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'30 percent of my income': Parents burdened by costs as child care providers struggle to survive



A child playing at Isabella Child Development Center in Mount Pleasant, Mich. (Joyce Neyer)

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February 19, 2022 at 6:00 a.m.

Thousands of Michigan parents, along with the state's nearly 8,000 child care providers, find it challenging to navigate the COVID-19 pandemic amid rising costs, worker shortages, and outbreaks leading to closures, schedule changes, and quarantines for children and staff.

Even before the pandemic, the financial condition of many child care businesses was precarious. This includes running on extremely slim profit margins, around 1% according to a new U.S.

Treasury report released in September, with their workers making, on average, 26,790 a year or \$12.88 per hour, according to the U.S. Bureau of Labor Statistics.

And for many families high-quality care was unavailable or too expensive.

Joyce Neyer, director of the Isabella Child Development Center in Mount Pleasant, said child care providers and early childhood educators have been undervalued and undercompensated prior to the pandemic and continue to be so during the pandemic.

“One of the most important things that could happen for this industry is recognition for the work we do and how it impacts children and their families,” she said. “Research shows that children who attend high quality programs have a much higher success rate in school and beyond. If our industry were valued more, government, businesses, and communities might be more willing to support us with higher wages and benefits.”

Children playing at Isabella Child Development Center in Mount Pleasant, Mich. (Joyce Neyer)

Over the past two years, providers have had to pay more to implement enhanced safety measures to protect unvaccinated children ages 5 years and younger, and to increase salaries to retain, train, and hire new employees

Those increases have trickled down to parents, who say they understand why they are paying more but continue to struggle financially themselves as the pandemic continues. .

Neyer said her facility, which cares for 30 children, is tuition free for families who qualify, but that operational and payroll costs have increased during the pandemic to ensure qualified staff.

“Our staff does not have any paid benefits,” she said. “Our income is limited by Great Start Readiness Program grants and funds from the local Isabella Child Development Center Thrift Shop. Our budget needs to be watched closely so as not to exceed available funds.”

Families burdened by cost, unreliable care

According to the Economic Policy Institute, the average cost of caring for one child in Michigan is \$10,861 per year, or \$905 a month. That’s 19% of a family’s median household income of \$57,054.

Nationally, the growth in childcare expenses exceeded the 2020 and 2019 annual rate of inflation, according to a new report from Child Care Aware. In 2020, inflation was 1.8% and childcare increased 1.92% from \$9,687 to \$10,174. For 2019, inflation was 1.2% and childcare increased 5.03% from \$9,504 to \$9,687.

Michigan families with two children will see their average costs increase to \$19,751, which is 48.7% more than the average rent in Michigan and 34.6% of the median family income.

Elizabeth Staff, of Royal Oak, has two children in daycare and said her family's child care costs are more than 35% of her household's annual income with both her and her husband working.

"(Before having children) I knew child care was expensive, but I did not know how expensive it would actually be," she said. "It's very much a burden. It's a luxury cost involved with having kids."

Staff hasn't noticed much difference in her costs since the governor signed into law the new budget, saying that "average income families are still footing the bill."

For example, a minimum wage Michigan worker making \$20,072 a year would need to work full time for 28 weeks just to pay for care for one child, according to the organization's analysis.

According to the U.S. Department of Health and Human Services, child care is affordable if it costs no more than 7% of a family's income. By this standard, only 9.3% of Michigan families can afford child care.

Dawne Bell, chief executive of the Early Childhood Investment Corp., said the challenges facing families with young children are more complex. The company is a Michigan-based nonprofit that advocates on early childhood issues.

"Many working parents left the workforce during the pandemic and have not yet returned and now, due to child care shortages, cannot find care to be able to return to work," she said. "Still other families are concerned about COVID-19 and waiting for a vaccine for young children before re-enrolling."

Maddie Elliott, a policy associate at Michigan's Children, said Michigan families and providers alone cannot shoulder the increased costs of the state's child care system. The Lansing-based nonprofit advocacy group focuses on ensuring public policies are made in the best interest of Michigan's 334,000 children in child care settings.

"We need (long-term) targeted state investment to strengthen the workforce and lower costs for families," she said. "Providers are experiencing additional costs and are struggling to keep their doors open, resulting in high costs for families."

To help increase access to affordable child care and further support these businesses, Gov. Gretchen Whitmer signed a \$1.4 billion childcare budget last September, which is heavily paid for using federal COVID dollars.

According to Lisa Brewer-Walraven, director of the Michigan Child Development and Care Program Office, child care costs are rising and neither private tuition, nor the child care subsidies alone can sustain the cost of care and maintain the infrastructure needed to ensure families have access to high quality care.

"The pandemic has highlighted the fragility of the child care system," she said. "It created uncertainty for providers with children not coming to care or returning to care, loss of revenue,

unexpected closures, and loss of staff. This has meant that care is not always available to meet the needs of the parents (fewer choices for care, limited hours for care).

High-quality child care programs are defined by what happens inside the classroom, namely the interactions between the teacher and child. In a high-quality program, teachers engage children with learning tailored to their age and use structure for learning experiences, according to The Center for American Progress, an independent nonpartisan policy institute.

New investments

Increasing costs are even more of a burden for low-income families.

Around \$108 million of Michigan's new investment is being used to increase income eligibility for the child care subsidy program to 185% of the poverty level, a \$49,000 median household income, from 150% through September 2022, after which it will drop to 160% of poverty. This change created access to free or low-cost child care for an additional 112,000 Michigan children.

Children playing at Isabella Child Development Center in Mount Pleasant, Mich. (Joyce Neyer)

The budget also invests \$700 million in child care stabilization grants to help providers cover operational and payroll costs and another \$215 million to support over 7,000 childcare providers with emergency federal relief grants.

Joanne Shango is head of The Montessori School Rochester, which serves over 150 children in childcare. She's using her \$300,000 stabilization grant to fully staff her center and increase wages. She used \$40,000 of that grant to provide bonuses to her employees.

"These are the people that have experience and we're able to train them on the job," she said. "All of that really comes from the support of these grants from the state. We're using the money for worker retention, wages, and professional development."

Her facility has used the state-provided subsidies to help lower-income families cover tuition costs while avoiding tuition rate increases for returning families.

Bell said the state budget is making an immediate impact at the provider level through the stabilization grants.

"We are hearing every day from programs across Michigan how these grants are making a difference, especially as these small businesses work to recruit and retain their workforce," she said.

Last month, 5,890 stabilization grants totaling \$365.5 million were distributed to child care providers across the state. That includes \$4.6 million in grants for 154 providers in Clare, Gratiot, and Isabella counties.

The budget also includes an additional \$105 million to increase provider subsidy rates by 30% through September 2023 for child care centers serving eligible low-income families. The businesses have been directed by the state to inform families if this change reduces their bills.

Brewer-Walraven added that parents who are enrolled in subsidy-eligible child care centers will receive supplemental payments on behalf of their providers to help cover their childcare expenses.

“The immediate effect (of this budget) has been that children are receiving care and the financial burdens on families and caregivers are being lessened,” she said.

The budget also includes \$30 million for a one-time \$1,000 bonus for child care staffers.

Elliott added that the state’s \$1.4 billion investment was an essential step in the right direction to stabilize Michigan’s child care system and mitigate some of the worst effects of the pandemic.

“But, it was not the end-all-be-all solution for closing funding gaps in early education, recruiting and retaining child care teachers who are in short supply, or reducing child care deserts across the state,” she added. “Consistent and targeted state investment in the child care system is needed to alleviate these long-standing, systemic challenges that plague early childhood.”

Businesses facing worker shortages, stiff regulations

So, why are costs increasing for child care businesses?

The childcare industry is heavily regulated. Licensing rules and regulations in place to keep children safe, combined with pandemic-related requirements, have made it more expensive for providers and those increases trickle down to families. Among those rules: Babies need constant supervision and attention so Michigan law requires one caregiver for every two to four children age 2 and a half and under.

That means providers have to spend more money to ensure they have the required number of employees to supervise the children in their care. As childcare employees leave the industry and finding replacements gets harder, meeting the requirement is becoming more difficult.

Some other factors that have contributed to increased child care costs are: Mass exodus from the early childhood workforce; Child care closures resulting from COVID-19 cases; Additional costs to providers for PPE; And enhanced cleaning procedures.

As operational costs increase, the ability of businesses to hire new staff is decreasing with many leaving the profession all together due to safety concerns, higher wages, and job security.

Neyer said although what she pays her employees is comparable to other childcare, she worries that they will leave for a better paying job in another field.

“This past summer, I needed to hire staff. Although I didn’t get many qualified applicants, I was able to hire staff,” she said. “Many fast-food and retail are offering comparable or higher hourly wages. We are a non-profit organization funded largely by state grants.”

She said another big challenge for her business has been following all the cleaning and sanitizing protocols, which have become much more “rigorous” since the start of the pandemic.

“It is a challenge to get it all done in the hours we have available,” she said.

Currently in Michigan, there is almost a 20% vacancy rate for full-time child care staff as well as a 34% vacancy rate for part-time child care staff.”, according to the Michigan Office of Child Care.

“The (stabilization) grant provided the state the opportunity to collect these data that no one had been collecting prior,” said Brewer-Walraven. “We will be asking the same questions in the March 2022 application.”:

During the pandemic, Shango said between 5 to 12 of her staff members were out at any given week due to illness or general health and safety concerns, which has also been a challenge.

In a survey conducted between June 17 and July 5, 2021, by the National Association for the Education of Young Children, 87% of U.S. child care centers indicated that they were experiencing staffing shortages that forced them to serve fewer children (49%), have a longer waitlist (38%), not open classrooms (25%), or reduce their operating hours (28%).

Eight out of 10 child care businesses identified wages as the main recruitment challenge.

Michigan child care providers are using a large portion of this new state grant funding to increase worker pay as they attempt to manage high teacher turnover rates. Wages have been an ongoing concern of providers across the state as the industry remains unstable and employees seek out safer, higher paying, less stressful, and more reliable working environments during the pandemic.

According to the Economic Policy Institute, the average child care worker in Michigan makes \$22,150 per year, among the lowest wage earners in the state. They would have to spend 49% of their annual salary to put their own child in daycare.

Average Childcare Costs As Percentage of Median Household Income



State	Child care as a % of annual income	Rank	Median household income	Rank	Average cost of child care	Rank
MICHIGAN	19.01%	17	\$57,144	34	\$10,861	27
District of Columbia	26.30%	1	\$92,266	1	\$21,678	1
Massachusetts	25.75%	2	\$81,215	5	\$20,913	2
Minnesota	22.56%	3	\$71,306	14	\$16,087	4
California	22.52%	4	\$75,235	9	\$16,945	3
New York	22.48%	5	\$68,486	15	\$15,394	6
Indiana	22.40%	6	\$56,303	36	\$12,612	18
Oregon	21.68%	7	\$62,818	21	\$13,616	14
Colorado	21.19%	8	\$72,331	12	\$15,325	8
Illinois	20.95%	9	\$65,886	18	\$13,802	11
Vermont	20.68%	10	\$61,973	22	\$12,813	16
Nebraska	20.46%	11	\$61,439	26	\$12,571	19
Rhode Island	20.39%	12	\$67,167	17	\$13,696	13
Wisconsin	20.35%	13	\$61,747	24	\$12,567	20
Connecticut	19.88%	14	\$78,444	6	\$15,591	5