





# Untapped Potential:

## How Childcare Impacts Indiana's Workforce Productivity and the State's Economy

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# Introduction

The U.S. Chamber of Commerce Foundation (USCCF) recognizes childcare as a two-generation workforce issue that is essential to supporting the workforce of today and developing the workforce of tomorrow. Unfortunately, the current supply of childcare falls short of demand due to a tight labor market and lack of sustainable solutions to support access to childcare programs. Indiana's childcare gaps drive parents out of the workforce, reduce tax revenue for the state, and put undue strain on households—particularly among the most economically vulnerable. While these challenges are complex and persistent, they are addressable, and the business community can play a central role in developing solutions that benefit all Hoosiers.

Recognizing that a data-driven understanding of the impact of childcare breakdowns on working parents, their employers, and the state economy is prerequisite to creating meaningful solutions, USCCF partnered with the Indiana Chamber of Commerce and Early Learning Indiana to produce this report, which aims to understand the unique needs of working parents in Indiana by exploring the current childcare landscape. This report estimates how often parents leave the workforce, are absent from school or work, or miss educational opportunities due to insufficient childcare support.

Data for this report was gathered by surveying a representative sample of 609 parents of children under the age of six across Indiana. Survey results were then used to model an estimate of the direct financial impact of insufficient childcare coverage on Indiana's economy—\$4.22 billion each year.

The issue is multifaceted. Childcare is a central determinant in whether and how reliably a parent can participate in the labor force, a reality that is on full display as the state continues to push for job growth. Indiana ranks 27th in labor force participation relative to other states,<sup>1</sup> and findings indicate many parents may not be able to continue working without adequate childcare options. The childcare coverage gap in Indiana is not only a barrier to parents' ability to participate in the labor force, but also a hindrance to the state's potential for growth and success. Indiana also has an unemployment rate of 3.5%, tying it for 27<sup>th</sup> among U.S. states,<sup>2</sup> and this analysis shows that childcare issues may be preventing Indiana from maximizing its economic performance.

The complexity of childcare challenges requires collaboration across sectors to ensure that Indiana's children, families, businesses, and economy thrive. Childcare is a crucial support piece of Indiana's economic infrastructure, and, if properly addressed, can unlock the full economic potential of the state. The goal is that this report and the data presented will create opportunities for partnerships and cooperation that further the economic potential of the state of Indiana.

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<sup>1</sup> Bureau of Labor Statistics, September 2022

<sup>2</sup> <https://www.bls.gov/web/laus/laumstrk.htm>

# Executive Summary

Numerous studies have highlighted the developmental benefits of high-quality childcare for young children. Children given appropriate childcare perform better in school, are less likely to drop out, and achieve higher test scores.<sup>3</sup>

Access to childcare also allows parents the flexibility to pursue careers or enhance their education or vocational skills. Consequently, breakdowns in the childcare system result in valuable missed opportunities for children and their parents, who may experience disruptions to their work or education. Despite the well-demonstrated benefits resulting from high-quality childcare, families in Indiana often struggle to access affordable arrangements for their children. This occurs to the detriment of the state's economy.

This research conducted during March 2024 suggests that insufficient childcare availability is costing Indiana \$4.22 billion in lost economic activity each year. This report quantifies the direct economic impact due to childcare issues and builds on previous efforts to better understand the size of the childcare problem. In 2019, the United States Chamber of Commerce Foundation (USCCF) conducted studies in four states—Idaho, Iowa, Mississippi, and Pennsylvania—and has since followed up with reports on Alaska, Arizona, Arkansas, Florida, Michigan, Missouri, Texas, and Utah. In each state, childcare issues resulted in hundreds of millions—even billions—of dollars of lost economic activity. As state leaders consider next steps to position Indiana for continued economic success, childcare initiatives could enable the state to capitalize fully on its resources.

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<sup>3</sup> (1998) Cleveland and Krashinsky, <https://files.eric.ed.gov/fulltext/ED435452.pdf>

## TOPLINE FINDINGS

# – \$4.22B

**THE UNTAPPED POTENTIAL:**  
Childcare issues result in an estimated \$4.22 billion annual loss for Indiana's economy.

## – \$1.17B

Indiana misses an estimated \$1.17 billion annually in tax revenue due to childcare issues.

## – \$3.05B

Childcare-related employee turnover and absenteeism costs Indiana employers an estimated \$3.05 billion per year.

# 57%

of parents of young children missed work or class at least once in the past three months for childcare-related reasons.

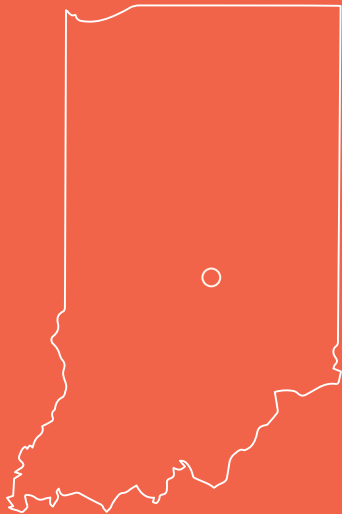
# 40%

of parents that experienced disruptions to their employment in the past year reported leaving the workforce as a direct result of issues with childcare.

# 42%

of parents attending school or work training needed to make a significant adjustment to their schedule due to childcare issues in the past year

# Statewide, only 61% of children needing childcare can be served through existing capacity.



**Population:** 6.8 million

**Average Household Income:** \$88,805

**Minimum Wage:** \$7.25 per hour

**Capital:** Indianapolis

**Surveyed:** 609 parents of children under the age of six







Parents face both immediate and lasting consequences as a result of insufficient childcare arrangements that impact their ability to work full-time, earn a wage consistent with their experience and capability, and continue their education.

# Survey Results

609 parents with children under the age of six were surveyed to gauge how childcare issues impacted their lives across employment and education. Survey respondents are reflective of Indiana's racial demographics and are distributed across the socioeconomic spectrum. The survey also captures the decisions parents make regarding childcare arrangements—who they selected as providers and why. Stakeholders need to know the motivations behind parents selecting childcare providers so they can better align their efforts toward effective solutions.

## Key Findings

### Current Childcare Dynamics

- Among parents of children younger than six, **77% pay for childcare**.
- Parents primarily pick their childcare provider based on **affordability**.
- Families spend on average **\$677 per month**, although costs vary by provider type and household income.
- Families pay for childcare out of their personal budget **66% of the time**.

The data confirms that childcare arrangements vary greatly based on household income (**FIGURE 1**). For reporting purposes, income was regrouped to “Low” (less than \$30,000 per household), “Middle” (\$30,000 to \$100,000 per household), and “High” (greater than \$100,000 per household) income classifications. In general, families in Indiana elect to place their child under the care of close family members at least some of the time. Parents in lower income tiers are most likely to report that their children are under the care of a parent, stepparent, or guardian. Such households often forgo a second income, electing instead to subsist on one parent's salary. Parents in high-income tiers were more than four times as likely as their low-income counterparts to place their child under the care of a nanny or au pair. Many parents consider hiring a nanny to be the ideal childcare arrangement, but only the highest earners can comfortably afford this option. Overall, high-

**“There are very few reliable, affordable, and quality childcare options in my area. The few that are around are completely full and with long waiting lists.”**

**— INDIANA MOTHER OF MULTIPLE CHILDREN UNDER SIX**

income earners have a wider range of care options available to them relative to low-income earners, and high-income parents are more likely than other groups to be using multiple childcare solutions at the same time.

When asked how they pay for childcare, 66% of respondents reported using their personal budget to pay for childcare (FIGURE 3). When controlling for outliers, middle-income families reported lower per-month childcare expenditures (\$496) compared to low-income (\$544) and high-income (\$895) families (FIGURE 4).

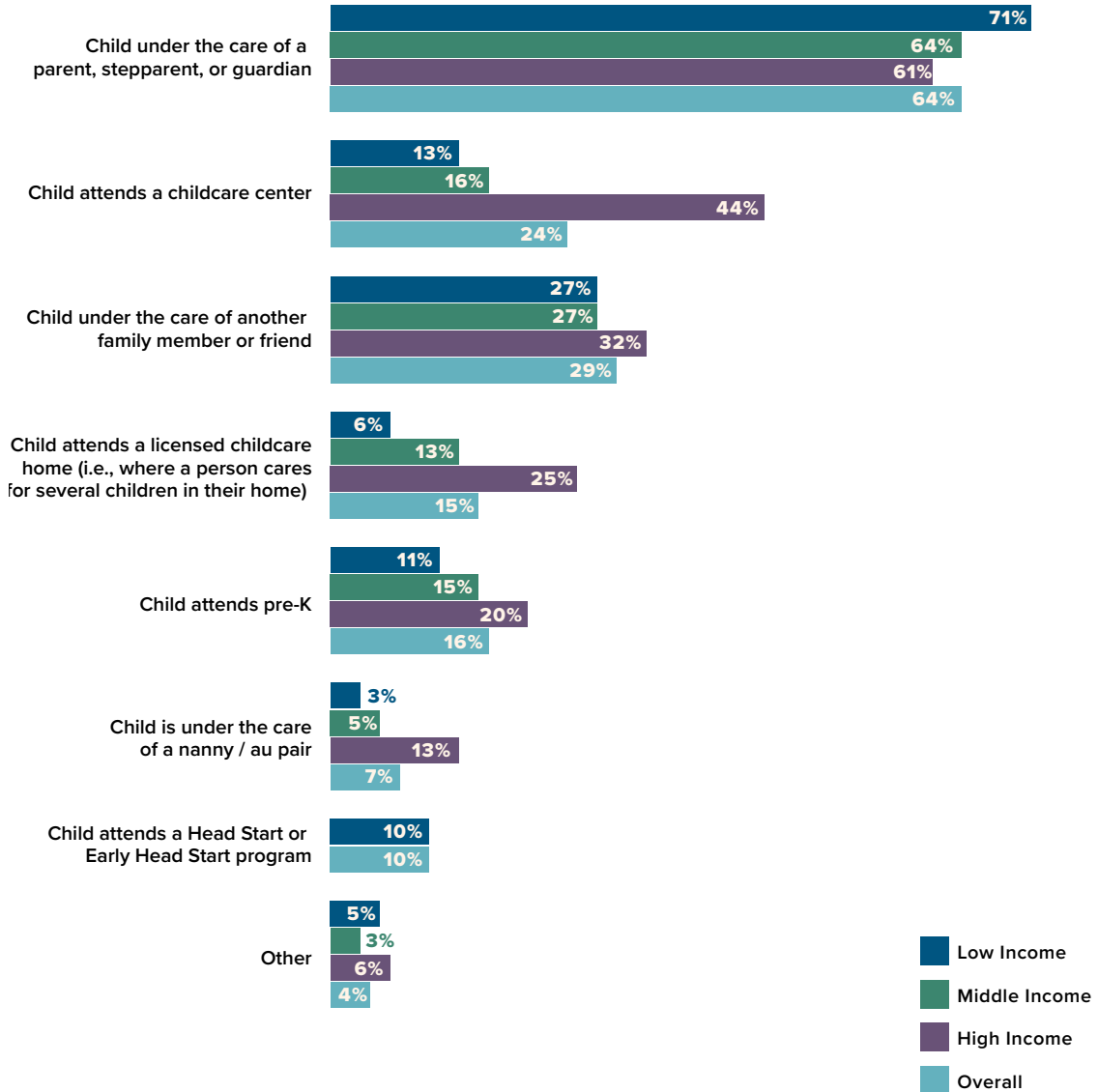
**“I live in a small town, so we have very limited options. We either have no childcare or pay \$860 a month for childcare, which is almost as much as our mortgage.”**

**— INDIANA MOTHER OF A 5-YEAR-OLD**

**FIGURE 01.**

Current childcare arrangement by income group

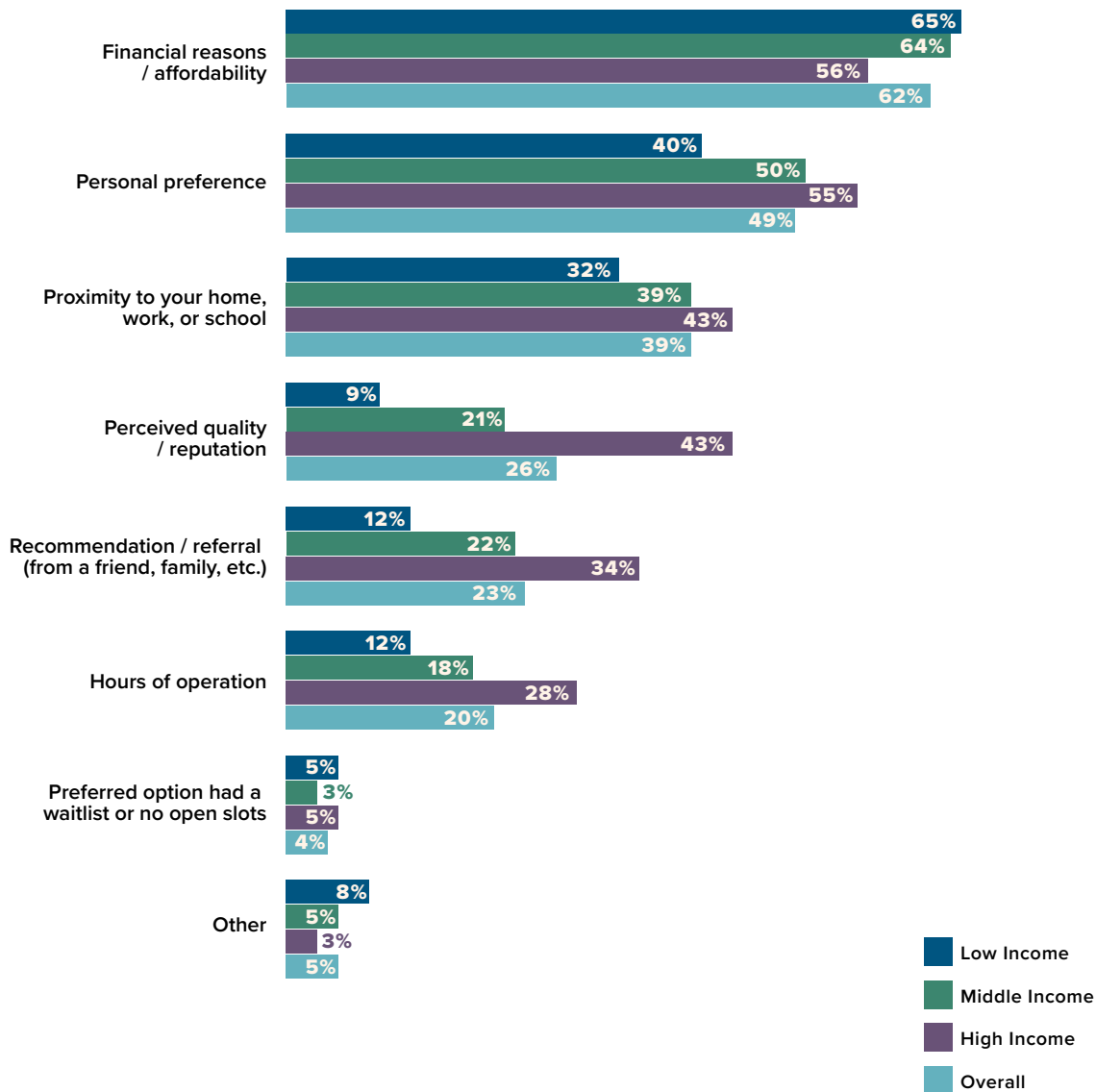
\*Parents could select more than one option



**FIGURE 02.**

Primary reason for selecting arrangement by income group

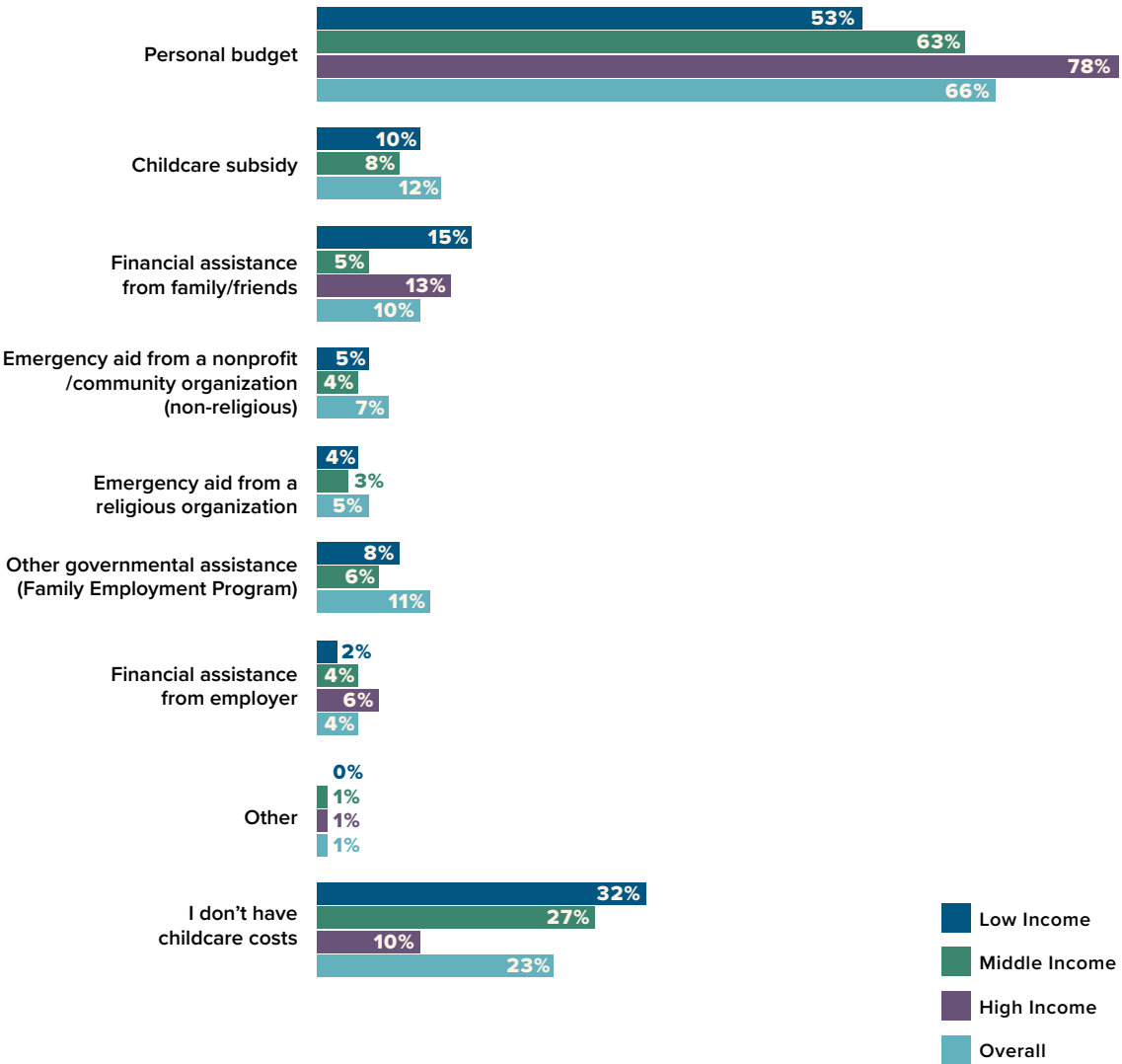
\*Parents could select more than one option



**FIGURE 03.**

Primary source of funding for childcare by income group

\*Parents could select more than one option unless they reported no childcare costs



**FIGURE 04.**

Parents' reported monthly childcare expenditure by income group

\*Parents entered a dollar amount manually





## Current Employment Dynamics

Recent shifts triggered by the COVID-19 pandemic have changed working dynamics for parents locally in Indiana and across the country. Parents especially benefit from flexible working options, such as remote work and flexible hours, which popularized beginning in 2020. A 2022 McKinsey study found that 58% of Americans reported working at least one day from home each week, and 35% had the option to work fully remote. Among the key findings in the study was the revelation that 87% of workers prefer to work remotely, given the option.<sup>11</sup>

However, many employees do not have the option of working remotely or have a flexible schedule—a fact particularly relevant to the state of Indiana, which boasts an above-average number of manufacturing jobs. High-income employees in technology, business, and other white-collar jobs are more often able to have flexible schedules, while low-income parents usually have fewer flexible options.

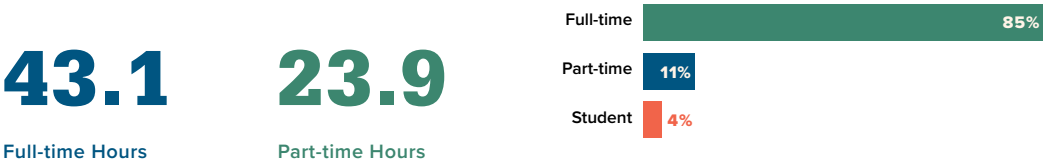
In Indiana, 62% of families with cohabiting parents with a child under the age of six have both parents participating in the labor force, while 37% have only one parent in the labor force, most typically the father.<sup>12</sup> Parents who work full-time reported working 43 hours per week on average, while part-time parents average almost 24 hours (**FIGURE 5**). Most full-time employed parents in the study reported working a traditional “nine-to-five” weekday schedule, while part-time workers reported having a fixed schedule or the ability of choosing their own schedule more often than full-time (**FIGURE 6**). A parent’s working schedule and job location frequently dictate the childcare options available to them. Thus, parents must weigh competing priorities, balancing their career or education goals with the responsibilities of raising children.

<sup>11</sup> <https://www.mckinsey.com/industries/real-estate/our-insights/americans-are-embracing-flexible-work-and-they-want-more-of-it>

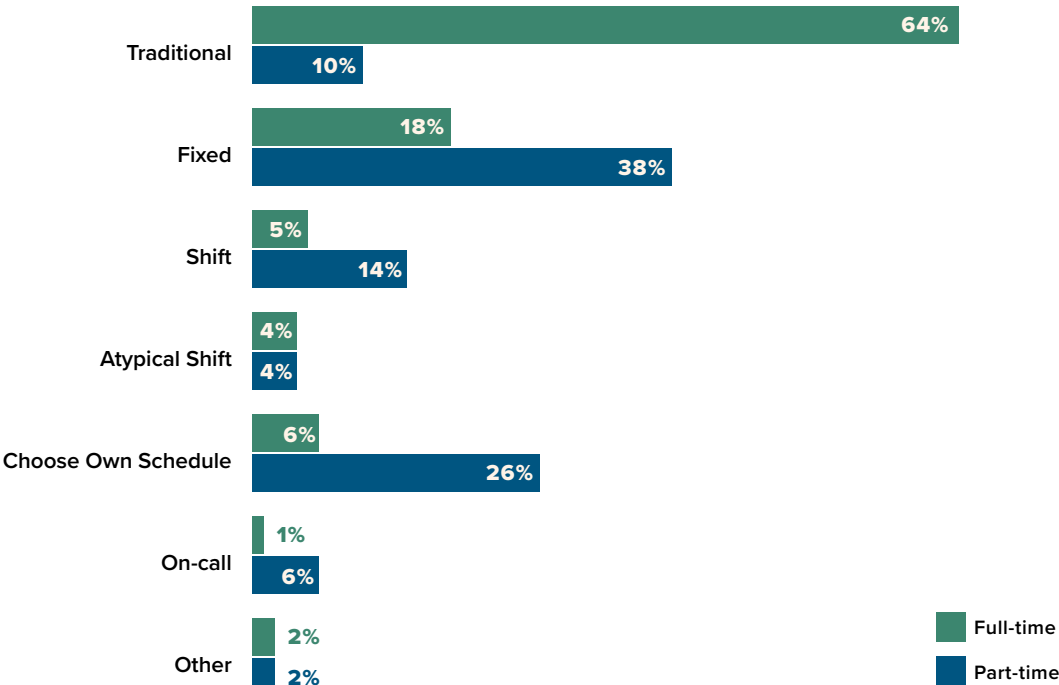
<sup>12</sup> <https://data.census.gov/table?q=C23008&q=040XX00US18>

Parents were prompted to select the response option that best describes their current employment status and report the number of hours they work (if applicable).

**FIGURE 05.**  
Average hours per week by employment status



**FIGURE 06.**  
Full vs. part-time job schedule



INDIANA FATHER OF A 4-YEAR-OLD

“I have turned down a promotion at my current job due to the fact I would have to be on call more often which would not be ideal for my current childcare needs.”

## Impact of Childcare on Employment and Education

According to the survey, 27% of households have experienced changes to their own employment situation due to childcare issues (FIGURE 7). Parents who responded to the study reported that their employment was affected in more ways than one, including voluntarily or involuntarily leaving their jobs, decreasing their hours from full-time to part-time, or being unable to increase their hours or accept a new position. In addition to those who have already experienced changes to their work, 11% of working parents plan to leave their job in the next 12 months (FIGURE 8). 43% of those who indicated plans to leave their job within the next year cited a desire to seek new work opportunities, while 35% are dissatisfied with their current employment, and another 35% are leaving primarily for access to remote work opportunities. Low and mid-income groups were the most likely to be planning on leaving their current employment (FIGURE 9).

The survey asked a question from the National Survey of Children's Health (NSCH) to provide a comparison to the national data from 2019:

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

**"I quit my job because it was becoming difficult to find someone to watch my daughter when her daycare would close. I was also not making much more than what I was paying for daycare. It was no longer worth it to continue working while only getting to see my daughter a couple hours a day."**

**— INDIANA MOTHER OF A 2-YEAR-OLD**

“I reentered the workforce only to have to leave shortly after due to lack of childcare. I also started college and ended up postponing that as well due to lack of childcare. We have very little familial support and the ones we do have can only help so much.”

— INDIANA MOTHER OF A 4-YEAR-OLD

**FIGURE 07.**

Percentage of parents who experienced employment changes due to childcare issues, by income group



**FIGURE 08.**

Parents planning to leave employment over the next 12 months, by gender



**FIGURE 09.**

Parents planning to leave employment over the next 12 months, by income group



According to the NSCH, just over 9.4% of parents in the U.S. reported that childcare issues are causing significant disruptions to their employment, with those families experiencing disruptions above the national average (12.2%). (FIGURE 10). The parents in the survey reported much higher rates (26.8%) of childcare issues significantly impacting employment for their household. Aside from differences in survey design that affect the comparison of the data to the NSCH, the COVID-19 pandemic and ongoing economic uncertainty have likely contributed to an increase in the proportion of parents who feel that their employment has been disrupted by the childcare crunch.

**FIGURE 10.**  
Percentage of parents who answered “Yes” to the NSCH question, comparison by state  
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 child care for this child, age 0-5 years? <sup>15</sup>

COMPARED NATIONALLY	PERCENT
Nationwide NSCH (2019)	9.4%
Indiana NSCH (2019)	12.2%
Indiana Untapped Potential (2024)	26.8%

Childcare issues also pose significant challenges to parents who are seeking to further their education. 30% of parents in Indiana are pursuing, or have pursued in the last 12 months, some type of school or work training program (FIGURE 11). Most often, parents are enrolled in work training or a 4-year college or university (FIGURE 12). Data shows, many of these parents went from full-time to part-time in school or a work training program, were dropped from a class roster, or left a program entirely due to issues with childcare.

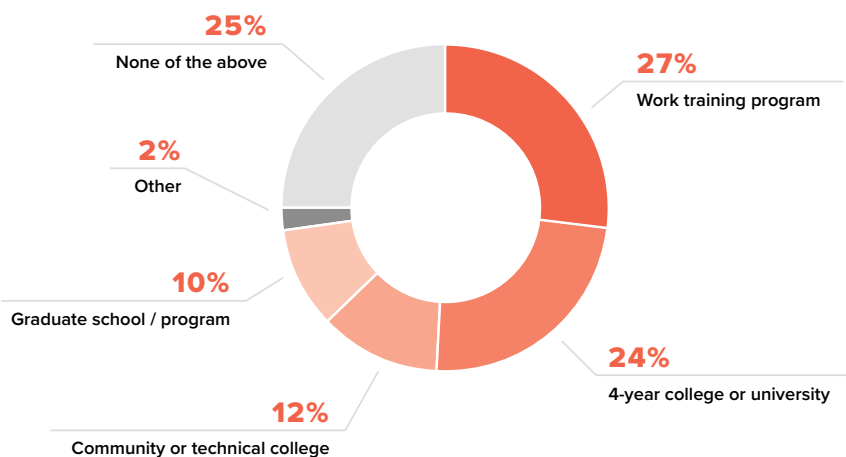
**FIGURE 11.**

Percentage of parents who attended a school or work training program in the last year



**FIGURE 12.**

Type of education being pursued



**“My wife had to miss out on an amazing education opportunity to advance her career because we cannot afford to pay for more childcare which would be required to make it work.”**

**— INDIANA FATHER OF MULTIPLE CHILDREN UNDER SIX**

## Childcare Subsidies, Benefits, and Accommodations

For many Hoosier parents, financial support for childcare comes from a wide range of options. To support families in caring for their children, the federal government provides various subsidies and tax benefits. The state of Indiana funds programs such as On My Way to Pre-K and School Age Child Project Fund (SACC), while receiving federal funding for programs like Indiana Head Start and Early Head Start. Parents in the study also reported using a number of tax benefits to help pay for childcare, the most common being the Child Tax Credit (51%), followed by the Child and Dependent Care Tax Credit (23%) (FIGURE 13). In all, over two-thirds of Indiana parents are taking advantage of at least one government assistance program or tax break.

While these programs are helpful, employers can play a role in bridging the gap between state-sponsored or subsidized care and parents' capacity to access childcare. In this study, only 25% of respondents reported that their employer offered some type of childcare assistance, benefits, or accommodations, with the most frequently shared examples being flexible work hours and flexible working days. National trends indicate employers are increasingly offering more flexibility to parents, a trend sparked by the pandemic that is proving to be highly appealing.<sup>13</sup> When asked to name the benefits they believe to be most important or useful, parents most often mention flexible hours and remote work (FIGURE 14). Employees prioritize flexibility, and in turn, businesses that provide these benefits support and incentivize participation in the workforce, reduce turnover, and improve employee satisfaction.<sup>14</sup>

**“I turned down an offer to apply for a full-time position because it was fully in person, which meant I would need to commute to be in person on a regular basis. I don’t have regular enough childcare for that and paying for full-time childcare is too expensive.”**

**—INDIANA MOTHER OF MULTIPLE CHILDREN UNDER SIX**

<sup>13</sup> <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/married-to-the-job-no-more-craving-flexibility-parents-are-quitting-to-get-it>

<sup>14</sup> <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/How%20We%20Work/Gender-parity/Brief-Benefits-of-flexible-working-arrangements-en.pdf>

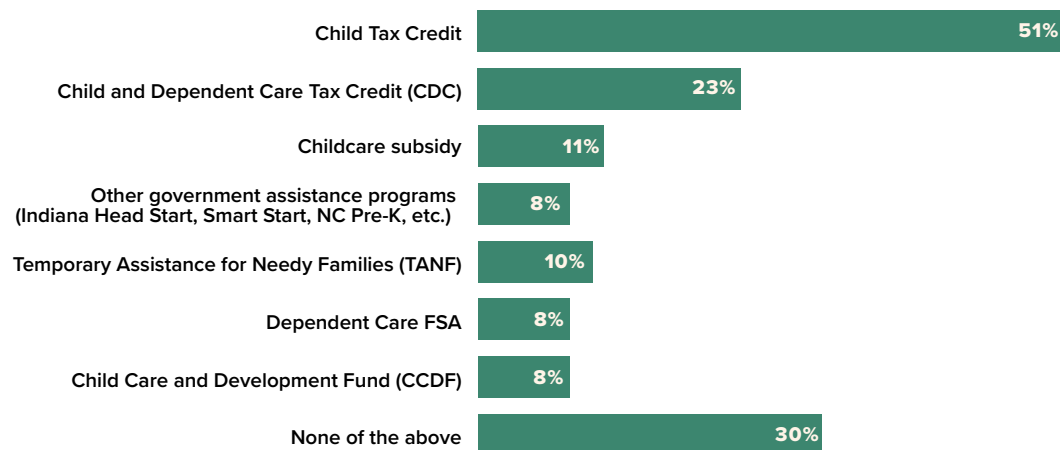


Respondents were provided with a brief explanation of each of the below programs.

**FIGURE 13.**

Parents use of assistance programs

\*Parents could select more than one option



**FIGURE 14.**

Top three most important employer benefits selected by parents

\*Parents could select more than one option



## INDIANA MOTHER OF MULTIPLE CHILDREN UNDER SIX

“The biggest challenges are the limited availability of childcare slots, high cost even with financial assistance, childcare quality inconsistencies, and the lack of required flexibility.”

## Parent Preferences and Decision Criteria

In deciding between available childcare options, parents must weigh their individual preferences against practical matters such as ease of access, affordability, and level of trust and safety. Parents face difficult tradeoffs between cost, convenience, and quality, and often settle for childcare solutions that do not match their preferences.

Overall, just over three-quarters (77%) of parents in Indiana are satisfied with their current childcare arrangement. However, satisfaction is not evenly distributed, and tends to vary based on income level, gender, and race. Satisfaction peaks among high-income parents, 88% of whom are satisfied with their current childcare situation, compared to 74% of middle-income parents and just 66% of low-income parents (FIGURE 15). One explanation might be that high-income parents have financial freedom to enroll in the childcare option of their choice, while low-income households must rely on less optimal accommodations. Additionally, men are more likely to express satisfaction with their childcare arrangements than women.

In Indiana, the childcare arrangements with the highest levels of satisfaction are having a child attend a childcare center or being under the care of a nanny/au pair. For families that qualify, attending a Head Start or Early Head Start program also has a very high level of satisfaction (FIGURE 16).

**FIGURE 15.**

Satisfaction among parents, stratified by income level

SATISFACTION WITH CURRENT CHILDCARE ARRANGEMENT	LOW INCOME	MIDDLE INCOME	HIGH INCOME	OVERALL
Satisfied	66%	74%	88%	77%
Unsatisfied	12%	4%	1%	4%
Neither satisfied nor unsatisfied	22%	22%	11%	19%

When it comes to decision criteria, parents primarily select a childcare arrangement based on financial considerations; affordability is key. Cost is viewed as the biggest hurdle to accessing quality childcare, with almost two-thirds (62%) of parents mentioning it as a primary driver behind selecting their current childcare arrangement (FIGURE 17). The financial burden of childcare costs is particularly felt by low-income households, which consequently express less satisfaction with their childcare arrangement and are more likely to need to change their arrangement in the next 12 months. When choosing a childcare arrangement, trust in the caretaker and health and safety are top considerations for parents (FIGURE 18).

Moving forward, parents will continue to seek childcare that matches their needs and preferences while reflecting their financial constraints. Women, people of color, and low-income parents are especially feeling the strains of inflation and rising childcare costs—they want better care for their child, but do not know where to find it or how they will pay. Understanding these diverse perspectives will allow businesses, the state of Indiana, and local communities to align on solutions to address the most pressing problems.

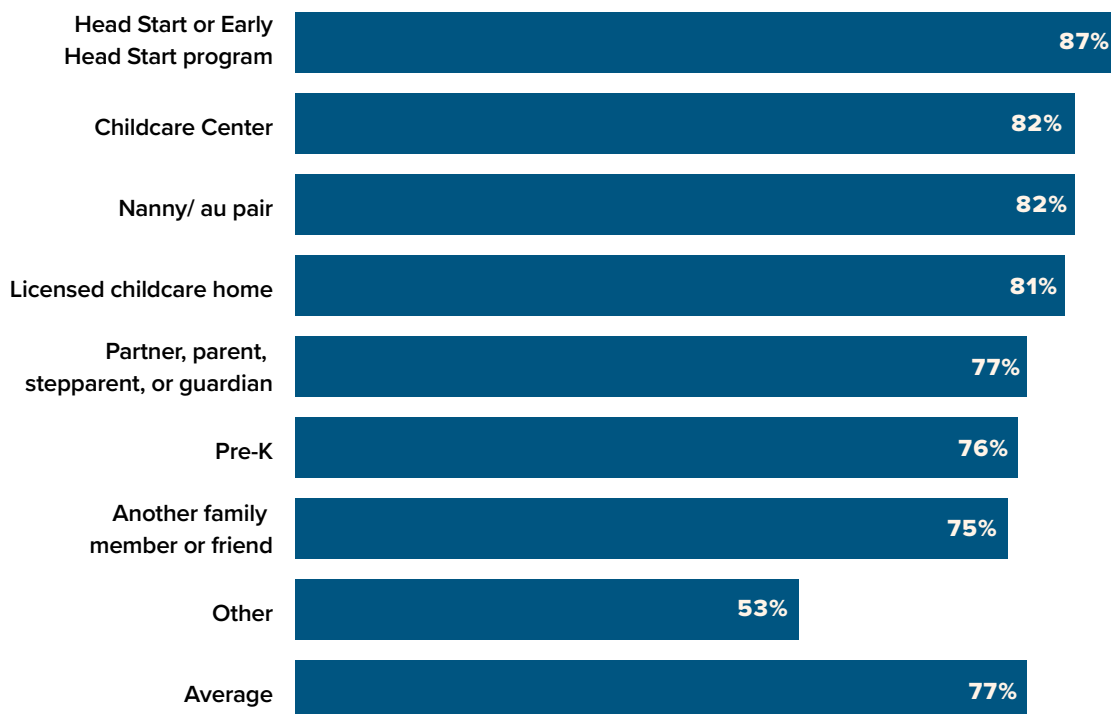
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**“My biggest challenge is striking a balance between quality and cost. While I wanted to provide the best education and care for my children, financial pressures and the high cost of childcare often limited my options.”**

**— INDIANA FATHER OF MULTIPLE CHILDREN UNDER SIX**

**FIGURE 16.**

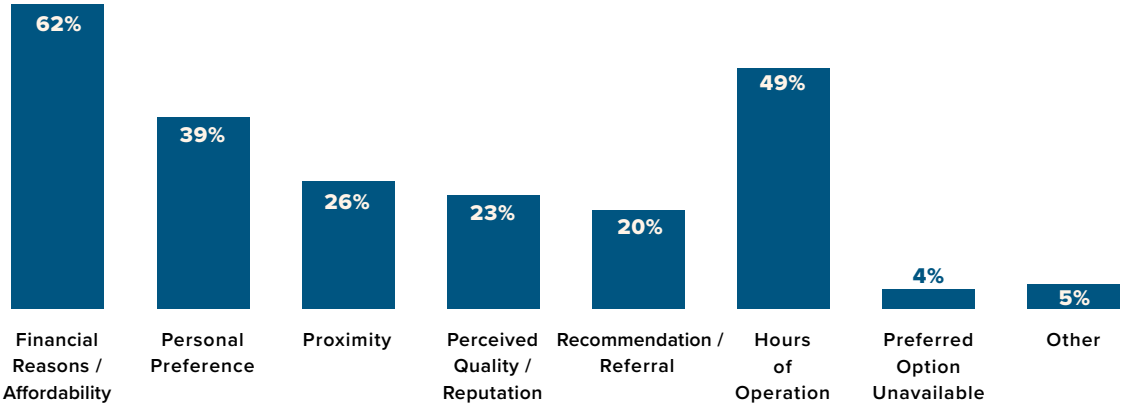
Percentage of parents who are satisfied with their given arrangement



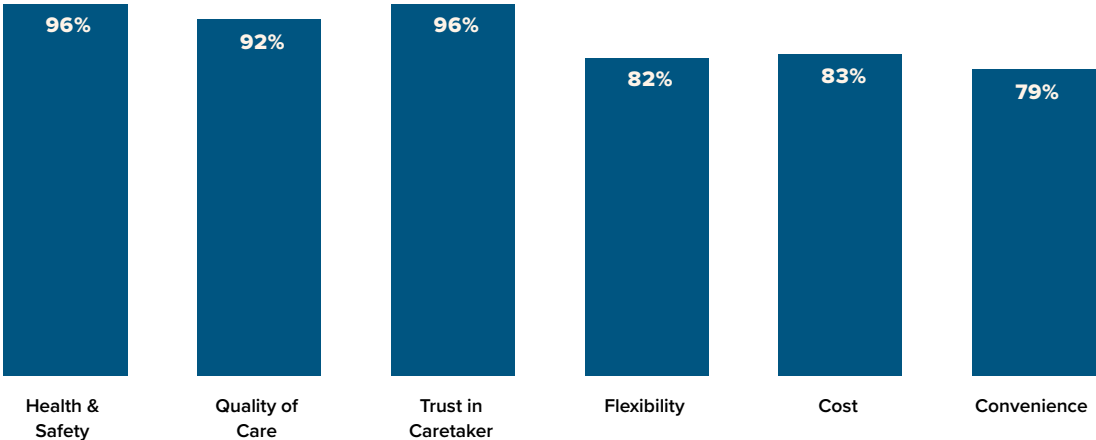
**“The cost of living has gone up so much, which leaves little money for childcare. We can’t keep up with the costs of living, and we are working only to pay for childcare. It is not worth it anymore to work.”**

**— INDIANA MOTHER OF A 2-YEAR-OLD**

**FIGURE 17.**  
Reason for selecting current arrangement



**FIGURE 18.**  
Percentage of parents who indicated a given factor is of high importance



## INDIANA FATHER OF MULTIPLE CHILDREN UNDER SIX

“As a 25-year-old teacher, one of my biggest challenges in accessing affordable, quality childcare revolves around the intersection of cost and availability. Balancing the demands of my teaching profession with the need for reliable childcare is often a daunting task. The cost of quality childcare services can be prohibitively high, especially on a teacher’s salary, making it difficult to find options that are both affordable and dependable. Additionally, limited availability of childcare slots, particularly during non-traditional hours or in areas with high demand, adds another layer of complexity to the search for suitable care arrangements. These challenges can create significant stress and uncertainty, impacting both my professional responsibilities and personal well-being. Finding sustainable solutions to these obstacles is crucial for maintaining a healthy work-life balance and ensuring that I can continue to thrive in my career as an educator.”

## Economic Impact

The economic model estimates that the breakdowns in childcare are costing Indiana \$4.22 billion in untapped economic potential annually. Workplace disruptions in the form of absenteeism and employee turnover and lost tax dollars from unearned wages account for Indiana's lost economic value.

Working parents often struggle with employment due to childcare issues and may be absent, arrive late, or otherwise be interrupted at work if they are unable to access adequate care for their children. In Indiana, 57% of parents missed work at least once in the last three months due to childcare issues, and those that missed work did so for an average of 14 days per year. Parents who miss work incur costs to themselves and their employers; families suffer from reduced wages, and businesses bear the financial cost of making up for the lost work by paying overtime or hiring temporary workers. When accounting for these issues, it is estimated that the direct employer cost due to absenteeism in Indiana is \$906 million per year.

Parents who experience a significant change in their childcare arrangement or life situation may choose to voluntarily leave the workforce. At times, difficulties balancing work and childcare concerns lead to parents being involuntarily let go from their work positions. As employees leave the workforce and face their own financial consequences, employers face significant replacement costs. Secondary research indicates that it costs about one-fifth of an employee's yearly salary for them to be replaced.<sup>15</sup> Using this benchmark, it is estimated that the turnover cost to employers in Indiana to be \$2.14 billion annually. This number represents a significant cost to employers each year replacing parents who perhaps could have continued in their current position if they had access to adequate childcare.

Costs from breakdowns in childcare are not isolated to employers and families. As people miss work or leave employment, there is an economic cost to Indiana through decreased tax revenues. The consequences of decreased household income are felt repeatedly in the form of reduced sales and excise taxes. It is estimated that every year Indiana fails to capture \$1.17 billion in taxes not excised because of insufficient childcare resources.

The \$4.22 billion in lost economic value for Indiana each year is not an abstract number. Each dollar lost due to insufficient childcare is a dollar that will not be used to fund a single mother's education, provide for a child, or put food on a struggling family's table. The annual loss to the state of Indiana is certainly eye-opening; compounded over decades, and measured in terms of unaddressed human need, it becomes staggering.

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<sup>15</sup> <https://www.americanprogress.org/article/there-are-significant-business-costs-to-replacing-employees/>



## THE UNTAPPED POTENTIAL

**- \$4.22B**

Childcare issues result in an estimated \$4.22 billion loss annually for Indiana's economy

## DIRECT EMPLOYERS COSTS

**\$2.14B**

Turnover costs to employers

**+ \$906M**

Absences costs to employers

**\$3.05B**

Total

## DIRECT TAX REVENUE IMPACT

**\$1.08B**

State tax loss from turnover

**+ \$94M**

State tax loss from absences

**\$1.17B**

Total

## Immediate Effects on Employment and Education

- 38% of parents enrolled in education programs have had their education disrupted by childcare issues. Men were more likely to report that childcare affected their education than women (FIGURE 19).

For the purposes of this report, immediate and long-lasting effects were examined through the dual lenses of education and employment. The Bureau of Labor Statistics maintains historical educational attainment and employment data that charts a strong correlation between an individual's level of education, their lifetime earnings, and their likelihood of being unemployed. Stated simply, more education equals more money and better job security.<sup>16</sup> Thus, hurdles preventing parents from finishing school are detrimental to the economy on both a micro and macro scale.

Across Indiana, 30% of parents have been enrolled in school or work training programs at some point throughout the past year. These parents are studying to ultimately provide better lives for their families by advancing their career prospects, but find their educational goals threatened by childcare gaps. Of those who have attended a school or work training program in the last year, 38% have found their education interrupted by childcare concerns, including going from full-time to part-time (11%), choosing to stop attending an education program (14%), or being dropped from their class or program entirely (16%) (FIGURE 20). Educational disruptors negatively influence the earning potential of parents and their ability to contribute to the economy.

**FIGURE 19.**

Childcare issues impacted postsecondary education or training program, by gender



<sup>16</sup> <https://www.bls.gov/emp/chart-unemployment-earnings-education.htm>

Overall, 27% of employed parents in this survey experienced recent disruptions to their employment. 40% of those parents left the workforce by either being let go (15%) or quitting (25%) as a direct result of issues with childcare. These effects were not experienced equally by all groups. Low-income households were the most likely to experience a change in work due to childcare (FIGURE 21). Women (28%) were more likely than men (24%) to experience employment changes due to childcare issues (FIGURE 22). Women also reported a higher rate of quitting but were equally as likely to be completely removed from the workforce as men (FIGURE 23).

**FIGURE 20.**

Education changes due to childcare

HOW PARENTS SAID CHILDCARE ISSUES IMPACTED POSTSECONDARY EDUCATION OR TRAINING PROGRAM		OVERALL
* Parents could select more than one option		
Stopped attending school or a work training program		14%
Went from full-time to part-time		11%
Dropped from a class roster at school or at a work training program		16%
Did not go / declined going from part-time to full-time		5%
None of the above		62%

**FIGURE 21.**

Percentage of parents that have had their employment impacting by childcare by income group



**FIGURE 22.**

Percentage of parents who have had their employment disrupted by childcare by gender



**FIGURE 23.**

How parents said childcare issues impacted their employment by gender

HOW PARENTS SAID CHILDCARE ISSUES IMPACTED THEIR EMPLOYMENT BY GENDER * Parents could select more than one option	FEMALE	MALE	OVERALL
Quit a job	27%	21%	25%
Went from full-time to part-time	23%	14%	21%
Was let go / fired by employer	14%	20%	15%
Declined a promotion	8%	16%	11%
Declined / turned down / could not accept a job	19%	20%	19%
Declined a raise	1%	0%	1%
Did not go / declined going from part-time to full-time	7%	14%	9%

**FIGURE 24.**

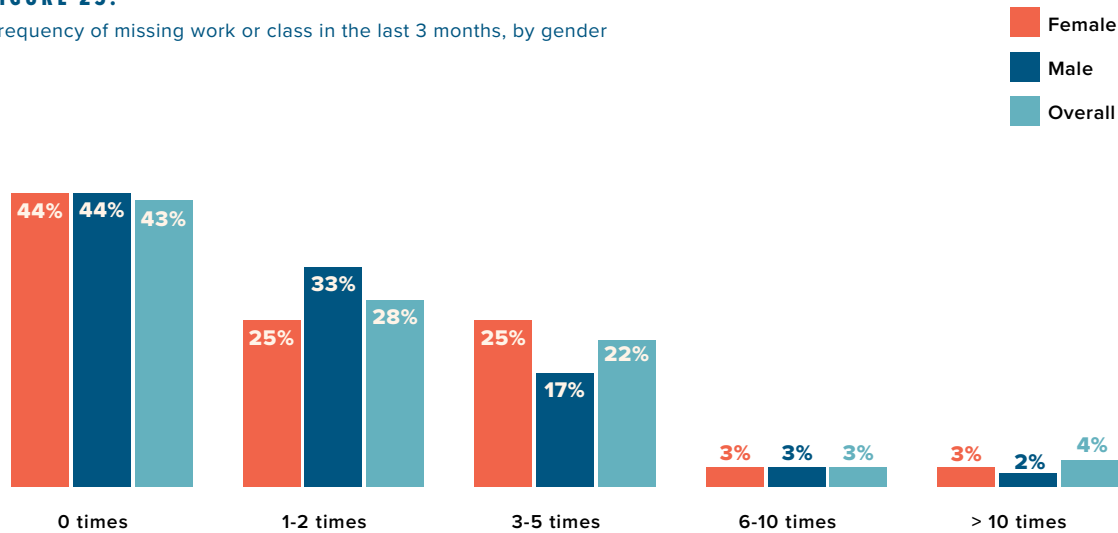
Actions taken over the last 6 months

WHAT PARENTS SAY THEY HAVE DONE IN THE LAST 6 MONTHS TO PROVIDE CHILDCARE, BY INCOME GROUP	LOW INCOME	MIDDLE INCOME	HIGH INCOME	OVERALL
Worked (onsite or virtually) while simultaneously caring for a child	12%	21%	27%	22%
Work less hours	30%	27%	24%	27%
Work outside of normal business hours	17%	26%	22%	23%
Alternate work hours with someone in my household	21%	20%	29%	23%
Left employment (voluntarily or involuntarily)	16%	19%	8%	15%
Take paid leave	9%	19%	25%	19%
Travel to extended family or friends for childcare support	8%	12%	15%	12%
Delayed entry into the job market	17%	11%	9%	12%
Had a relative move in with you for childcare support	8%	6%	10%	8%
Take unpaid leave	8%	12%	9%	11%
Turned down a promotion	7%	6%	6%	6%
None of the above	33%	23%	29%	27%

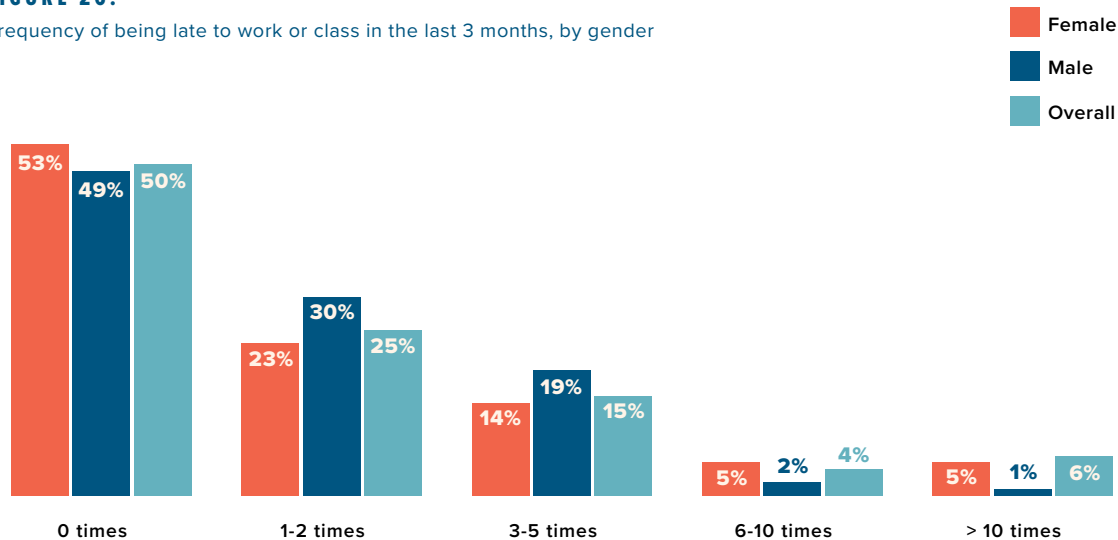
In the study, 73% of working parents reported that in the last six months they were forced to adjust their schedules via means such as working fewer hours (27%), alternating work hours with someone else in their household (23%), and working outside of normal business hours (23%). (FIGURE 24). When adjustments cannot be made, parents are forced to disrupt work responsibilities; 57% of parents missed work or school at least once in the last three months due to childcare issues. Short of being absent, parents may experience interruptions at work or school due to childcare. 50% of Indiana parents reported being late to work or school at least once due to childcare—including 51% of fathers. Similarly, 53% of parents reported feeling disrupted, and 55% confessed to being distracted at least once in the past three months (FIGURES 25-28). Employers without flexibility in their work policies may see parents, especially those from low-income households, opt to exit the labor market when forced to decide between balancing a work schedule and paying for childcare services or staying home.

Survey findings indicate that whether or not childcare issues drive parents completely out of the workforce, there are immediate effects on employment and education. The data helps businesses understand in what ways parents may be most vulnerable, helping employers tailor their childcare benefits to the parents who need them most, thus improving the retention of employees and reducing costs related to recruitment and retraining. Such decisions have an immediate effect on an employee's hours and income, but also have a lasting impact by altering the trajectory of an individual's career and professional development.

**FIGURE 25.**  
Frequency of missing work or class in the last 3 months, by gender

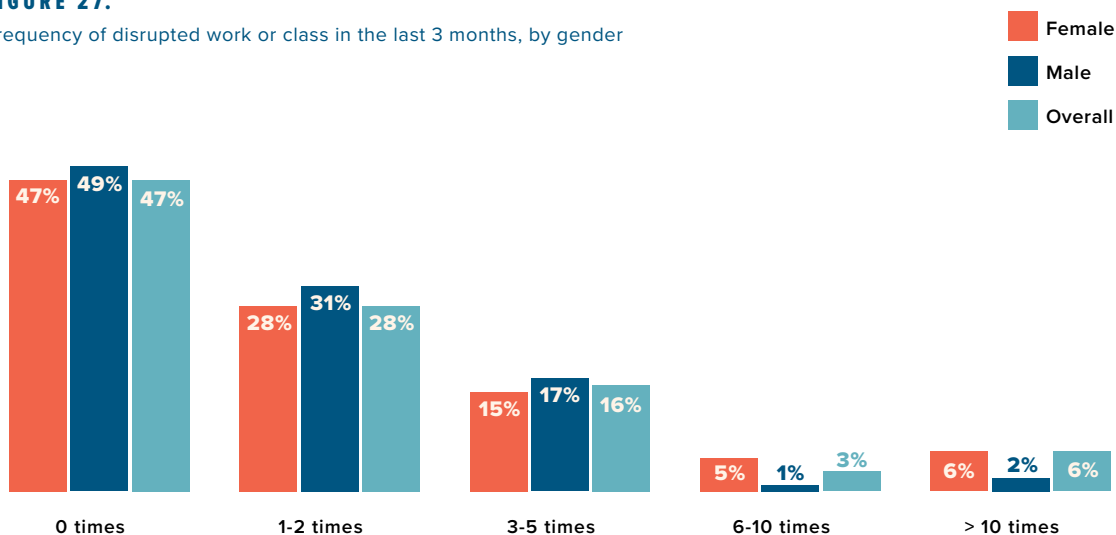


**FIGURE 26.**  
Frequency of being late to work or class in the last 3 months, by gender



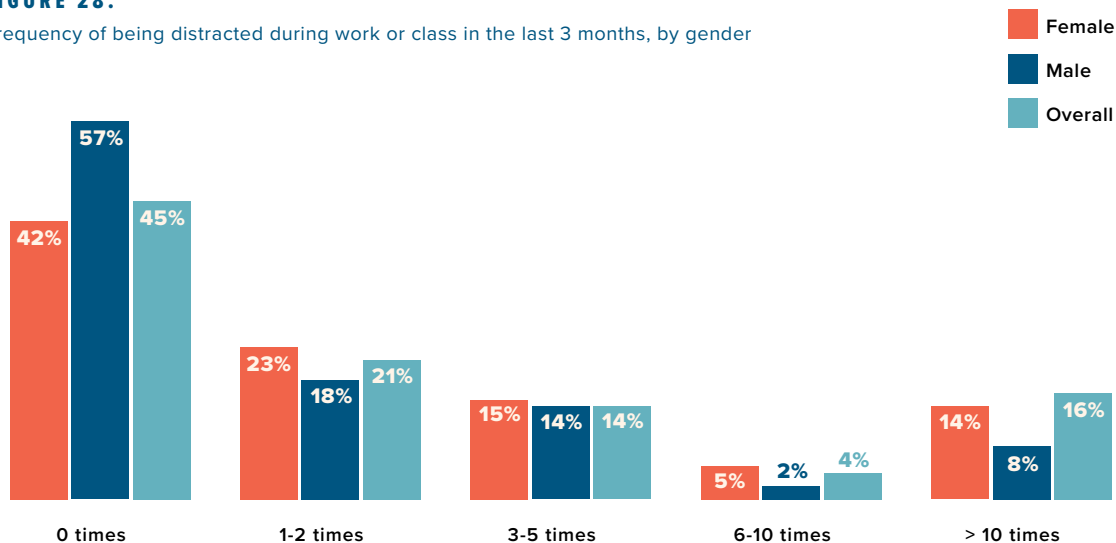
**FIGURE 27.**

Frequency of disrupted work or class in the last 3 months, by gender



**FIGURE 28.**

Frequency of being distracted during work or class in the last 3 months, by gender



## INDIANA FATHER OF AN INFANT

“My wife had to take a leave of absence from her job because we were unable to find any consistent childcare.”



# Lasting Effects on Education and Employment

The far-reaching effects of childcare gaps are complex and without simple solutions. Parents who have stopped attending education and work training programs usually take extended leaves before returning—if they return at all. The study shows that 56% of Hoosiers who depart from their education due to childcare issues, but plan to return, anticipate waiting at least a year, and another 12% either do not plan to return or do not know when they will be able to return (FIGURE 29). The longer people spend away from their education program, the less likely they are to return.<sup>17</sup> Only 13% of students who drop out of school re-enroll, and they typically do not re-enroll at the same level of institution.<sup>18</sup> Even for those who do return, the choice to delay education puts the potential for increased earnings on hiatus and pushes the attainment of a higher income to a later period in life. Doing so has long-term ramifications that can affect loan repayments, debt accumulation, interest, and retirement savings.

In addition, 57% of those who have left or are planning to leave the workforce due to childcare concerns plan to spend less than a year away from employment (FIGURE 30). Parents are more likely to feel a sense of urgency to get back to work than school. However, that still leaves 43% of those who have left or are planning to leave the workforce on the sidelines for potentially a year or more. Attempting to resume a career can also be intimidating for parents, who may feel pressured to maintain their skills and stay current on industry trends.

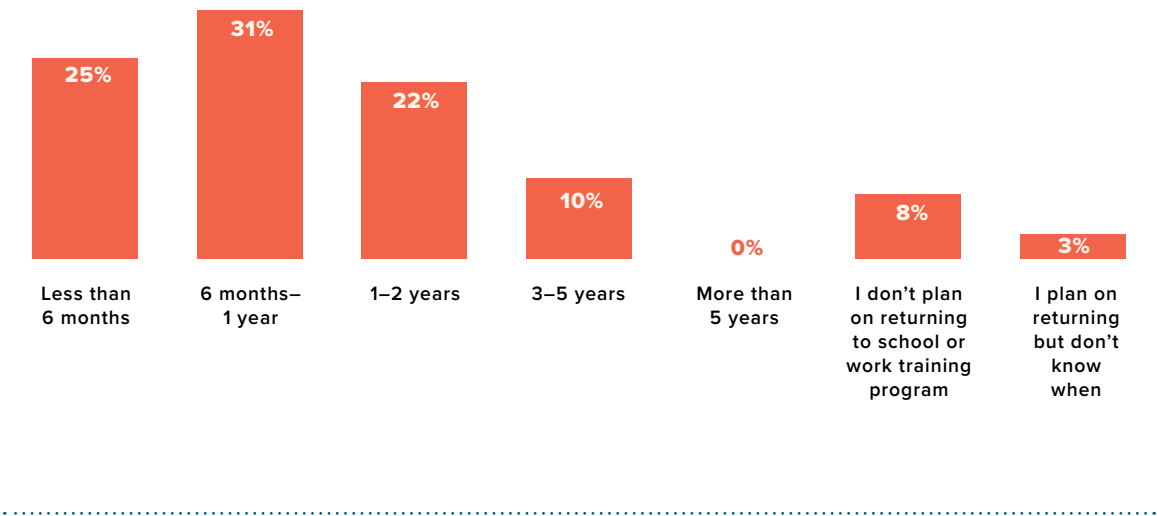
Women bear the brunt of the childcare-related economic losses; women with children earn slightly less than males with children earn, even after controlling for job and qualifications. The study revealed that women are also more likely than men to quit a job to care for a child, with similar reports from Payscale, McKinsey, and the Federal Reserve Bank of St. Louis confirming this assertion. Translated, this means women are not only leaving the workforce at higher rates but are also being penalized with a higher opportunity cost for doing so.

In short, childcare issues are exacerbating existing issues with poverty in Indiana in two ways: first, by reducing the ability of parents to get ahead through education, and second, by contributing to gender inequality by keeping women from achieving their personal and career goals.

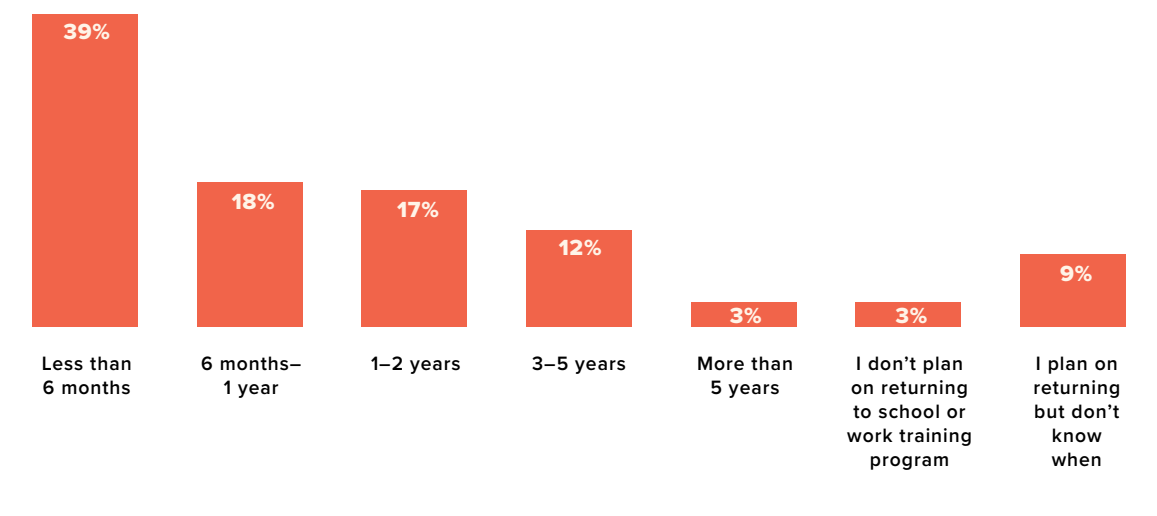
<sup>17</sup> National Student Clearinghouse Research Center (October 30, 2019) *Some College, No Degree*

<sup>18</sup> Ibid.

**FIGURE 29.**  
Time to return to education for those leaving education



**FIGURE 30.**  
Time to return to work for those leaving employment



INDIANA MOTHER OF A 1-YEAR-OLD

“I took a pay cut to change departments. My former supervisor wasn’t understanding of my childcare difficulties and wasn’t willing to accommodate my needs.”

## Conclusions and Implications

This study is a conservative estimate of the economic toll of breakdowns in childcare coverage impacting employers and the state of Indiana. The research indicates that access to childcare has a sizable impact on parents' career development and potential. Without access to childcare, working parents compromise on their futures to meet immediate childcare needs.

Turnover and absenteeism stemming from childcare issues results in costs for parents, their employers, and the state. Legislators and executives can thoughtfully consider impactful measures that will alleviate existing childcare issues. In doing so, they can strengthen their human capital and increase the size of the available talent pool.

This research raises a tantalizing question: **what could Indiana do with an additional \$4.22 billion each year?** It is the hope that smart solutions produced in cooperation with government, businesses, and parents, will benefit all Hoosiers, and lead the state to unprecedented economic success in years to come.

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**What could  
Indiana do with  
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year?**



U.S. Chamber of Commerce  
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Early Learning  
INDIANA

#### RESEARCH SPONSORS

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The research for the Untapped Potential report was conducted by the U.S. Chamber of Commerce Foundation in partnership with the Indiana Chamber of Commerce and Early Learning Indiana.

## APPENDIX A: SURVEY METHODOLOGY AND RESPONDENT DEMOGRAPHICS

As with the previous studies conducted by the U.S. Chamber of Commerce Foundation, this study was conducted in two phases.

First, the U.S. Chamber of Commerce Foundation, the Indiana Chamber of Commerce, and Early Learning Indiana partnered with Cicero Group to conduct a statewide survey of households with children under six who are not yet in kindergarten. Parents were asked a series of questions designed to investigate the intersection of workforce participation, education, and childcare issues. This survey was conducted online and sampled a population representative of Indiana's racial and income demographics (**FIGURE 31**).

As mentioned in the body of the report, those surveyed were allowed to select from response options that were inclusive of a "parent, stepparent, or guardian" when indicating their current and pre-pandemic childcare arrangement. Income was self-reported by respondents, who selected the range that best described their income before taxes. Responses were later regrouped to establish "Low" (less than \$30,000 per household), "Middle" (\$30,000 to \$100,000 per household), and "High" (greater than \$100,000 per household) income classifications.

Second, Cicero Group estimated the economic impact of childcare issues based on phase one survey results and secondary data sources such as U.S. Census Bureau. Cicero's proprietary economic model is a simple quantification of lost economic activity resulting from insufficient childcare support. The model is an approximation only, though it is presumed by Cicero to be an accurate measurement of conditions in the State of Indiana at the time of the study.

**FIGURE 31.**

Respondent characteristics

RACE	White	Hispanic or Latino	Black	Asian	American Indian / Alaskan Native	Native Hawaiian /Pacific Islander	Multiple / Other
N=609	465	29	61	10	18	0	20

GENDER	Female	Male	Other
N=609	418	190	1

REGION	Rural	Suburban	Urban
N=609	142	266	201

INCOME	Low	Middle	High	Prefer not to say
N=501	121	285	194	9

## APPENDIX B: ECONOMIC IMPACT METHODOLOGY

Economic impact consists of two areas:

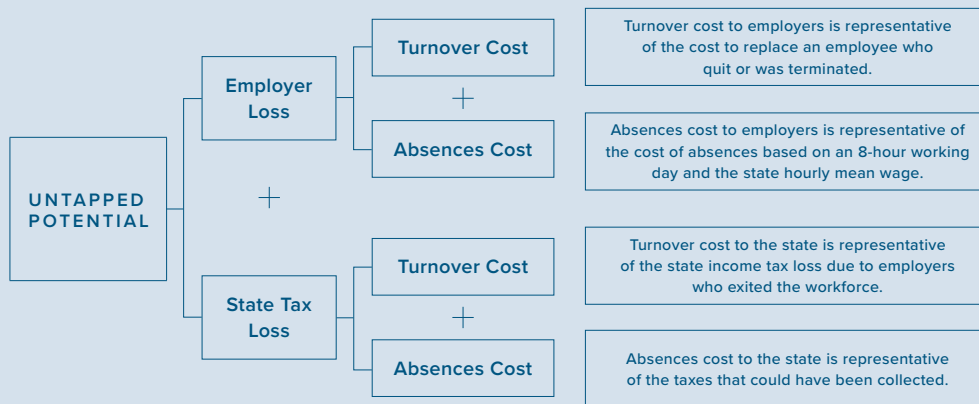
- 1) Overall cost to employers
- 2) Lost tax revenue for the state

Within these categories, lost economic value is composed of turnover and absences costs.

The authors of this report pulled data from The American Community Survey (ACS) to calculate the total number of parents in the labor force with children under six. In Indiana, there are an estimated 476,973 people in the workforce that match this description. This was calculated as follows:

- Multiply the percentage of households with children under six by the number of households with children under eighteen to obtain the number of households with children under six (314,639).
- Then, multiply the result by the average family size in the state to determine the total number of adults and children under six (959,648).
- Lastly, subtract the number of children under six to infer the number of parents with children under six (476,973).

Out of the parents who indicated in the survey that they experienced recent disruptions to their employment, 40% left the workforce either voluntarily or involuntarily as a direct result of issues with childcare. This percentage was then applied to the number of parents with children



<sup>19</sup> For more on Boushey and Glynn and their calculations behind the average cost of turnover, reference their publication with the Center for American Progress, *There Are Significant Business Costs to Replacing Employees*.

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



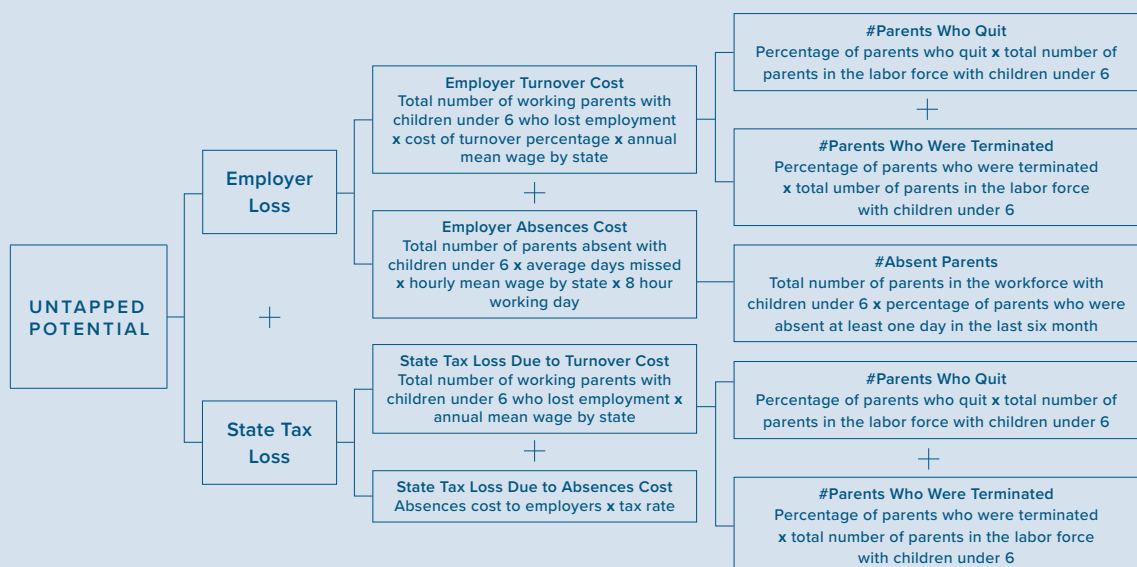
under six to estimate how many of them have left the workforce (193,623). Subsequently, the Boushey and Glynn's cost of turnover (21%)<sup>19</sup> was applied to the annual mean salary for these workers, calculating the total cost to employers due to childcare-related employee turnover(\$2,144,275,330).

For absences, the mean hourly wage was multiplied by the total number of parents who missed work, which was then multiplied by an 8-hour working day and the average number of days missed. Although non-salaried workers forgo wages when they miss work, employers still pay a cost in lost productivity to those absent workers. Additional costs to employers may be incurred via overtime pay to other workers who must cover shifts, or if the company is forced to hire and pay temporary workers. This was calculated as follows:

- Determine the total number of absent employees by multiplying the total number of parents in the labor force by the percentage of parents with absences determined by the survey (269,985).
- Then multiply the total number of absent parents by the average days missed (as determined by the survey) by the hourly mean wage in the state by an eight-hour working day to determine the absence cost (\$905,886,939).

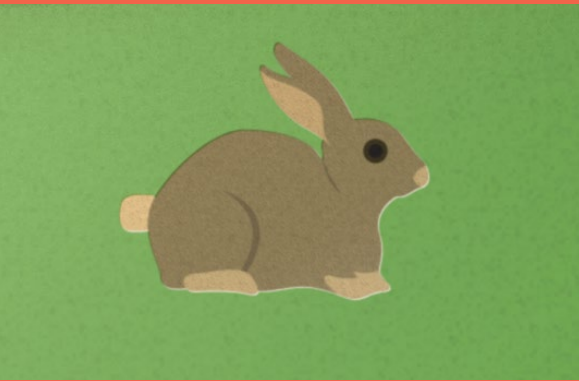
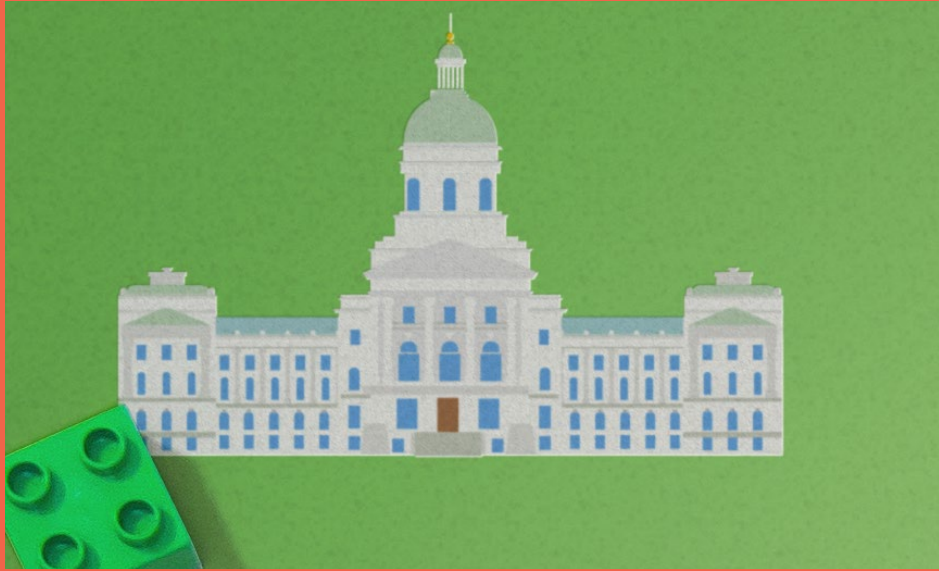
Just as childcare-related turnover hurts employers, state taxes are directly and indirectly impacted when employees lose their jobs or miss out on wage increases. Estimates from The Institute on Taxation & Economic Policy were used to determine appropriate tax rates.<sup>20</sup> The economic impact was calculated as follows:

- State incurred turnover cost: multiply the total number of working parents with children under six who voluntarily or involuntarily left the workforce due to childcare by the annual mean wage by the state tax rate (\$1,077,317,074).
- State incurred absence cost: multiply the previously calculated absence cost by the state tax rate (\$94,212,242).



Notes:





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