

Closing the workforce gap in Dallas

Seeking local solutions to remove barriers for working families

BCG

THE BOSTON CONSULTING GROUP

earlymattersdallas

A Historic Coalition on Early Education

Dear Dallas Civic, Philanthropic, and Business Leaders,

Will you join us to identify and implement solutions for our community so that adults can work and children can thrive?

Our community has been working tirelessly to expand Pre-K for 3- and 4-year olds, and we are having success. Community childcare providers are an essential piece of this puzzle. However, we have heard consistently about the challenges childcare providers face in order to remain economically viable.

In an attempt to better understand the childcare landscape, the Early Matters Dallas Board commissioned this report and engaged The Boston Consulting Group. Through this process, we confirmed that childcare centers face real economic challenges and also learned that the lack of childcare is one of the largest barriers to parents participating in the workforce. We learned there are currently at least 42,000 middle-skill jobs open in the DFW area—this is a drain on our economy and an issue for our employers.¹ While there are other barriers to workforce participation (e.g., transportation), lack of childcare is one driver of poverty that we CAN control and change.

This report hopes to kickstart the process of engaging Dallas civic, philanthropic, and business leaders in the task of designing affordable childcare solutions in order to close the workforce gap in Dallas. Dallas has an opportunity to lead the nation by ensuring that our workforce is fully engaged and our children are all in quality early learning environments.

We need smart business and entrepreneurial minds—like YOURS—at the table.



Regen Fearon

Chair of Early Matters Dallas



Think big—help disrupt, transform, and strengthen the childcare industry



Spread the word—let others know how critical a healthy childcare industry is to our local workforce



Advocate for childcare policies—encourage politicians to focus on establishing policies and systems that enable and incentivize parents to enter the workforce



Register at EarlyMattersDallas.org—stay informed on how to be a part of the solution

There is **a critical shortage** of middle-skill workers in Dallas

Lack of childcare is one of the key barriers to filling these jobs

There is **not enough childcare capacity** in Dallas...

...and the economics of childcare make it **too expensive for many families** and **unsustainable for many providers**

It will take strong local leadership to solve Dallas' childcare issues



Table of Contents

Summary	4
Workforce shortage	6
Childcare challenges	8
Evidence of success	16
Our future workforce	18
Be part of the solution	20
Sources	22

Summary

DFW needs 42,000 more workers qualified for middle-skill jobs this year.² These jobs power economic growth, increase economic security for families, pay above a living wage, and reduce dependence on entitlements. DFW will lose an estimated \$2 billion in GDP and the State of Texas will lose an estimated \$120 million in sales tax revenue by leaving these 42,000 jobs unfilled.³

One potential source to fill this gap is parents who are not participating in the workforce—there are about 134,000 women with children under the age of six in the DFW area who could potentially fill these open positions (about 49,000 of these women live in Dallas County).⁴

However, a lack of adequate childcare is preventing qualified individuals from filling this gap. Almost a fifth of non-working parents say that unaffordable or inaccessible childcare is the number one reason they aren't working, and 60% said it was an important reason.⁵

There are not enough childcare spots available in Dallas—our research estimates a gap of 14,000 spots for infants and toddlers in Dallas County, even after accounting for parents who prefer to stay home.⁶

And even if they could find a spot, many families could not afford to pay for childcare: for many low and middle income families, infant and toddler childcare costs account for 30–50% of their income.⁷

While childcare is too expensive for many parents, it is an uncertain and intermittently unprofitable business for many providers, making it hard to expand capacity.

The long-term benefits of providing quality care for children cannot be overstated—children in high quality early childhood environments are four times as likely to graduate from high school or college,⁸ providing significant benefits to our future workforce.

In the short-term, we need a stable and focused workforce to sustain a growing economy. Case studies of other countries show evidence that changes to childcare affordability and expanded capacity improve workforce participation, particularly for women.

The question is not whether affordable, accessible, quality childcare can help promote workforce participation, but how we intend to improve the system and what role each of us can play.

High quality childcare is more than just an investment in the future of our community, it is critical to empowering parents to join the workforce today.

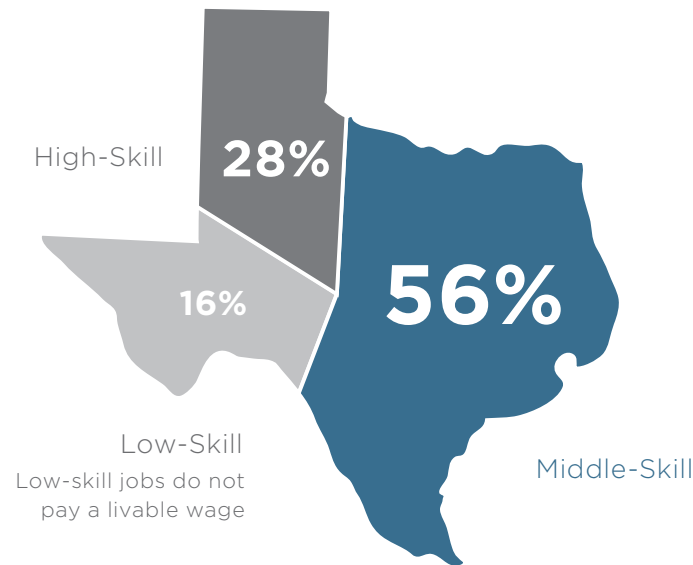
There is a critical shortage of middle-skill workers in Dallas-Fort Worth

Middle-skill jobs are critical to Dallas' economy, comprising more than half of all jobs,⁹ and Dallas' fastest growing industries are in need of a ready workforce equipped to fill these roles.

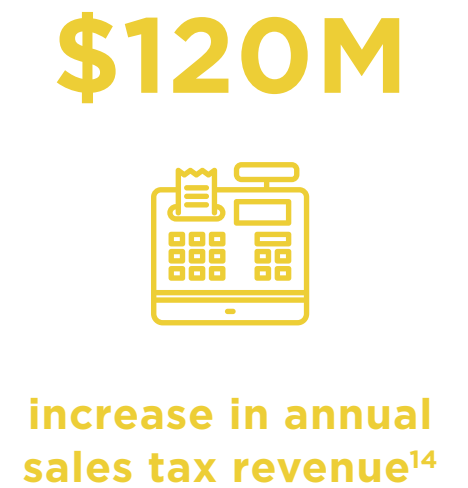
Each year at least 42,000 middle-skill jobs, which are concentrated in Healthcare and IT, are projected to go unfilled, hampering economic growth.¹⁰

These jobs, which pay \$24 an hour on average¹¹ (approximately \$50,000 annually), are important to ensuring family economic security and reducing dependence on entitlements. Individuals earning this wage have a 3% chance of living in poverty—while those earning a minimum wage have a 63% chance of living in poverty.¹²

Middle-skill jobs comprise over half of all jobs in Texas today



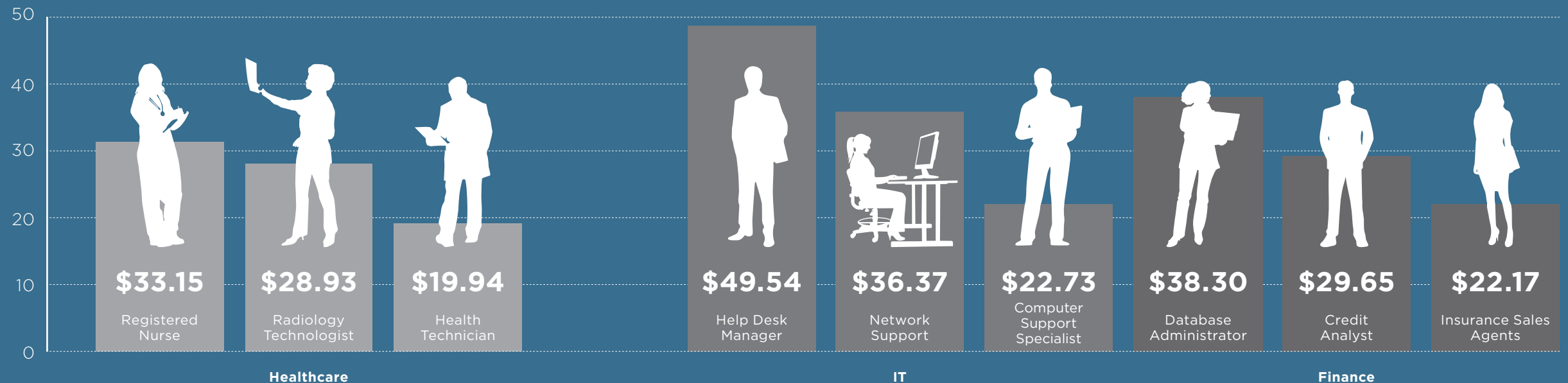
Filling these middle-skill jobs would drive big impact for Dallas-Fort Worth



What are middle-skill jobs?

Middle-skills jobs require education or training beyond high school but not a four-year degree

Example middle-skill occupations¹⁵
Median hourly wage (\$)



apply now

Lack of childcare is one of the **key barriers to filling these jobs...** ...and it is **costing employers**

While there are potential workers to fill this gap, childcare prevents people from participating in the workforce

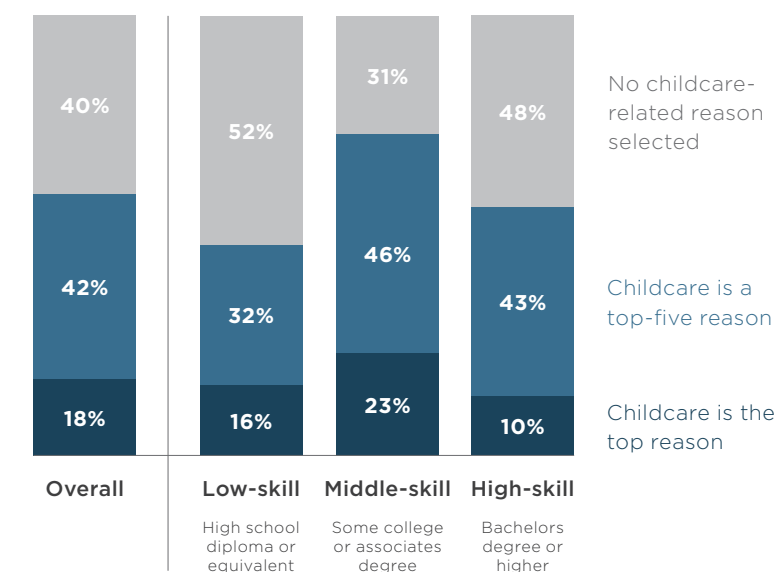
One potential source to fill the middle-skill job gap is individuals—mostly women—with children who are not participating in the workforce.

Currently, there are about 134,000 women with children under the age of six in the Dallas Fort Worth area who could potentially fill these open positions (about 49,000 of these women live in Dallas County).¹⁶

So why do many parents in DFW, particularly women, remain out of the workforce?

60% of non-working parents cite childcare as one of the top five reasons they do not participate in the workforce¹⁷

Survey responses on reasons for not working



Employers are already paying the price for this issue through lower productivity and increased cost¹⁸

Improving the accessibility and affordability of childcare means employers will reap the benefits of a larger, more productive workforce

- > Excess time, effort, money spent filling open positions

- > Increased turnover of employees with children

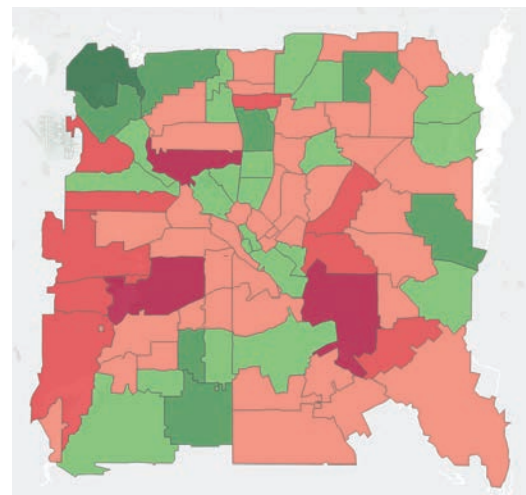
- > Childcare interruptions causing missed days of work

In Dallas County, there are an insufficient number of childcare spots to meet parental demand

Across formal care types (registered and licensed homes and centers), there are insufficient spots to meet demand in almost all neighborhoods, but the issue is particularly pronounced in low income neighborhoods, where access to infant and toddler spots is lowest. In neighborhoods with a median annual income less than \$50,000, more than half of parental demand cannot be met with formal care options.¹⁹

Most zip codes in Dallas County need more formal care capacity²⁰

Current childcare capacity compared with projected demand for formal care

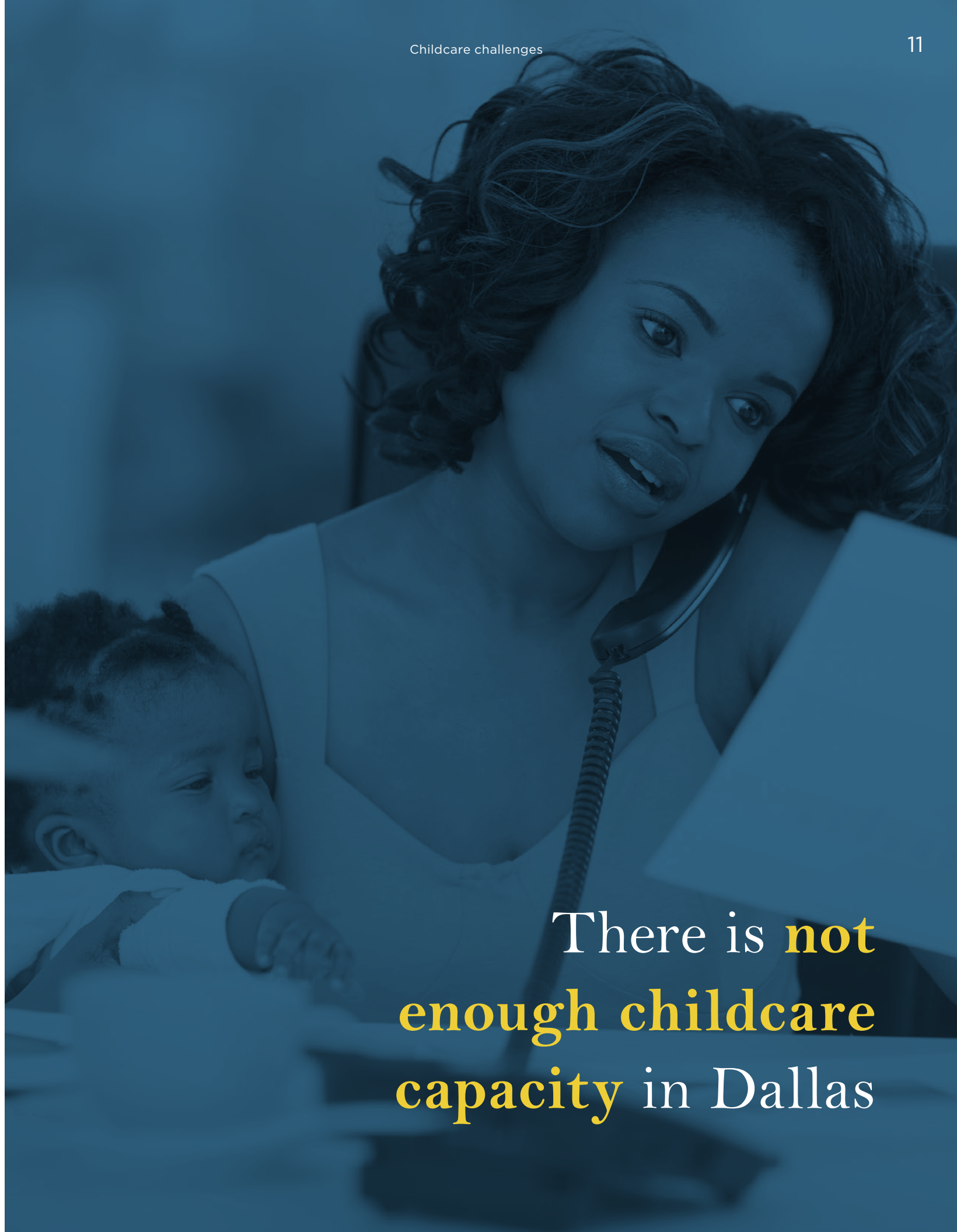
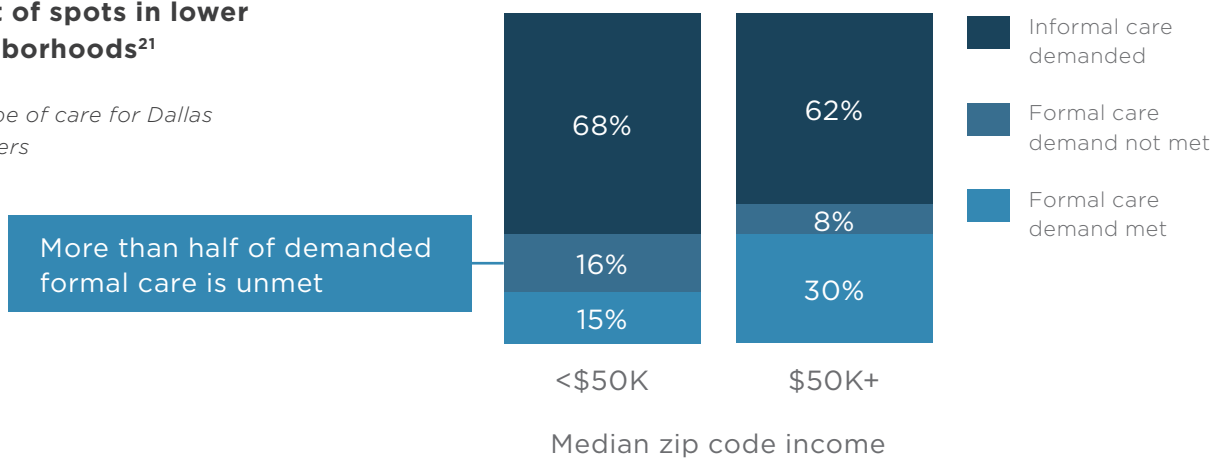


65%
of zip codes do not have sufficient supply

14,000+
gap of spots in Dallas County

Larger deficit of spots in lower income neighborhoods²¹

Breakdown of type of care for Dallas infants and toddlers



There is **not** enough childcare capacity in Dallas

Childcare is **too expensive** for many families

The limited childcare available is hard to afford, especially for low- and middle-income families

The cost of childcare is high and places a burden on families across the income spectrum, especially those with multiple young children.

However, fewer than 11% of eligible families receive state-funded childcare benefits in Dallas County, and the current waiting list for subsidized care exceeds 6,000.²³

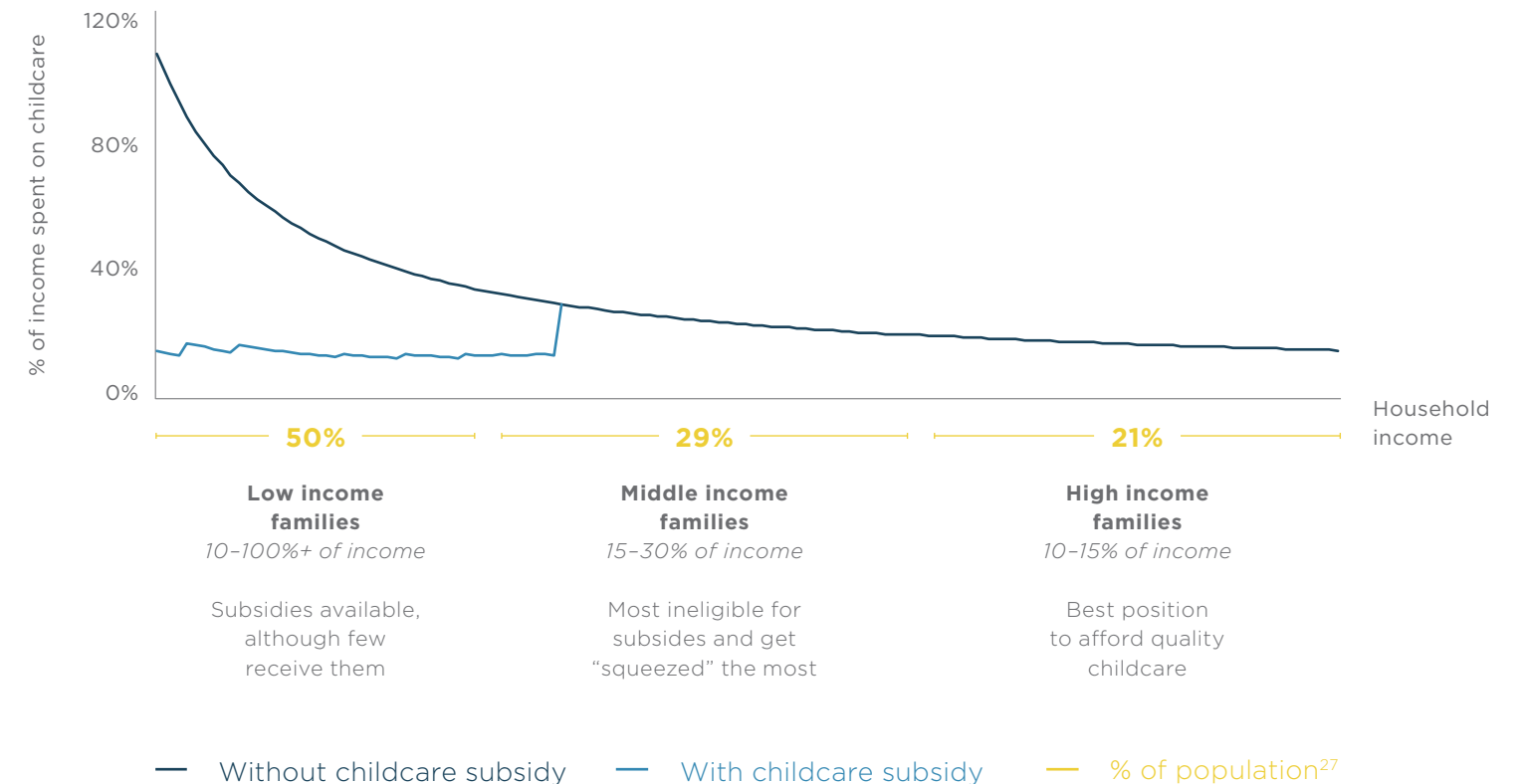
Lower income families (less than \$50,000 per year) can lighten this expense through subsidies, which aim to keep childcare expenditures at around 10% of a family's income.²²

Middle-income families are particularly burdened by the cost of childcare. Given their lack of eligibility for subsidy support, up to 30% of a family's household income could go toward childcare for a family with two children under the age of five.²⁴

A parent could pay between 10% and 100% of their income, depending on income level and whether they receive subsidies²⁵

Calculations for a dual parent income with two children at a childcare center

\$14,400²⁵
average annual cost for two children in childcare



FOR SALE

The economics of childcare make it **unsustainable** for many providers

Caring for infants and toddlers is not a sustainable business for many providers

The cost of care for infants and toddlers is significantly greater than caring for preschool and school age children due to relatively lower student to teacher ratios. Often revenue is insufficient to cover the cost for infants.²⁸

Center economics are fragile and highly dependent on tuition rates, center size, enrollment, and the age of the children.

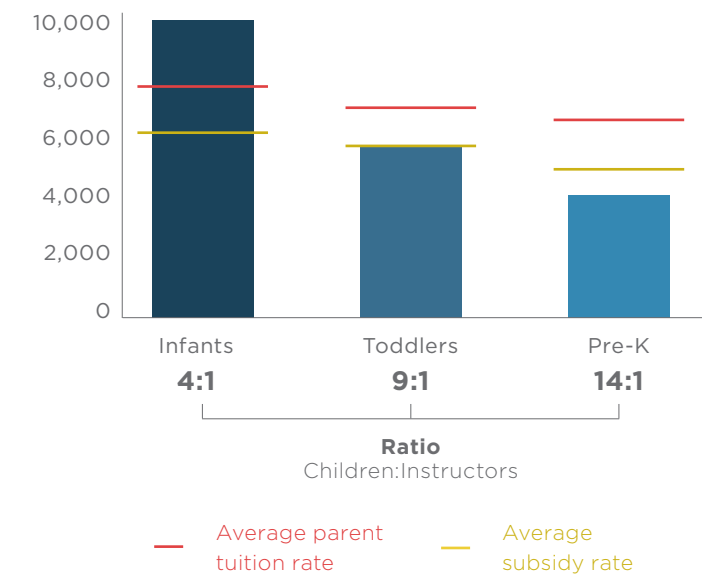
Scale and size matter, making small, independent centers most susceptible to financial instability. For many small, independent centers any slight change in their enrollment, age mix, or subsidy vs. tuition mix can shift them from profitable to unprofitable.

And while childcare is too expensive for parents, being a childcare worker remains among the lowest paid jobs.

The average wage for childcare workers in Texas is \$10-\$11 per hour³⁰ compared with the livable wage of \$18 per hour.³¹ In order for childcare workers to also make a reasonable salary, the cost would need to increase even more for providers and parents.

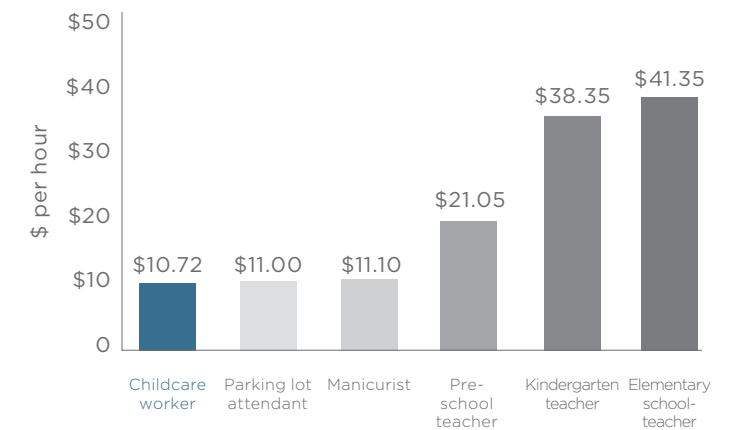
Cost to care for infants exceeds the revenue received in tuition or subsidies²⁹

Annualized average cost and revenue per child for average center



Childcare workers earn less per hour than parking lot attendants and manicurists³²

Hourly pay for various roles



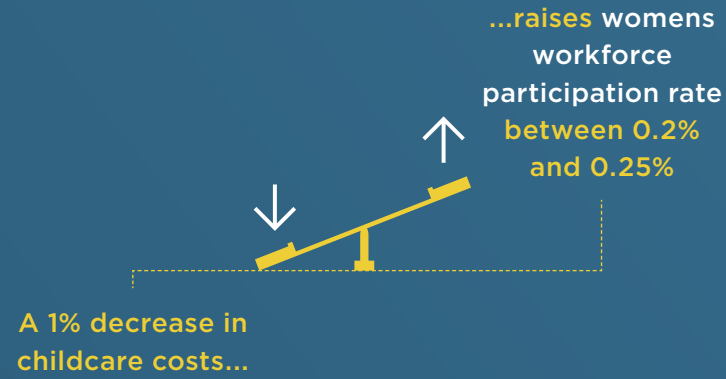
Case studies



Quebec's approach to affordable childcare

In 1997, Quebec implemented "\$5/day" childcare for families to receive full-time childcare services regardless of work status.³³

Since then, many academic studies have found that these changes in childcare affordability have driven workforce participation, especially for dual income households previously ineligible for subsidies.³⁴

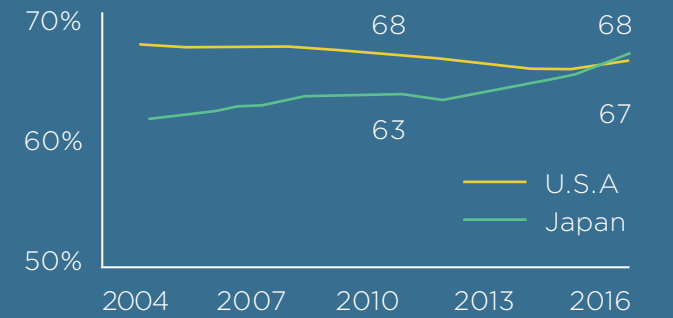


Japan's childcare benefits

Pre-2013, Japan was facing a severe shortage in childcare capacity that forced women to stay home rather than work and stifled workforce participation rates.

To address this, Japan set a target of expanding daycare capacity to move 500,000 children off nationwide day care waiting lists by 2019. By 2014, national capacity was increased by 219,000 spots. Since these changes, Japan has seen a 5 percentage point increase in women's workforce participation rate.³⁵

Women's workforce participation rate



It will take strong local leadership to solve Dallas' childcare issues

Addressing the issues in Dallas' childcare landscape that are preventing workforce participation will require a willingness to change, a strong strategy, and collaboration across stakeholders.

However, the good news is that evidence exists of countries that have improved workforce participation, particularly for women, through childcare policies and initiatives.

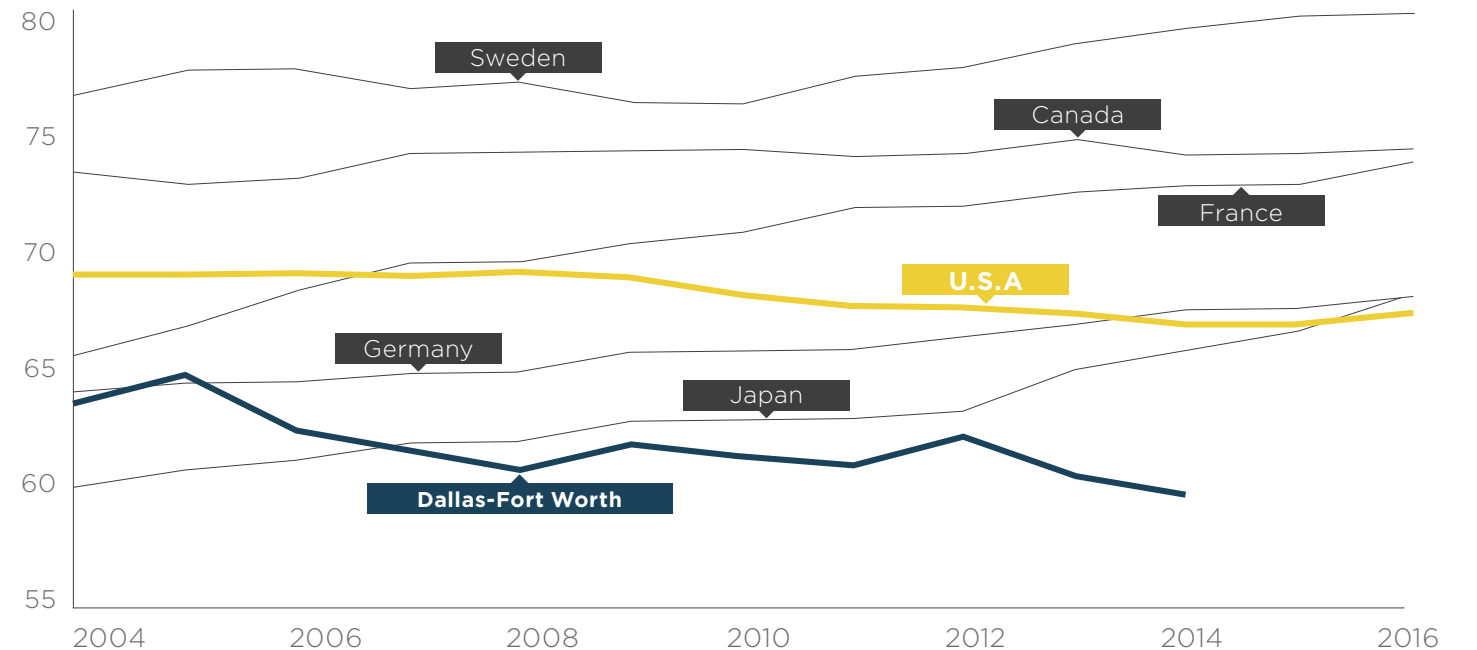
We recognize that Japan and Canada have traditions of leveraging the central government for support. Here, in Dallas, we believe this issue is too vital and we know federal and state policy will not change fast enough—we need to take local charge of solving this challenge.

This issue is more critical than ever. Every other advanced economy has increased the women's workforce participation rate, while it is declining in the United States.³⁶ This decline is even more pronounced in the Dallas-Fort Worth area.

Research has found that up to 30% of the decline in US women's workforce participation relative to other advanced countries can be explained by these countries pursuing childcare friendly policies.³⁷

Share of women working is increasing in every advanced economy except the US, where it is decreasing³⁸

Women's workforce participation rate



Childcare is also essential for the development of a strong workforce of the future

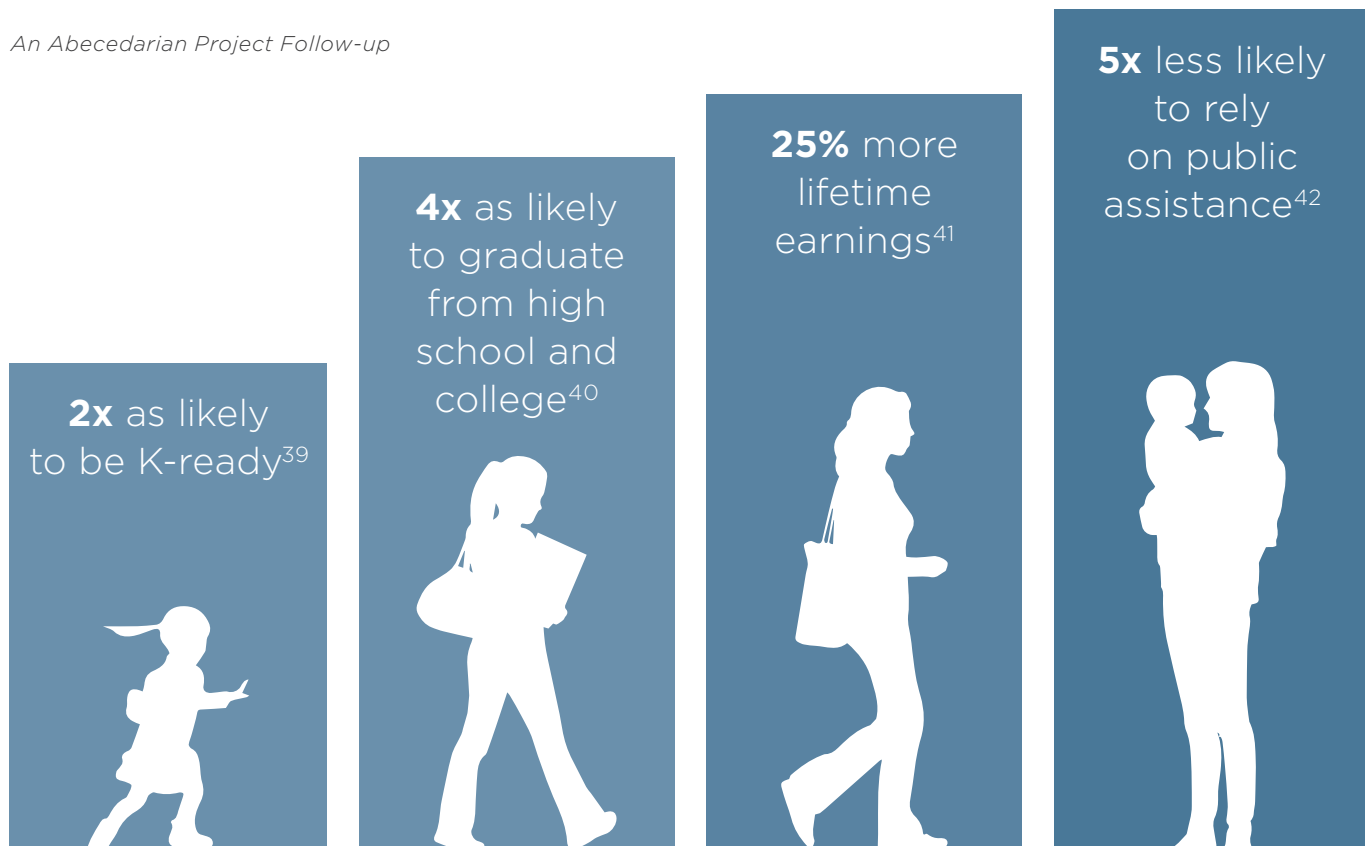
In addressing gaps in the childcare landscape, it will also be imperative to address quality. If we can focus on quality as we increase access, the potential benefits are even more significant.

The long-term benefits of providing quality care and education for children cannot be overstated—children in high quality early childhood environments are four times as likely to graduate from high school or college, enabling them to fill our future workforce needs.

Thus, increasing access to quality care is not just about today—it is an opportunity to set our community up with a more qualified, higher skilled future workforce.

Children who experience high quality early childhood environments have improved economic and life outcomes

An Abecedarian Project Follow-up



Be a part of the solution for Dallas

We must transform the childcare industry to better serve our local workforce

New approaches and resources are needed to improve the childcare industry so that it is economically viable and better serves parents and children. We cannot wait for the federal or state government to act. We, as a city and region, need to work together to make change locally.

Key issues to focus on include:

Helping the community understand that childcare is an industry that is critical to our current and future workforce

Rethinking the business model for the childcare industry

Identifying resources which make quality childcare affordable for middle and low income families

Building the infrastructure and systems to ensure we are allocating our resources effectively and efficiently

Locally, we can address the challenges in the childcare sector so that adults can work and children are well prepared to join the workforce in the future

Will you be a pioneer for Dallas?



Think big—help disrupt, transform, and strengthen the childcare industry



Spread the word—let others know how critical a healthy childcare industry is to our local workforce



Advocate for childcare policies—encourage politicians to focus on establishing policies and systems that enable and incentivize parents to enter the workforce



Register at [EarlyMattersDallas.org](https://www.earlymattersdallas.org)—stay informed on how to be a part of the solution



About the study

Early Matters Dallas engaged a team from The Boston Consulting Group (BCG) during the summer of 2017 to conduct a study on the landscape of childcare in Dallas County. We had heard anecdotally of the complexities in the childcare industry from providers, and as a result, we wanted data to identify and quantify the biggest challenges in the industry.

Over the course of several months, BCG conducted a survey of parents across Dallas and several other Texas metropolitan areas, hosted focus groups with parents and childcare providers, analyzed childcare and population data, and conducted a wide array of research on the local economy and workforce.

Sources

1. J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth: Building a Middle-Skill Pipeline to Sustain Economic Growth." 2015.
2. J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015.
3. BCG drew upon data from: J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015; Institute on Taxation and Economic Policy, "Sales & Excise Tax Share of Family Income." 2015.
4. U.S. Census Bureau, American Community Survey. 2015.
5. BCG Childcare Survey, July 2017.
6. BCG drew upon data from: U.S. Census Bureau, American Community Survey. 2015; Department of Family and Protective Services—Texas Child Care Licensing (CCL); BCG Childcare Survey, July 2017.
7. BCG drew upon data from: 2017 Texas Child Care Market Rate Survey, Texas Workforce Commission, "Dallas County Parent Share of Cost." 2016.
8. Campbell, Frances et al., "Adult Outcomes as a Function of an Early Childhood Educational Program: An Abecedarian Project Follow-up," *Development Psychology*, 2012.
9. National Skills Coalition, "Texas Middle-Skill Fact Sheet." 2017.
10. J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015.
11. J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015.
12. BCG drew upon data from the U.S. Census Bureau, American Community Survey. 2015.
13. BCG drew upon data from J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015.
14. BCG drew upon data from: J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015; Institute on Taxation and Economic Policy, "Sales & Excise Tax Share of Family Income." 2015.
15. BCG drew upon data from J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015.
16. U.S. Census Bureau, American Community Survey. 2015.
17. BCG Childcare Survey, July 2017.
18. Shellenback, Karen, "Childcare and Parent Productivity: Making the Business Case." 2004.
19. BCG drew upon data from: U.S. Census Bureau, American Community Survey. 2015; Texas Department of Family and Protective Services; BCG Childcare Survey, July 2017.
20. BCG drew upon data from: U.S. Census Bureau, American Community Survey. 2015; Texas Department of Family and Protective Services; BCG Childcare Survey, July 2017.
21. BCG drew upon data from: U.S. Census Bureau, American Community Survey. 2015; Texas Department of Family and Protective Services; BCG Childcare Survey, July 2017.
22. Texas Workforce Commission, "Dallas County Parent Share of Cost." 2016.
23. BCG drew upon data from: Workforce Solutions Greater Dallas; U.S. Census Bureau, American Community Survey. 2015.
24. BCG drew upon data from: 2017 Texas Child Care Market Rate Survey, Texas Workforce Commission, "Dallas County Parent Share of Cost." 2016.
25. BCG drew upon data from the 2017 Texas Child Care Market Rate Survey.
26. BCG drew upon data from: 2017 Texas Child Care Market Rate Survey, Texas Workforce Commission, "Dallas County Parent Share of Cost." 2016.
27. Statistical Atlas, "Household Income in Dallas County, Texas." 2015.
28. BCG drew upon data from: Workforce Solutions Greater Dallas; BCG Childcare Provider Survey, July 2017.
29. BCG drew upon data from: Workforce Solutions Greater Dallas; BCG Childcare Provider Survey, July 2017.
30. United States Department of Labor, "May 2016 State Occupational Employment and Wage Estimates Texas." 2016.
31. J.P. Morgan Chase & Co., "Strengthening Dallas-Fort Worth." 2015.
32. United States Department of Labor, "May 2016 State Occupational Employment and Wage Estimates Texas." 2016.
33. Baker, Michael et al., "Universal Childcare, Maternal Labor Supply, and Family Well-Being." *Journal of Political Economy*, University of Chicago Press, vol. 116(4), pages 709-745. 2008.
34. Economic Policy Institute, "It's Time for an Ambitious National Investment in America's Children." 2016.
35. Matsui, Kathy, "'Womonomics' Continues as a Work in Progress." *The Japan Times*, 16 May 2016.
36. OECD, "Labor Force Status by Sex and Age Indicators." Bureau of Labor Statistics, 2017.
37. Blau, Francine D. and Kahn, Lawrence M., "Female Labor Supply: Why is the U.S. Falling Behind?" January 2013.
38. OECD, "Labor Force Status by Sex and Age Indicators." Bureau of Labor Statistics, 2017.
39. Workman, Simon and Ullrich, Rebecca, "Quality 101: Identifying the Core Components of a High-Quality Early Childhood Program." Center for American Progress, 2012.
40. Campbell, Frances et al., "Adult Outcomes as a Function of an Early Childhood Educational Program: An Abecedarian Project Follow-up." *Development Psychology*, 2012.
41. White House, "The Economics of Early Childhood Investments." 2014.
42. Campbell, Frances et al., "Adult Outcomes as a Function of an Early Childhood Educational Program." *Development Psychology*, 2012.

BCG

THE BOSTON CONSULTING GROUP

earlymattersdallas

A Historic Coalition on Early Education