



Untapped Potential: How Childcare Impacts Iowa's State Economy

CONTENTS

- 03** Welcome Letter
- 04** Executive Summary
- 08** Survey Results
- 28** Conclusions & Implications
- 30** Methodology & Appendix

“Iowa has the highest labor force participation rate in the country and businesses, regardless of industry or location, are struggling to recruit and retain skilled workers.”

Welcome Letter

At the U.S. Chamber of Commerce Foundation, we see childcare as a two-generation workforce issue, crucial for our workforce of today and workforce of tomorrow. Access to affordable, quality childcare is essential for working parents to enter, re-enter, or stay in the workforce, yet it is hard to come by. The first five years of life are critical for children to build a strong foundation upon which future learning is built, yet current supply cannot meet demand. The challenges we face are persistent and complex but solvable. And the business community must be part of that solution.

As a result of these challenges, we needed to better understand how childcare breakdowns impact working parents, their employers, and the state economy. The Chamber Foundation partnered with the Iowa Association of Business and Industry (ABI) on this report to better understand the unique needs of Iowa’s working parents and examine the current childcare landscape.

Iowa has the highest labor force participation rate in the country and businesses, regardless of industry or location, are struggling to recruit and retain skilled workers. There is a great opportunity to bring new residents to the state and ensure that Iowa can thrive. However, childcare is often the barrier that stands between success and stagnation.

Our report estimates that Iowa loses \$935 million annually as a result of childcare breakdowns. Iowa has millions of dollars of untapped potential.

Progress is being made in Iowa and both ABI and the Chamber Foundation are committed to supporting these positive steps forward. To do so, partnerships between early education advocates and the business community are vital to ensure that Iowa’s children, families, businesses, and economy are strong. The persistent childcare challenges will not be fixed overnight, and they won’t be fixed by just one sector, so we hope this report provides you with data to better understand the challenges and find more partners to discover the solutions.



Cheryl Oldham
Senior Vice President,
U.S. Chamber of Commerce Foundation



Michael Ralston
President, Iowa Association
of Business and Industry

Executive Summary

There have been numerous studies highlighting the benefits of early childhood education for both children and their parents. Children gain a strong educational foundation and their parents can pursue careers or enhance their education or vocational skills. Despite the evidence in support of early childhood education, we know that families are struggling to find and afford high-quality childcare. Several states—Louisiana, Maryland, Georgia, Washington, and Indiana—conducted reports and found that they each lose over \$1 billion annually in economic activity due to breakdowns in childcare.

Building on the work of these states, the U.S. Chamber of Commerce Foundation partnered with the Iowa Association of Business and Industry and the Iowa Association for the Education of Young Children to understand just how much breakdowns in childcare cost Iowa.

In this study we looked at the causes of childcare challenges as well as motivations behind why parents select various childcare providers. Knowing many employers want to facilitate more access to childcare but do not know where to begin, we sought to learn what types of childcare benefits working parents desire most from employers.

The results confirm what stakeholders have begun to realize—despite Iowa having the highest labor force participation among all 50 states, childcare challenges, like affordability and lack of access, prevent many Iowa parents from working or pursuing education. Iowa's economy is doing well, as evidenced by its 2.6 percent unemployment rate, which is below the national average.¹ This tight economy means that companies have difficulty filling open jobs. The Iowa Workforce Development surveyed over 10,000 employers in the state and revealed almost 20,000 job vacancies among them.²

As policymakers and business leaders consider ways to position Iowa for success, investing in childcare could enable Iowa to fully capitalize on its resources.

Note: Although there is a lot of energy around paid leave policies across the country, with any solutions proposed, access to affordable, high quality childcare is still a problem for many families. Respondents to our survey conflated, and understandably so, childcare and paid leave benefits. We included all their responses while also recognizing that they are distinct topics and our report only examines childcare.

¹ <https://www.bls.gov/web/laus/laumstrk.htm>

² https://www.iowalmi.gov/sites/search.iowaworkforcedevelopment.gov/files/documents/2018/state_iowa_wna_2019.pdf

TOPLINE FINDINGS

-\$935M

THE UNTAPPED POTENTIAL:
Childcare issues result in an estimated \$935 million loss annually for Iowa's economy

-\$153M

Iowa loses an estimated \$153 million annually in tax revenue due to childcare issues

-\$781M

Absences and employee turnover cost Iowa employers an estimated \$781 million per year

> 1/2

A little over half of parents reported missing work due to childcare issues in the past 3 months

69%

of parents rely on family members for at least some childcare

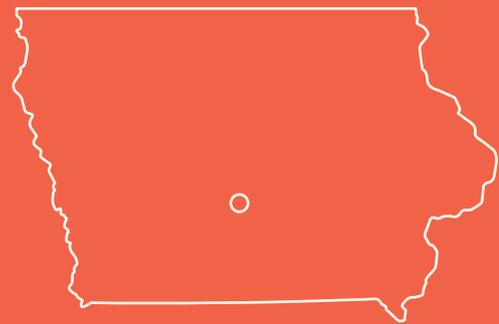
52%

of parents who voluntarily left a job did so when their child(ren) was one year old or younger

23%

of enrolled parents postponed school or a training program due to childcare issues

Iowa has the highest female labor force participation rate in the country.



Population: 3.156 million

Average Household Income: \$58,570

Minimum Wage: \$7.25 per hour

Capital: Des Moines

Surveyed: 331 working parents of children 5 years and younger

IOWA PROFILE

There's something special about the working spirit of Iowans. At 70.4 percent,³ Iowa has the highest labor force participation rate among all 50 states. Somewhat ironically, thanks to a strong labor market, Iowa businesses are grappling with workforce shortages. Part of the reason is companies are unable to find qualified candidates with the requisite skills for these roles. That is why one of Iowa Governor Kim Reynolds' primary goals is helping businesses find workers and helping workers acquire education or training they need to be successful.⁴

Included in Iowa's nation leading labor force are over 300,000 working parents with children under six years old.⁵ Unfortunately, the childcare climate in Iowa presents this cohort with two problems: access and affordability. According to the Iowa Women's Foundation, Iowa faces a shortage of 359,000 childcare spaces⁶ for children under 12 requiring after-hours care. The access issue is growing in part because Iowa has lost 40% of its childcare businesses listed with Iowa Child Care Resource & Referral since 2012. Even when Iowans find a provider, the cost may put it out of reach. Further exacerbating the issue is childcare workers are among the lowest paid occupations when compared to all Iowa occupations.

Iowa government and business have recognized the need to step up. Future Ready Iowa is a statewide initiative focused on Iowans' access to postsecondary education and training. One of their grant programs, the Employer Innovation Fund, has allocated \$1.2 million to 49 awardees across the state, who will use the funding to support childcare for their employees.⁷

There have been many studies highlighting the importance of early childhood education for both children and their parents. What is lesser known is the economic impact. When employees leave the workforce, we need to better understand how much income they are sacrificing. Similarly, when employees voluntarily leave or miss work due to childcare issues, we need more information about how this impacts the employer.

³ U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, November 19, 2019

⁴ The Gazette. 2019. *Lawmakers grapple with growing Iowa's workforce*

⁵ Author's calculations based on U.S. Census Bureau data

⁶ Des Moines Register. 2018. *Iowa families can't find child care, leaving parents out of the workforce*

⁷ <https://www.iowaworkforcedevelopment.gov/gov-reynolds-congratulates-third-round-employer-innovation-fund-awardees%2%A0wraps-first-year-awards>

Survey Results

We surveyed parents to gauge how childcare issues impacted their lives across employment and education. Survey respondents are reflective of Iowa’s racial demographics and a normal economic distribution. We also captured the decisions parents make regarding childcare providers—who they selected as providers and why they selected them. Stakeholders must know the motivations behind parents selecting childcare provider in order to align their efforts towards effective solutions.

FACES BEHIND THE NUMBERS:

Meet the Steele Family

Kimberly, an HR manager, and Brad, a teacher, were ready to move back to the Midwest to be closer to family. When Kim received two job offers on the same day, one in South Dakota and one in Iowa, the availability of onsite childcare was a big factor in their decision. They chose to move with their two sons to rural Pella, Iowa to work at Vermeer Corporation, which offers onsite childcare run by Bright Horizons for their employees and the larger community.

HOMETOWN: Pella, Iowa	
PARENTS: Kimberly & Brad	CHILDREN: Esai (age 6) and Bodie (age 2)
OCCUPATIONS: HR manager (Kim) and teacher (Brad)	CHILDCARE: Mon–Fri, 5:30am–5:30pm
	MONTHLY CHILDCARE EXPENSE: \$400

LOOKING FOR A FAMILY-FIRST MINDSET

Brad and Kim were drawn to Vermeer because of the high-quality learning environment provided by their onsite childcare facility, along with the company’s other family-friendly benefits. Brad, a teacher, says: “I know that money’s always important to help have a good work life balance, but it’s those little things that make you want to stay at a place though too... having that mindset of family first.”



Key Findings

Long-Term Impact on Employment and Education

Childcare issues impact a parent's ability to work or pursue higher education, skills development, or training. Twenty four percent of parents reported childcare issues significantly impacted their employment over the past 12 months, though this varied by geographical classification (**FIGURE 01**). This includes parents voluntarily or involuntarily leaving their jobs, decreasing their hours from full-time to part-time, being unable to increase their hours, or being unable to accept a position.

Even parents who have yet to experience disruptions to their employment are impacted. Perhaps because they anticipate challenges in the future, six percent of working parents said they plan to voluntarily leave a job due to childcare issues.

Another essential piece of information is the age of the children when parents decide to voluntarily leave their jobs. Knowing this can inform targeted initiatives or policies for working parents. Fifty two percent of parents who voluntarily leave their jobs, do so when their child(ren) is one year old or younger, indicating that childcare for infants and toddlers is the greatest need. Due to smaller teacher to child ratios, which are critical to providing a safe learning environment for infants and toddlers, childcare for this group is more expensive,⁸ an important factor in why and when parents may choose to leave the workforce. These data also help businesses understand when their employees are most vulnerable to leave the workforce so that their solutions support working parents when they most need it.

It is also important to understand how childcare issues impede the ability of parents to pursue higher education or training, because it ultimately influences their earning potential. Twelve percent of parents reported they are enrolled in school or a training program. Of this enrolled group, 36 percent reported childcare issues significantly impacted their classes or training program over the past 12 months.

Parents reported either being dropped from a class roster or having to reduce the number of classes they take. When parents are unable to complete their education on time, they must wait longer to pursue promotions or better paying careers. There are additional implications our survey did not capture but are paramount to consider. Many students, regardless of employment status, rely on student loans to cover both school and living expenses. If students drop below half-time status, they may be required to begin paying back their loans while in school. This could add an

additional burden to enrolled parents who likely have higher expenses than other students. Like working parents, nine percent of enrolled parents said they plan to postpone school or training programs due to childcare issues.

Finally, we asked parents how old their children were when they made the decision to leave work or stop attending classes. Sixty six percent of parents who postpone classes or training do so when their child is one year old or younger, further indicating that parents of infants and toddlers need the most support and therefore interventions should target that age group.

Decision makers need to consider the significant number of student parents with infants and toddlers who leave school because of the lack of childcare for that age group. To support parents in pursuing their education and career goals, postsecondary education institutions and workforce boards must recognize how childcare is often a barrier for parents to be successful.

Knowing how childcare issues impact employment and education is vital. To get a complete picture, parents responded to a series of questions on their childcare arrangements.

- **69% of parents rely on family members for at least some childcare.**
- Parents primarily pick their childcare provider based on affordability and personal preferences.
- When it comes to cost, **families pay an average of \$552/month for childcare**, although it varies by provider type and other factors (see following figures for a breakout of costs).
- **Seventy four percent of families pay out of pocket for childcare, with only 3% receiving federal or state childcare provider assistance.**

In developing solutions to this childcare challenge, policymakers and stakeholders should consider ways to support parents who are shouldering the burden of the high cost of care, and also consider their geographic location.

There are regional differences within the state. We break down survey results by region. (See **METHODOLOGY** for how we determined the regions.)

⁸ *Where Does Your Child Care Dollar Go?* <https://www.americanprogress.org/issues/early-childhood/reports/2018/02/14/446330/child-care-dollar-go/>

FIGURE 01.

Percentage of parents who reported childcare issues significantly impacted their employment over the past 12 months, by rural vs. urban

18%

Rural

26%

Urban

24%

State Average

FIGURE 02.

Percentage of working parents who plan to voluntarily leave their job because of childcare issues, rural vs. urban



FIGURE 03.

Age of child(ren) when working parents had to voluntarily leave or plan to voluntarily leave job

*Percentages may total more than 100% because some parents have multiple children

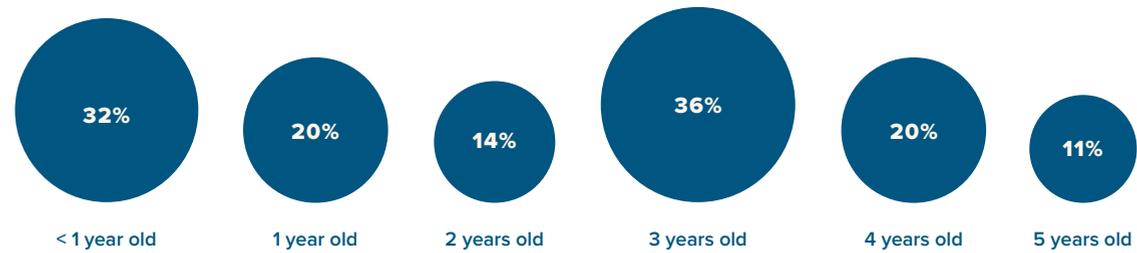


FIGURE 04.

Percent of parents enrolled in school or training, by rural vs. urban



FIGURE 05.

Percent of enrolled parents who experienced significant disruptions to class, by rural vs. urban



FIGURE 06.

Age of child(ren) when enrolled parents postponed or plan to postpone postsecondary education or training program

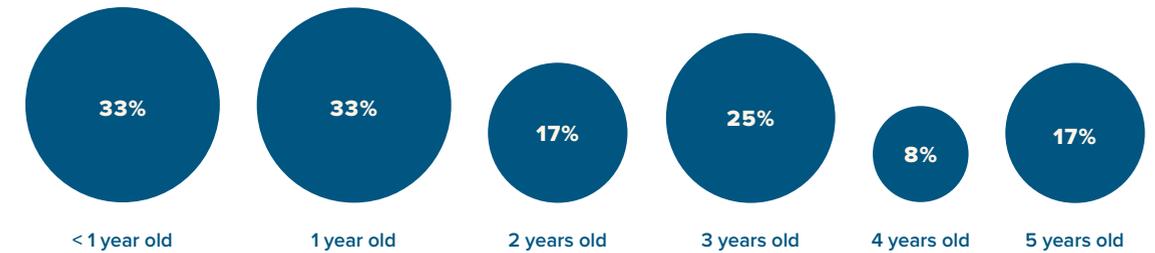


FIGURE 07.

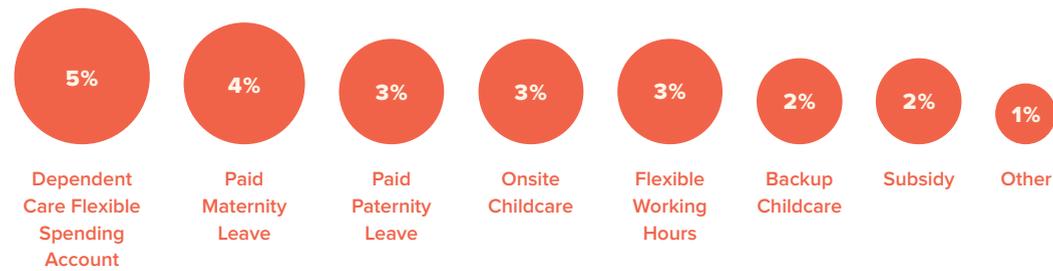
How much parents pay for childcare, per month, by rural vs. urban



FIGURE 08.
How much parents pay for childcare, per month, by provider type



FIGURE 09.
Percentage of employers that offer the following benefits



Childcare Benefits and Accommodations

To deepen our insights on why parents are facing challenges, we asked several questions regarding what types of childcare benefits and accommodations their employers provide. Eleven percent of parents said their employers offer childcare benefits. Of these parents:

- 44% said their employer provides a dependent care flexible spending account
- 39% said their employer offers paid maternity leave
- Two parents said they can bring their children to work

To glean if companies are providing childcare benefits that match parent expectations, we asked all parents, regardless of whether their employer currently offers childcare benefits, to rank their top three most desired childcare benefits.

The results indicate there is a glaring discrepancy between the benefits companies provide and the benefits parents desire.

In our survey, 15 percent of working parents said their employers provide childcare benefits. In **FIGURE 09**, we show what benefits these employers offer.

Parents highly desired paid maternity leave, flexible working hours, and onsite childcare (**FIGURE 10**). Among working parents who receive any kind of employer-provided childcare benefits, only three percent offer flexible working hours. Given Iowa's economy, especially with manufacturing representing the highest GDP, many companies may struggle with providing flexible working hours but could offer other benefits. While companies do offer various accommodations, this provides an opportunity for employers to better align their benefits with the needs of working parents.

FIGURE 10.
Benefits desired by parents, in order of highest ranked
*Parents ranked their top three choices



RECRUITMENT TOOL

Mindi Vanden Bosch, of the Vermeer family, explains that onsite childcare is a key way for them to recruit employees to the small town of Pella, Iowa. “There are so many people when they’re looking for jobs, one of their first questions is, ‘what is your childcare option?’ As a company, it’s harder to attract talent to a smaller community.”

Economic Impact

We estimate there is an untapped potential of \$935 million annually in Iowa due to childcare issues.

This includes direct employer costs and lost state tax revenues. When parents face challenges securing adequate childcare or disruptions in their childcare provider arrangements, the impacts ripple throughout the community. Parents either miss work completely, arrive late, or leave early. Even if this does not occur, parents may still be distracted at work merely thinking about or receiving calls from their childcare provider. Employers face a cost due to worker absenteeism. These costs include lost wages to the worker(s) who did not show up (or who arrives late or must leave early), paying overtime to other workers who must cover a shift, or even hiring and paying temporary workers. Based on our survey results, 49 percent of Iowa parents missed an average of 12 days of work over the past year. Given this, we estimate the direct employer cost due to absenteeism to be \$352 million.

If parents are repeatedly unable to find an appropriate childcare provider, this can cause them to voluntarily leave the workforce or the employer to terminate them. When this happens, the employer must replace the worker. Research indicates turnover costs an employer approximately one-fifth the worker’s annual earnings.⁹ This means the turnover cost to employers alone is an estimated \$429 million.

Long-term childcare issues impact more than working families and employers. There is also a cost to Iowa in the form of lost tax revenues. When parents temporarily leave the workforce due to childcare issues, Iowa does not collect income taxes from those individuals. In addition, these parents may reduce their spending which leads to a decrease in sales tax revenue. We estimate Iowa loses a total of \$152.6 million annually as a result.

⁹ *There Are Significant Business Costs to Replacing Employees.* Heather Boushey and Sarah Jane Glynn. Center for American Progress.

THE UNTAPPED POTENTIAL:

\$935M

Childcare issues result in an estimated \$935 million loss annually for Iowa’s economy

FIGURE 11.

Direct employer costs



FIGURE 12.

Direct tax revenue impact



Disruptions to Parental Employment

When parents experience childcare issues, there are both long-term and short-term consequences. The long-term consequences include separation from employment (voluntarily or involuntarily) or significant changes to employment. Beyond employment, parents enrolled in school or training programs may also experience the same long-term consequences. To compare to national data, we asked a question that the National Survey of Children’s Health (NSCH) included in its 2016 administration of the survey:

The National Survey of Children’s Health (NSCH) asked¹⁰

“During the past 12 months, did you or anyone in the family have to quit a job, not take a job, or greatly change your job because of problems with childcare for this child, age 0-5 years?”

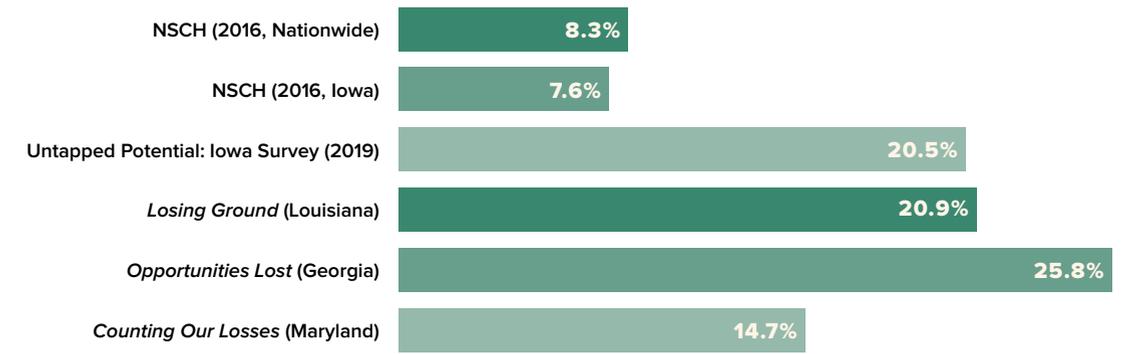
According to the NSCH, nationally, 8.3 percent of parents reported childcare issues are causing significant disruptions to their employment, whereas slightly less Iowa parents (7.6 percent) are experiencing disruptions. The parents in our survey reported much higher rates (20.5 percent) of childcare issues impacting their employment. This higher rate is likely due to our survey focusing specifically on childcare issues with respect to employment and education, whereas the National Survey of Children’s Health survey was a broader survey on overall child health. In Georgia,¹¹ Louisiana,¹² and Maryland,¹³ 25.8 percent, 20.9 percent, and 14.7 percent parents, respectively, answered, “yes” to the NSCH question.

Additionally, various groups experience different levels of disruptions due to childcare issues. Women reported their jobs were greatly impacted at higher rates than men—22.3 percent of women and 13.4 percent of men responded “yes” to the NSCH benchmark question. Pew Research Center has insightful findings on how women and men perceive careers and childcare differently.

- Women spend more time both on paid work and on childcare relative to past decades
- Women face more pressure to be involved parents than men
- While men face less pressure to be involved parents, men face more pressure to support their family financially¹⁴

FIGURE 13.

Percentage of respondents reporting childcare issues significantly impacted employment, compared nationally



Although we view childcare as a workforce issue, we recognize that caregiving responsibilities impact subpopulations in different ways.

These data do not fully consider the different presentations of families in this country and how childcare impacts them in different ways. While this NSCH benchmark did not break down responses based on household composition (such as single or same sex parents), it is important to note these dynamics may not look the same for all households.

On the following pages, we break down how parents responded based on their marital status, gender, employment status, and income.

Unique to Iowa were the responses based on employment status (FIGURE 16). Parents who work part time responded “yes” to the NSCH question at higher rates (33.3 percent) than parents who work full time (14.9 percent), likely due to three reasons: 1) full-time employees are either salary or longer tenured employees with established schedules, less likely to be penalized for missing work, 2) part-time employees often work night and/or weekend shifts with less childcare available during those hours, and 3) if part-time employees work too many hours, they could reach the “benefits cliff” at which point they earn too much to qualify for assistance.¹⁵ Some working parents turn down pay raises to keep their assistance eligibility.¹⁶

¹⁰ <https://www.childhealthdata.org/browse/survey/results?q=4798&r=14&r2=1>

¹¹ Georgia Early Education Alliance for Ready Students (2017). *Opportunities Lost: How Child Care Challenges Affect Georgia’s Workforce and Economy*

¹² Louisiana Policy Institute for Children (2017). *Losing Ground: How Child Care Impacts Louisiana’s Workforce Productivity and the State Economy*

¹³ Maryland Family Network (2018). *Counting Our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System*

¹⁴ Pew Research (May 8, 2019). *6 facts about U.S. moms*

¹⁵ <https://talkpoverty.org/2019/06/06/20-cent-raise-can-cause-iowans-lose-thousands-dollars-child-care-support/>

¹⁶ <https://www.desmoinesregister.com/story/opinion/2016/12/17/wish-2017-start-cutting-down-iowas-child-care-cliff/95512284/>

THE NATIONAL SURVEY OF CHILDREN'S HEALTH (NSCH) ASKED

“During the past 12 months, did you or anyone in the family have to quit a job, not take a job, or greatly change your job because of problems with childcare for this child, age 0-5 years?”

FIGURE 14. Percentage of parents who answered “yes” to the NSCH question, by marital status

MARITAL STATUS	PERCENT
Overall	20.5%
Married	17.2%
Single	36.5%

FIGURE 15. Percentage of parents who answered “yes” to the NSCH question, by gender

GENDER	PERCENT
Overall	20.5%
Female	22.3%
Male	13.4%

FIGURE 16. Percentage of parents who answered “yes” to the NSCH question, by employment type

EMPLOYMENT TYPE	PERCENT
Overall	20.5%
Full-time	14.9%
Part-time	33.3%
Stay-at-home Parent	22.7%

FIGURE 17. Percentage of parents who answered “yes” to the NSCH question, by annual income

INCOME	PERCENT
Overall	20.5%
< \$50,000 per year	31.2%
> \$50,000 per year	14.1%

Long-Term Impact

While including the NSCH question allows us to compare to national surveys, we wanted to dive deeper into how exactly childcare issues impacted parents' ability to work or pursue higher education. We asked parents how their jobs had been impacted over the past 12 months. Overall, 24 percent of parents experienced significant disruptions to their employment, with 13 percent leaving their jobs, either voluntarily or involuntarily. Working parents of young children are making career decisions based on their childcare rather than what's in the best interest of their long-term financial stability.

Beyond employment, parents enrolled in school or training programs may also experience the same long-term consequences. An educated populace provides benefits to the entire economy, and on an individual level, higher education is tied to higher income. Higher education is also correlated with better health, lower rates of unemployment, and higher wages for workers without formal degrees.¹⁷ When parents pause their education or professional development, the time it takes for them to acquire the skills to pursue higher paying jobs increases. Although this disruption to education does not directly impact the economy, other studies have estimated the opportunity cost of forgoing postsecondary education or training.¹⁸

Here are the various ways parents said childcare issues impacted their ability to develop professionally.

“Working parents of young children are making career decisions based on their childcare rather than the best interest of their long-term financial stability.”

¹⁷ Brookings Institution (April 26, 2017). *Eight economic facts on higher education*

¹⁸ Maryland Family Network (2018). *Counting Our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System*

FIGURE 18.

How parents said childcare issues impacted their employment
*Parents could select more than one response

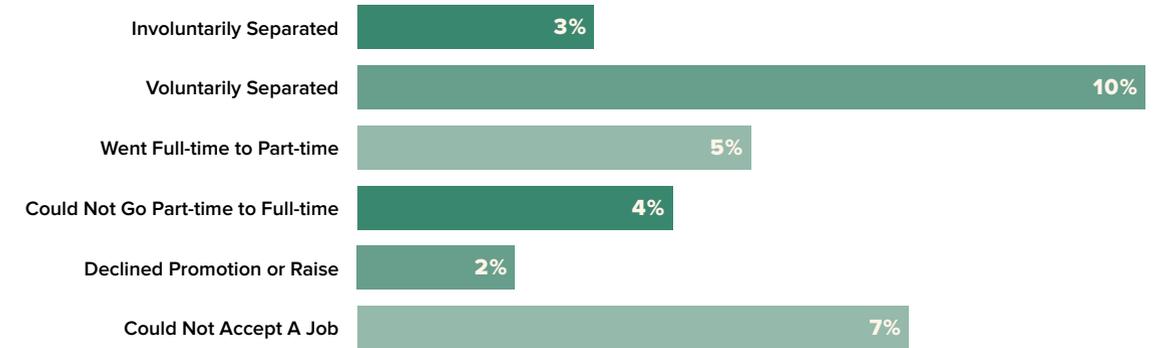


FIGURE 19.

How parents said childcare issues impacted their employment, by gender
*Parents could select more than one response

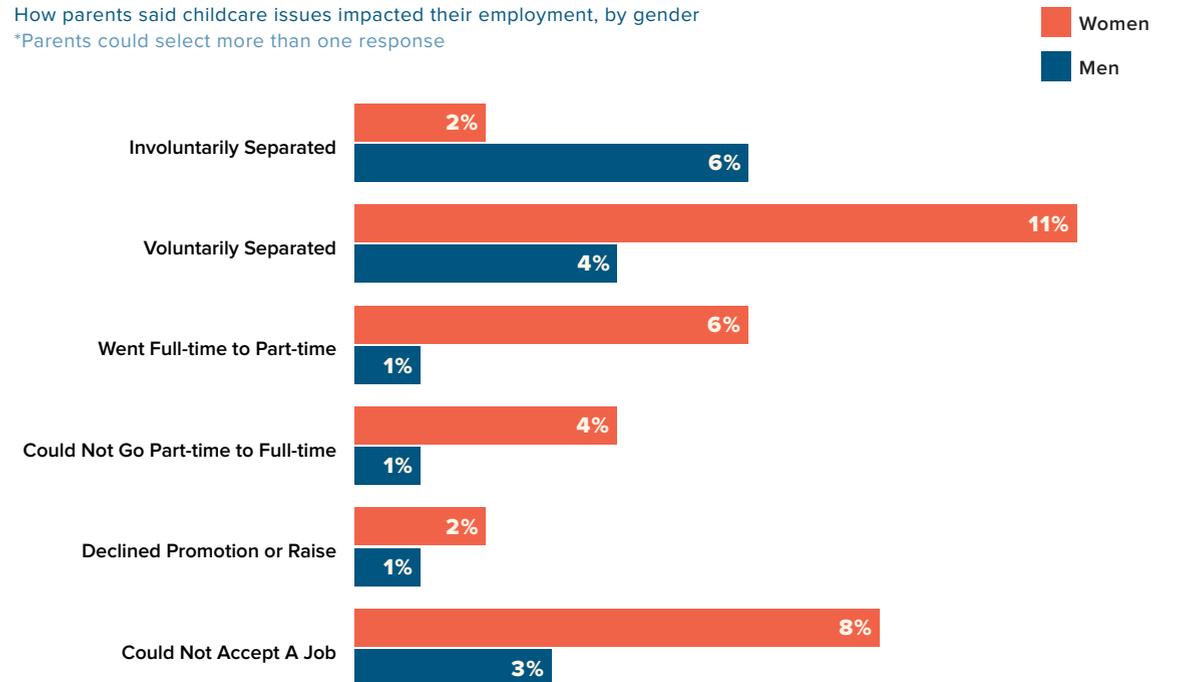


FIGURE 20.

How parents said childcare issues impacted their education or training program
 *Parents could select more than one response



FIGURE 21.

Education or training program significantly impacted, by gender
 *Significantly impacted is defined as being dropped, postponing or altering class schedule



FIGURE 22.

Education or training program significantly impacted, by income
 *Significantly impacted is defined as being dropped, postponing or altering class schedule



Short-Term Impact

Even when parents can balance their childcare provider issues with work or class schedules in the long-term, they may struggle with smaller yet serious short-term disturbances. We defined short-term consequences as occurrences, over the past three months, of parents missing work or class, arriving late, or leaving early. We also asked parents how many times they were distracted at work or received phone calls from their childcare provider while at work or in class. While parents may experience short-term disruptions for many reasons, almost half of all parents said that they experienced disruptions specifically due to childcare issues.

The following figures show what percentage of parents reported short-term disruptions to their work or school. Alongside each figure is the average number of days they were absent, tardy, or had to leave early.

FIGURE 23.

Percentage of parents who missed work or class

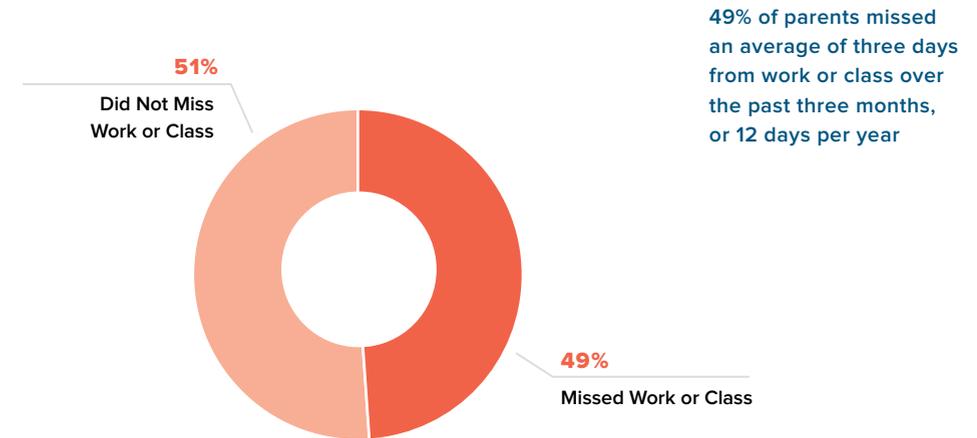


FIGURE 24.
Percentage of parents who left work or class early

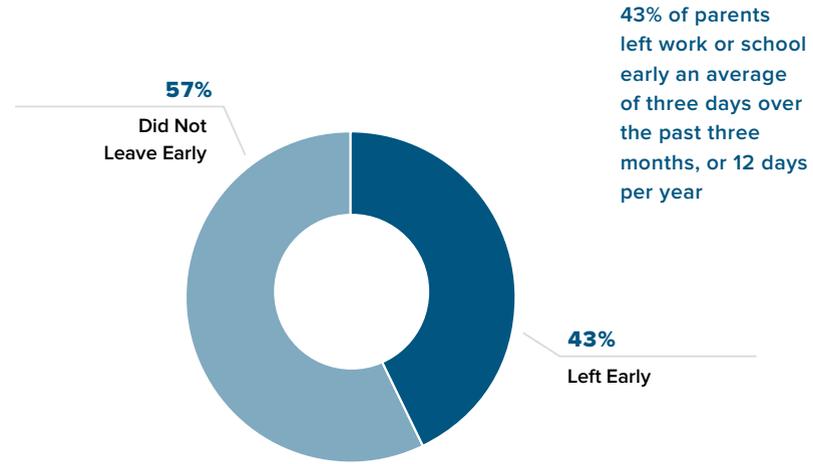


FIGURE 25.
Percentage of parents who arrived late to work or class

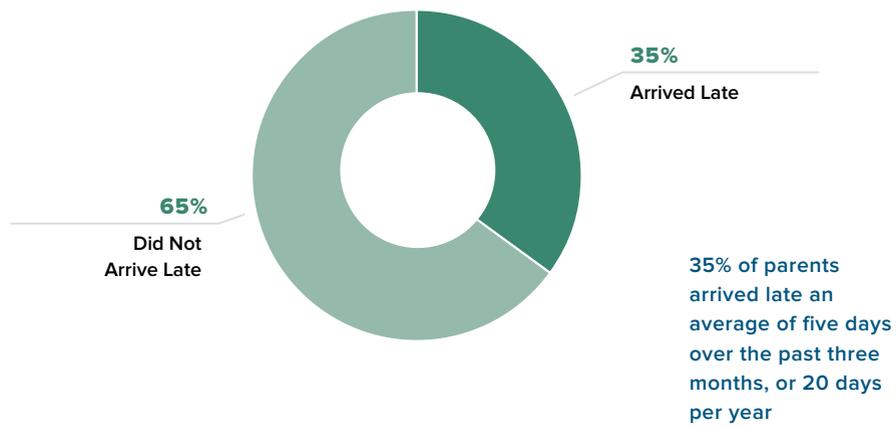


FIGURE 26.
Parents who were distracted while at work

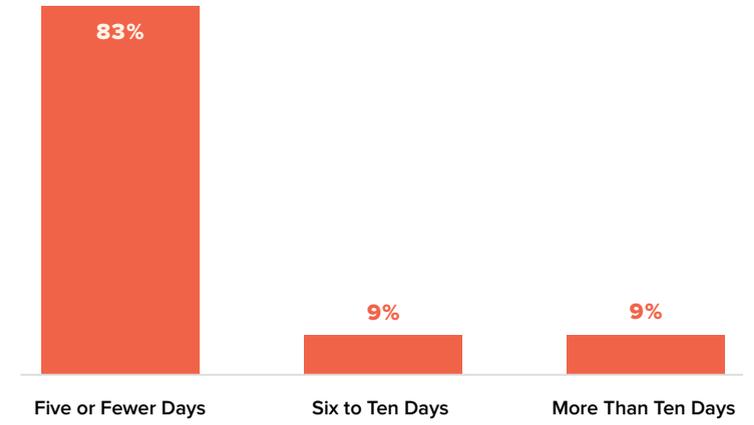
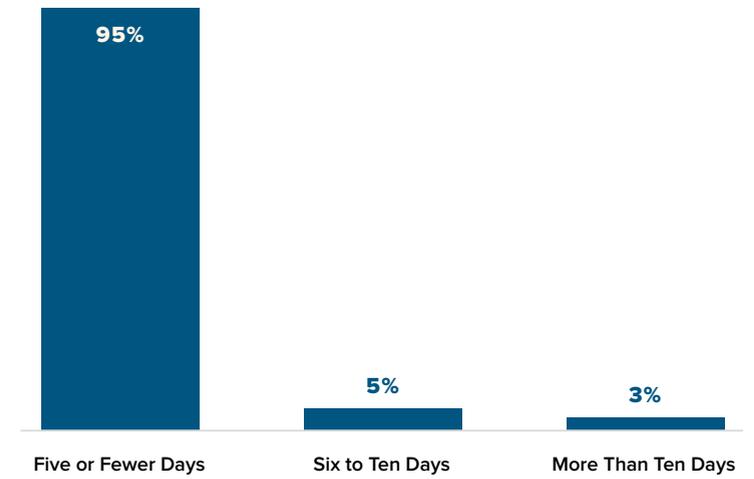


FIGURE 27.
Parents who received phone calls from their childcare provider while at work/class



Conclusions and Implications

Childcare issues impact Iowa working parents across the socioeconomic spectrum, including families enrolled in postsecondary education or training programs. For families pursuing higher education to increase their earning potential, inadequate childcare hurts those earning under \$50,000 per year more than families earning more than \$50,000 per year (FIGURE 22). This difference is crucial to determine how to better support families trying to increase their economic stability.

The economic impact is not limited to parents and employers, but instead the effects ripple throughout local communities and across the state. These issues, coupled with the current labor market, exacerbate Iowa's workforce shortage. There are companies who provide childcare benefits, but unfortunately, these benefits are not widely available outside a limited number of companies. Moreover, there is a gap between the childcare accommodations parents desire and those companies provide.

To retain its current workforce and attract new workers, Vermeer Corporation, located in Pella, IA began a year-long planning phase to create an onsite childcare center—Yellow Iron Academy. Yellow Iron accommodates parents working the early shift and most importantly, it is open to the community. The center serves children from six weeks to five years old. Kim Steele, a new HR staffer at Vermeer, accepted the position and relocated her family to Pella because of this important benefit. However, many companies lack the resources or capability to offer onsite childcare. This should not be a barrier for some kind of investment because of the menu of options available to employers.

One of the most desired childcare benefits is flexible work hours, which may not be possible for many industries, such as manufacturing. However, the first step every employer can take is to survey its working parents to understand what they are doing for childcare and what they would like from their employer. Additionally, employers can collaborate within the community to consider the options that already exist and determine the best way for them to invest.

State leaders can also learn from companies in the state who have already developed their own solutions so that these great efforts can be expanded and replicated. With proper investment from the state and business, Iowa can reduce its workforce shortage. It will help Iowa regain the \$934.6 million in untapped potential and ensure Iowa is ready for its path forward.

AN EASY DECISION

Having onsite childcare gave the Steele family peace of mind. "It made it a much easier decision for us," shared Kimberly. Investing in childcare allows employers to demonstrate their commitment to the dual role of many of their employees: as workers and parents.

METHODOLOGY

As with other childcare studies in states such as Louisiana, Georgia, Maryland, Indiana, and Washington, this study was conducted in two phases. First, the U.S. Chamber of Commerce Foundation, the Iowa Association of Commerce and Industry and the Iowa Association for the Education of Young Children partnered with Cicero Group to conduct a statewide survey of households with children age 5 and under who are not in Kindergarten, asking these parents a series of questions investigating the intersection of between workforce participation, education, and childcare issues. This survey was conducted via telephone and online. Second, Cicero Group estimated the economic impact of childcare issues based the results of the survey from the first phase and secondary data sources, such as U.S. Census Bureau data.

APPENDIX A: SURVEY METHODOLOGY AND RESPONDENT DEMOGRAPHICS

Data for this report are based on a sample of adult (18 years or older) residents in Iowa who have at least one child five years old or younger not enrolled in Kindergarten (i.e. not enrolled in a mandated, government funded primary education curriculum). Cicero Group conducted the online and phone surveys between September 20, 2019 and October 25, 2019. The total sample includes 331 Iowa parents (including stepparents or legal guardians) who met the above conditions.

RACE	White	Black	Asian	American Indian / Alaskan Native	Native Hawaiian / Pacific Islander	Other
N=331	311	7	8	1	0	4

SEX	Female	Male	MARITAL STATUS	Married	Single	Other
N=331	264	67	N=331	250	63	18

REGION	Rural	Urban
N=331	73	251

Seven respondents provided zip codes that could not be classified as urban or rural.

We divided responses into rural or urban populations using the Census Bureau's definition of urbanized areas and urban clusters and defined rural as a population under 2,500.

APPENDIX B: ECONOMIC IMPACT METHODOLOGY

The economic impact consists of two areas—first there is a turnover cost to employers. Second, state lose tax revenue when employees lose wages. We pulled data from The American Community Survey to calculate the total number of parents in the labor force with children under six. In Iowa, there are 337,419 parents in the labor force with children under six. We applied the responses of parents who voluntarily or involuntarily left the workforce to this population (13 percent) to estimate the total number of working parents of children under six, who left the workforce. Applying Boushey and Glynn’s cost of turnover (21 percent) to the annual mean salary for these workers¹⁹ we arrived at the total cost to employers due to employee turnover. For absences, we applied the mean hourly wage to the number of parents who missed work. We then assumed they missed an eight-hour shift. Even for non-salaried workers who forgo earnings when they miss work, we assume employers still pay a cost in either lost productivity to those absent workers, overtime pay to other workers who must cover a shift, or even hiring and paying temporary workers.

There are two ways in which the state loses tax revenues—income tax and sales tax. When an employee loses his or her job, or foregoes wages, the state directly loses income taxes. Furthermore, we assume a displaced worker reduces spending; thus, the state loses sales tax revenues. We used the tax estimates from The Institute on Taxation & Economic Policy²⁰ to determine appropriate tax rates.

¹⁹ *There Are Significant Business Costs to Replacing Employees*. Heather Boushey and Sarah Jane Glynn

²⁰ *Who Pays?* <https://itep.org/wp-content/uploads/whopays-ITEP-2018.pdf>