than 7 percent of family income on child care. [15]

Middle income families found some economic relief in the form of a federal child care tax credit in recent years, but for households earning above \$43,000 annually (below the median income for Alabama families with children), the credit carried a maximum of \$600 for a single child and \$1,200 for multiple children [16]. Unlike 24 other states, Alabama does not offer families an additional state-level child care tax credit [17]. Investing in affordability for families across the income spectrum will help Alabama grow its population of workers, keep more parents in the workforce, and attract or retain more families with young children to the state.

QUALITY

The difference between low-quality and high-quality child care is significant for providers, parents, and especially for children. The research on benefits of high-quality child care is strong, while low-quality care could adversely impact a child's safety and their development, which makes parents less willing to enter the workforce if low-quality care is the only option. [18] Alabama Quality STARS (QRIS), the state's official quality rating scale, measures child care providers on the following areas: learning environment and curriculum, family involvement and community partnerships, staff qualifications and professional development, and management and administrative practices.

QRIS has existed for center-based programs since 2015, and home-based programs since 2019. According to the Alabama Department of Human Resources (DHR), nearly all of the approximately 2,046 [19] licensed child care providers in the state are participating in the Quality Rating and Improvement System. [20] However, of those providers, just 262—or 7.8%—have higher than STAR 1 ranking. [21] Programs that have STAR 1 ranking met and maintained all minimum required licensing standards through DHR.

With greater than 90% of participating providers having the same STAR 1 rank, most Alabama parents cannot use STARS to compare program quality, potentially discouraging families from using STARS as a meaningful quality indicator.



RECOMMENDATIONS & PROVEN SOLUTIONS

It's time to invest in the industry that keeps Alabama working.

Alabama has several key supports in place already, including a growing cohort of leading employers who recognize the need and the value of child care for their employees and for their bottom line, recently improved state laws, federal investments in early childhood education, and an active community of early childhood advocates. Despite building this important foundation, meeting the state's workforce goals will require implementation and expansion of additional supports to address the deeply entrenched child care barriers currently facing many Alabama workers.

Parents, employers, community leaders, voters, taxpayers, legislators, policymakers, child care providers themselves, advocates, and philanthropic funders must work together to strengthen our state's economy and families today and for tomorrow. None of these groups can solve Alabama's child care challenges on its own, but together, we can build a brighter future for Alabama's workforce and children.

"Manufacturers across Alabama are well aware of the child care crisis, because they feel it every day as they try to staff their production lines. With working parents making up more than 35% of Alabama's workforce, quality affordable child care is a critical component of the overall workforce ecosystem for today's employees as well as tomorrow's."

Manufacture Alabama is committed to working closely with the business community and advocacy partners, like Women's Foundation of Alabama, to bring real solutions to this crisis for the working parents who help drive our economy."

Jon Barganier

Manufacture Alabama
President and Chief Executive Officer



"At Regions, we believe when our communities are strong and thriving, everyone benefits. As part of that principle, we are committed to supporting organizations like Women's Foundation of Alabama that create measurable and meaningful impact."

The foundation listens to the needs of people in the community, assesses situations with a research-based approach, and invests community dollars in ways that multiply its reach. It is time to make waves in this watershed moment for the women and families of Alabama by investing in child care solutions."

Lajuana Bradford

Women's Foundation of Alabama Board Chair and
Regions Bank Senior Vice President, Regional Community Development Manager



In addition to building awareness in the business community about the importance of child care and the value-add of child care investments, Alabama can concretely incentivize this kind of activity with child care tax credits for employers and licensed providers. Twenty-four other states already offer state child care tax credits in addition to the modest credits available on federal taxes. The data shows proven success in utilizing a multi-pronged tax incentive aimed at increasing child care access, affordability, and quality.

EMPLOYER CREDIT

The first component is designed to help keep more money in the pockets of hardworking and accommodating businesses. This credit would be available to employers that provide child care for their employees, whether that is through stipends to employees for child care expenses, on-site child care, or reserving child care spots for employees at a licensed facility.

PROVIDER CREDIT

The second element of this potential solution is a direct investment in the industry that keeps Alabama working. This credit would be available to child care providers that voluntarily participate in the quality rating program administered by the Alabama Department of Human Resources under the name of Quality Rating and Improvement System (QRIS). To incentivize child care facilities to get licensed and enroll more children on subsidies, the value of this credit is based on the average monthly number of eligible children who attend the facility and the quality rating of the child care facility.

NONPROFIT PROVIDER CREDIT

Additionally, nonprofit providers, including religious-based providers, could be eligible to apply for a credit to incentivize licensure and enable greater capacity and quality. By creating a credit for nonprofits to use as a fundraising tool, these providers can apply for a tax credit to raise funding for construction, repairs, and operations.

Child care tax credits can undoubtedly lead to increased access to child care for Alabama's families, enabling greater workforce participation and strengthening our state's entire economy.

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Women's Foundation of Alabama is the leading voice and philanthropic engine for women in the state accelerating a mission of gender and economic equity through research, grantmaking, and advocacy to strengthen entire families and communities today and for generations to come.



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