

HIGH ROAD POLICY

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## The Case for a Child Care Compensation Fund in New York State

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This policy brief explains how a New York State (NYS) child care compensation fund would help stabilize and expand the child care workforce in New York if included in the 2024-2025 Budget. The Child Care Compensation Fund (CCCF) would enhance wages for child care workers and provide financial incentives to providers who offer work benefits to child care workers. The median annual salary for child care workers in New York State is approximately \$33,000 per year for a full-time employee. The median wage for workers in New York State is approximately \$54,000.<sup>i</sup> The proposed fund will correct this injustice and properly recognize child care workers as educators who deserve wages at parity with public school teachers as proposed in the Universal Child Care Act for New York State, Senate Bill S3245.<sup>ii</sup> By creating the Child Care Compensation Fund, New York State would ensure a more equitable wage for child care workers and help address the severe child care shortage in Erie County as well as other regions with similar child care industry needs.

### *Child Care Workers in NYS Receive Poverty Wages*

Child care workers remain notoriously underpaid and undervalued. Several economic data points reveal the disproportionately low pay that child care workers in New York State earned in 2023. The disparities between the median salary of New York workers in general and the median salary of child care workers offer one example. In New York State, the median annual salary is approximately \$55,000 per year. Child care workers' median salary is approximately \$33,000 per year.<sup>iii</sup> Based on median salary, child care workers earn approximately 40 percent less than New York workers in general.

Buffalo Co-Lab research suggests that some child care workers in Erie County, New York earn sub-minimum wages. In New York State, the minimum wage (outside

of New York City) is \$15 per hour. Many child care workers in New York State earn at or near the \$15 minimum wage (with a median wage of \$15.86 among child care workers).<sup>iv</sup> In a 2022 study of Erie County, New York child care workers and providers, Buffalo Co-Lab researchers found that some child care workers (especially family and group family service providers) worked 1200 hours of unpaid labor (e.g., buying supplies, cleaning their homes, and coordinating with parents before and after hours). When added to the work hours these respondents provided, the calculation show that the respondents earned less than \$15 per hour, that is, sub-minimum.<sup>v</sup>

Because of low pay, thousands of New York child care workers are among the working poor in the United States. 12 percent of child care workers in the state earn below the federal poverty level.<sup>vi</sup> In other words, approximately 7,000 child care workers earn income so low that their households qualify for social service benefits. Though gainfully employed, child care workers, especially those at or below the federal poverty level, become a cost to the state instead of a positive source of economic activity. By increasing wages for child care workers through a workforce compensation policy as proposed, New York State could help lift child care workers out of poverty, as well as alleviate some of the financial burden on the state's social safety net programs.

The child care profession loses value as a source of work when the industry pays poverty wages. Child care is too valuable to the New York State economy to pay workers sub-minimum wages because these will push workers from the profession. Raising these wages to the level of similar early childhood education work positions will validate the invaluable care and educational work that this profession performs. In so doing, the industry will not only retain child care workers but attract new ones.

### *The NYS Workforce Relies on Child Care Workers*

Working parents and child care providers depend on one another to earn a living. Notoriously low wages for child care workers has forced this open secret into the light. Parents can go to work *because* they secure child care for their young children during the work day. The child care workforce, therefore, facilitates the employment of the broader NYS workforce, which is comprised of

countless parents with children between 0-3 years, who are too young for school but still need care and instruction. In this light, child care workers can and should be considered a cornerstone of the NYS labor market.

Without the workforce behind the workforce, the labor market could collapse. In the absence of quality, affordable child care, new parents might choose (or be compelled to choose) to forego employment to do the work of child care themselves. There are data which indicate that New York State has begun to lose adults in the statewide workforce due to child care issues. Recent survey data show that many New York State households choose parenting over employment because child care would cost too much. According to Cornell University's Empire State Poll for 2023, 42 percent of 635 respondents reported that at least one adult in their household decided not to find employment outside the house to stay home and care for kids. Within this subset of respondents, 53 percent cited the prohibitive cost of child care as the primary reason they opted out of employment outside the household.<sup>vii</sup> Both data points indicate that, in New York State, child care needs inform employment decisions in households, and these decisions often result in fewer workers in the New York State labor market.

In other words, the cost of living in New York State is outpacing the wages workers are earning, and this affordability gap is exacerbated by child care costs for new parents in New York. The New York State labor market loses potential workers (and the economic activity they create) as a result. The state is losing at least one worker in 4 out of 10 households with new parents. It should be noted that staying home to care for a vulnerable member of the household remains a noble cause in US culture. This choice, however, is not always made freely; it is constrained by economic and financial conditions. More than half of the survey respondents (53 percent) with an adult at home who stays home to care for children, rather than find work outside the household, make this decision because they cannot afford to pay for child care.

### How the NYS Child Care Compensation Fund Will Help

To improve wages among child care workers, the New York State Child Care Compensation will institute a state-provider partnership to ensure that child care workers receive pay commensurate with other early childhood educators in the state. The CCCF will subsidize all child care workers in New York State working in the child care services industry. Per the Buffalo Co-Lab's analysis, if all child care workers earning below \$23.55 per hour were elevated to that level, and if the few workers earning at or above that

level were given 20 percent retention raises, then the median annual subsidy per worker would be on the order of \$13,000 per year. If the model called for a *minimum wage* of \$23.55 in the industry, then the total cost of raising wages for all [non-self-employed] child care workers would be nearly \$800 million per year (for wage supports only, not including the cost of fringe benefits). If, however, the model called for each [non-self-employed] child care worker to receive the median annual subsidy, or roughly \$13,000 per year, then the cost of moving the industry toward the *target wage* of \$23.55 per hour would be just under \$673 million per year (see the first row of Table 1 below).

Although the CCCF will cost a significant amount of money, market data show that New York State stands to realize a 1.9-to-1 return on this investment, as funding for child care is linked to greater job creation and economic activity throughout the state. More specifically, recall that the Type II Regional Input-Output Modeling System data from the Bureau of Economic Analysis data suggest that a \$1 billion investment in child care in NYS will produce \$1.9 billion in economic activity, and 20,304 new jobs, throughout the state.<sup>viii</sup> Factoring in program administration and other overhead costs, if the CCCF were to cost NYS \$2 billion per year, that investment could create \$3.8 billion in total economic activity, along with 40,608 new jobs. By these measures, the New York State Child Care Compensation Fund could become an integral piece of a more equitable, accessible, and caring child care infrastructure in NYS, in turn making the care economy one of New York's economic engines moving forward.

<sup>i</sup> Dol, Nys. "2023 Childcare Report." NYS DOL Reports, December 18, 2023. <https://nysdolreports.com/gwg/2023-childcare/>.

<sup>ii</sup> NYSenate.gov. "2023-S3245," n.d. <https://www.nysenate.gov/legislation/bills/2023/S3245>.

<sup>iii</sup> Dol, Nys. "2023 Childcare Report." NYS DOL Reports, December 18, 2023. <https://nysdolreports.com/gwg/2023-childcare/>.

<sup>iv</sup> Department of Labor. "Minimum Wage," n.d. <https://dol.ny.gov/minimum-wage-0#:~:text=The%20state%20minimum%20wage%20is%20scheduled%20to%20increase,per%20hour%20for%20the%20rest%20of%20the%20state>.

<sup>v</sup> Cornell ILR Buffalo Co-Lab. "True Cost of Child Care: Erie County, New York," September 2022. [https://www3.erie.gov/socialservices/sites/www3.erie.gov/socialservices/files/2022-09/the\\_true\\_cost\\_of\\_child\\_care\\_phase\\_two.layout\\_fordigital\\_september\\_2022.pdf](https://www3.erie.gov/socialservices/sites/www3.erie.gov/socialservices/files/2022-09/the_true_cost_of_child_care_phase_two.layout_fordigital_september_2022.pdf).

<sup>vi</sup> Dol, Nys. "2023 Childcare Report." NYS DOL Reports, December 18, 2023. <https://nysdolreports.com/gwg/2023-childcare/>.

<sup>vii</sup> "Empire State Poll | Survey Research Institute at Cornell University," n.d. <https://sri.cornell.edu/sri/polls/esp.cfm>.

<sup>viii</sup> Cornell ILR Buffalo Co-Lab, "Child Care Factsheet, 2024."