

MAKE

WORK

WORK

Strengthening Missouri  
through Quality Child Care  
for Working Families



Clark-Fox  
Policy Institute

BROWN SCHOOL AT WASHINGTON UNIVERSITY

“

*I have three kids, two of them are not old enough for public school so we'd still have to pay childcare for two kids. Childcare for one child is about 100-250 dollars a week and so for two of them then that's 300 dollars or so a week...and that's just, that's not something that is feasible with a minimum wage job. That would be an entire paycheck and then some at a minimum wage job.*

**Married mother, three children**

Springfield, MO

Courtesy Wilson Vance



*Dear Friends,*

*Missouri is home to many hard working families who are struggling to make ends meet. They take pride in working and in raising their children. Unfortunately, low wages and limited access to quality child care puts an incredible strain on families across the state.*

The state of Missouri offers working parents child care subsidies that assist many. Unfortunately, the income limits on eligibility are far too low for financially struggling families to qualify. This results in structural barriers that hold families back from economic stability, disproportionately impacting single parents and families of color. Many feel they cannot participate in the workforce because they cannot access proper child care. One parent shared, “Childcare has been the biggest obstacle in moving forward in my life. I don’t have the support that I need with my kids in order to be able to do what I need to do. I could do a lot more if I had access to childcare.”

This is a common story told by working parents across the state. Improving access to affordable quality child care allows parents to enter the work force, improve Missouri’s economy, and support healthy child development and well-being.

The Clark-Fox Policy Institute is dedicated to the development and implementation of evidence-based policies that advance social justice, racial equity and improve the lives of children and the adults who care for them.

**Make Work Work: Strengthening Missouri through Quality Child Care for Working Families**

offers an in-depth analysis of the needs of working parents. In addition to offering the science and data detailing the benefits of access to quality affordable childcare, we share the stories of parents who are working and those who want to work.

The analysis leads us to three evidence-based policy recommendations:

1. Increase the minimum wage to a family sustaining wage.
2. Modify child care subsidies to ensure that parents can make a family-sustaining wage and still access quality child care.
3. Develop a system for measuring child care quality and provide supports for child care providers to improve services.

I am deeply grateful for the input of researchers, scholars, policy analysts and working parents across the state who collaborated with the Institute to develop this report.

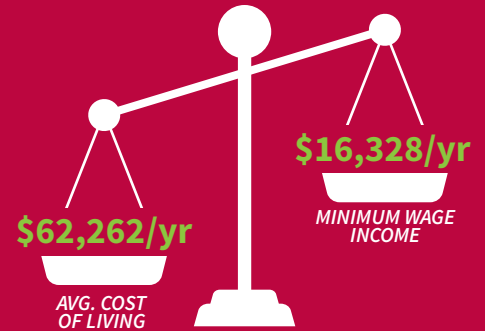
Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Parker'. The signature is fluid and cursive, with a large initial 'G' and 'P'.

Gary Parker  
Associate Dean for External Affairs  
Director, Clark-Fox Policy Institute

In Missouri today, many full-time workers struggle to support their families. Working parents with young children face special challenges: soaring costs of child-care, food, housing, and other necessities.

Missouri's current<sup>1</sup> minimum wage is \$7.85 per hour, meaning a full-time worker can expect to earn only approximately \$16,328 per year.<sup>2</sup> The average cost of living for a 2-parent, 2-child family in one of the least expensive counties in Missouri, St. Francois, is \$62,262 per year.<sup>3</sup>



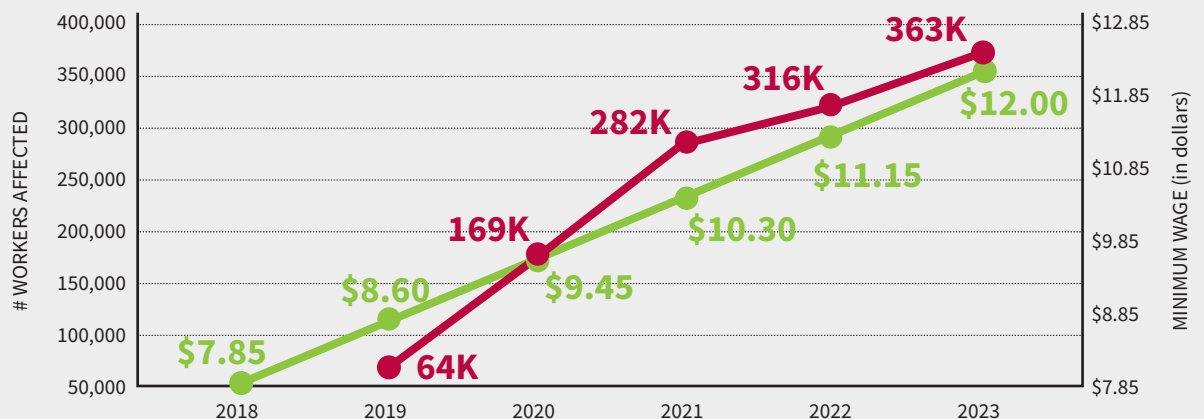
Many working Missourians count on a combination of government programs, tax-related incentives, and other supports to supplement earned income and make ends meet. Even with these supports, some working families continue to live in poverty. In 2016, 22% of working families in Missouri were considered low-income.<sup>4</sup>

Under a proposed statewide referendum, Missouri's minimum wage could increase in stages over the next several years, up to \$12 per

hour in 2023. As working Missourians' income begins to rise, many parents will become ineligible for child care subsidies. These subsidies play an important role in helping parents access quality child care that matches their income.<sup>5</sup> Without these supports, parents face difficult choices about whether their jobs are worth the necessary child care costs. For any increase in minimum wage to fully benefit working families and the economy, access to quality affordable child care is needed.

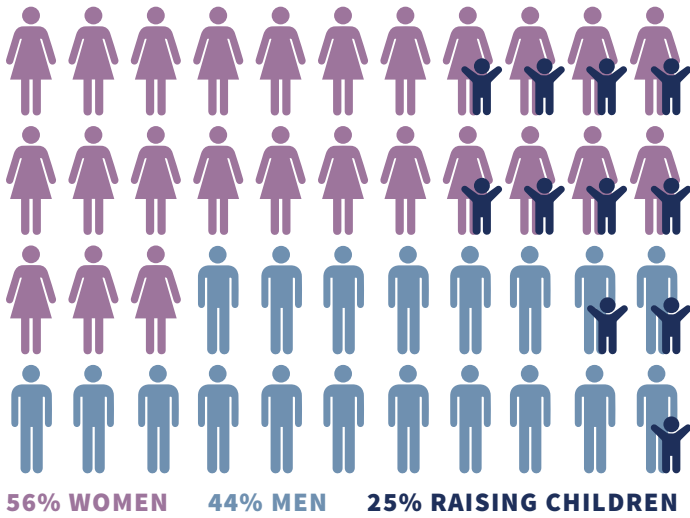
**NUMBER OF WORKING MISSOURIANS AFFECTED BY MINIMUM WAGE INCREASE (2018-2023<sup>3</sup>)**

- Wage
- Workers directly affected



44,000

**WORKING MISSOURIANS  
WILL BE AFFECTED BY  
MINIMUM WAGE INCREASE**



## Wages in Missouri

A statewide referendum is being considered in Missouri that would gradually raise the state minimum wage, currently \$7.85. The first increase would raise the minimum wage to \$8.60, with subsequent increases of \$.85 each year until 2023, when minimum wage would reach \$12 per hour. This proposal would affect approximately 44,000 working Missourians. More than 7 in 10 of these workers are women, many of whom are raising children.<sup>6</sup> In 2015, the majority (69%) of children in poverty-impacted households had at least one employed parent. Among these families, 27% were employed full-time, and 42% were employed part-time or for only part of the year.<sup>7</sup> Therefore, increasing the minimum wage has important implications for families and for Missouri’s economy.

## Cost of Living and Poverty Rates in Missouri

The cost of living in Clinton County, one of Missouri’s most expensive counties, is **\$83,515 per year**, factoring in costs for housing, food, child care, transportation, health care, other necessities, and required tax payments.<sup>8</sup> Even in one of Missouri’s least expensive areas, St. Francois County, it costs **\$62,262 per year** to support a family of four.<sup>9</sup> Two parents working full-time at minimum wage earn a combined income of only **\$32,656**.

## Experiencing poverty during childhood has deep and lasting effects

Children who grow up in families with living wages attend school more regularly, perform better on tests, and graduate from high school at higher rates.<sup>10</sup> Growing up with caregivers who earn adequate wages plays an important role in helping children develop and maintain relationships with their peers and key adults in their lives.<sup>11, 12</sup> High-quality child care also plays a positive role in children’s healthy development.<sup>13</sup> Healthy child development is closely linked to greater educational attainment, employment, and self-sufficiency during young adulthood.<sup>14, 15, 16</sup>

**2.23 million, or 37%, of the residents of Missouri live in rural areas, where the poverty rate (18.4%) is higher than in urban areas (14.4%).** Missouri youth living in rural areas are more likely to be poverty-affected than youth living in urban areas (26.9% vs. 19.5%).

U.S. Census Bureau. (2016). Small Area Income and Poverty Estimates. Retrieved from: <https://www.census.gov/data-tools/demo/saipe/saipe.html>; Health in Missouri, Biennial Report

**Nearly 1/5 (19.2%) of Missouri’s 260,867 children under 18 live in poverty.** Very young children are even more likely to experience poverty. Poverty impacts over 1/5 (22%) of the 80,199 children under the age of five in Missouri. Children living in rural areas in Missouri are at increased risk of being affected by poverty.<sup>21</sup>



“

*I'm a stay at home mom currently and I love it, but they're both getting in school come this fall. I'm like, so I'm gonna get a job and then their tuition is gonna go up, cause now we're gonna make more money. Which is like this really weird balance of "I want to work, I want to help support our family financially", but it also almost doesn't make sense. So, there's always barriers for financial stuff. Anytime you do anything with kids, you can't have a membership to everything, you can't go to everything, it's all expensive."*

Married mother, two children  
St. Louis, MO  
Courtesy SKIPNV



## Poverty Wage vs. Living Wage

Economists employ different measures to determine how much income individuals need to earn to support themselves and their families.

### POVERTY WAGE

The official U.S. poverty measure, developed in 1963, is determined by multiplying the cost of a minimum food diet (adjusted for today's prices) by three.<sup>17</sup> That number is then adjusted for family size and compared to the family's cash income; it does not, however, account for differences in the cost of living in different regions.<sup>18</sup> A bare minimum standard, the poverty wage accounts for few of the day-to-day needs of today's American families.<sup>19</sup> In 2016, 40.6 million Americans lived below the poverty threshold of \$24,339 for a two-parent, two-child family.<sup>20</sup>

VS

### LIVING WAGE

Unlike the poverty wage, the living wage model accounts for factors that negatively affect parents' ability to meet their family's needs through work. This model defines the minimum employment earnings, by state, needed to meet a family's basic needs while allowing them to remain self-sufficient.<sup>22</sup> The most widely used living wage calculator, developed by the Massachusetts Institute of Technology (MIT), accounts for basic costs such as child care and transportation that affect a person's ability to work. It also accounts for the cost of living in the state and county where a family resides. According to MIT's living wage calculator, **two Missouri adults would each need to earn \$31,387 per year (or \$15.09 per hour) to support themselves and two children.**<sup>23,24</sup>

## Child Care in Missouri: Why Wage Matters

Access to quality affordable child care is important to all working families. Parents of young children and older children with special needs need affordable child care to be able to work; however, affordable child care can be hard to come by for these families.<sup>25</sup> Affordable child care boosts the economy through employment and promotes greater self-sufficiency among families. According to the Economic Policy Institute, capping childcare costs at 10% of families' income would help expand Missouri's economy by creating over \$3 billion by introducing new economic activity and leaving families with more income to spend on other basic needs.<sup>26</sup>

The U.S. Department of Health and Human Services considers child care affordable at **7% or less of a family's income**.<sup>27</sup> The average cost of infant care in Missouri is \$9,412, **more than 50% of a full-time minimum wage salary** (\$16,328).<sup>2, 20</sup>

A single parent working full-time and earning minimum wage would be **unable to afford both the average rent (\$8,952) and infant care (\$9,412)** for one child for one year.<sup>20</sup> For a family with a 4-year-old child, the average cost of child care is \$6,604.<sup>18</sup> In combination, the cost of child care for two children (one infant and one 4-year-old child) is \$16,016, **nearly equal to a parent's annual salary** working full-time at minimum wage.<sup>18</sup>

## Cost of Child Care in Missouri

A family with two full-time minimum wage working parents and two children in child care (one infant and one 4-year-old):

Will earn + **\$32,656**

Will spend - **\$16,016** on child care (on avg)

Will spend - **\$8,952** on rent (on avg)

Leaving only **\$7,688 per year (or \$641 monthly)** for food, clothing, transportation and other necessities.<sup>20</sup>

**\$7,688** per year

**(\$641)** per month

For a single parent working full-time at minimum wage, child care would cost nearly their entire salary, leaving only **\$312 per year** for rent and other necessities.

## Affordable Childcare Strengthens Families and the Economy

The cost of child care is regularly cited as a major barrier to economic self-sufficiency for low-income families.<sup>28, 29</sup> Research consistently demonstrates the positive effects of child care generally, and subsidies in particular. A few key benefits:

- + Child care subsidies provide access to affordable and consistent child care.<sup>30,31,32,33</sup>
- + Subsidies promote employment among low-income parents by decreasing the burden of out-of-pocket child care expenses.<sup>34,35,36,37</sup>



*Single mothers who receive subsidies are more likely to be employed, and more likely to work full-time.<sup>52</sup> They are also more likely to enroll in job training programs and university or other educational programs.<sup>53</sup>*

- + High-quality, reliable child care increases job stability. It allows workers to be more productive and results in fewer days off from work and decreased employee turnover.<sup>38,39,40,41,42</sup>
- + Businesses lose \$4.4 billion annually due to lost productivity when employees' child care falls through and working families lose \$8.3 billion due to lost wages.<sup>43</sup>
- + Among families transitioning to work after participating in Temporary Assistance to Needy Families, childcare subsidies ease the transition to employment.<sup>44,45,46</sup>
- + Parents receiving child care subsidies are more likely to continue their education.<sup>47,48,49</sup>
- + Child care subsidies, along with the Earned Income Tax Credit and the Child and Dependent Care Tax Credit, are cost-effective programs that promote employment and reduce poverty among working families earning low wages.<sup>50,51</sup>

“

*For my house it was more of the safety thing, financially it saves us money of course, if you stay at home, and we wouldn't qualify for any type of assistance so it would all be cash and its actually cheaper for me to stay at home than to put all three of them in some type of daycare especially the older one.”*

Single mother, three children  
St. Louis, MO  
Courtesy SKIPNV

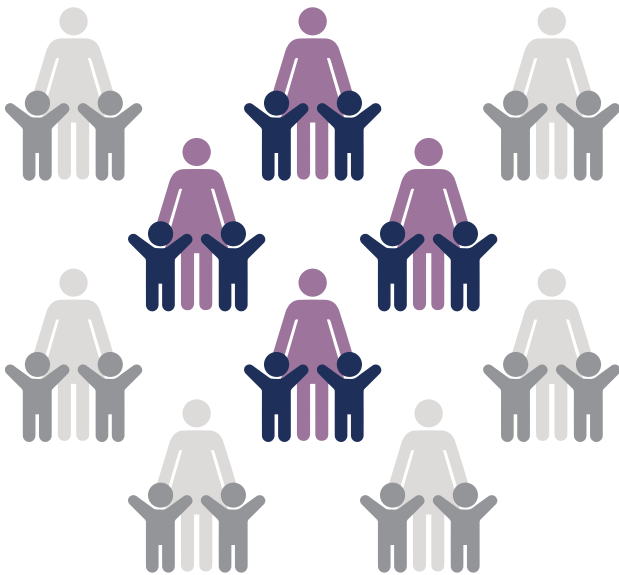


## Child Care Subsidies: Catalyst for Workforce Participation and Equity

Subsidies play a critical role in addressing stark gender and racial disparities in access to child care.<sup>54</sup> Almost 1 in 5 (1.3 million) mothers work in jobs that pay low wages.<sup>55</sup> Four in 10 mothers with young children work full-time in low-wage jobs, and nearly 1 in 3 mothers who earn low wages in their jobs are poor.<sup>56</sup> More than half of mothers with young children who are earning low wages are women of color.<sup>57,58</sup> Many of the sectors that low-income women work in, much of it service related (e.g., home health aides), is projected to account for much of the economic growth in the U.S. over the

4 in 10

**MOTHERS WITH YOUNG  
CHILDREN WORK FULL-TIME  
IN LOW-WAGE JOBS**



next 10 years.<sup>59</sup> Service related jobs often involve unpredictable work schedules, **presenting a barrier to using typical day time child care providers.**<sup>60</sup> In Missouri, child care costs 15% more during nontraditional hours than during regular hours.<sup>61,62</sup> Lack of sick and family leave compound these problems, making it difficult for mothers to go to work when their children are sick, leading to preventable lost wages, work disruptions, and productivity.<sup>63,64,65,66,67</sup>

Low-income mothers are one of the groups most likely to work in jobs with non-standard schedules. Among low-income mothers, younger mothers and mothers who have been single parents for a longer period are even more likely to hold jobs with non-standard schedules.<sup>68</sup> This is particularly important in Missouri, where **34% of children are being raised by single parents.**

Child care **subsidy programs offer a unique flexibility for parents** in selecting the child care option that best meets the family's needs. Parents can choose to use the subsidies for a variety of providers, including center-based or home-based care. (To be eligible to receive payment from the subsidy program, providers must be state-licensed or legally exempt from licensing *and* registered through the Missouri Children's Division. Parents also have the option of choosing a trusted relative or friend who meets these requirements to provide child care).<sup>70</sup> While most families use subsidies for licensed centers or home-based child care, child care subsidies allow working parents to choose a family member or a friend as their child care provider. This flexibility can help meet the needs of parents who work nights, weekends, or irregular shifts, as well as helping families work more hours.

“

*Childcare has been the biggest obstacle in moving forward in my life. I don't have the support that I need with my kids in order to be able to do what I need to do. I could do a lot more if I had access to childcare. Daycare is crazy expensive and even if you do get a subsidy it doesn't cover all of what daycares charge because state only pays part of it. If you have a job, you have to pay a sliding fee. So I still can't afford it.”*

**Single mother, two children  
Columbia, MO  
Courtesy Wilson Vance**

## Slipping off the Child Care Slope

The Urban Institute has applied the term “cliff effect” to situations in which families gain relatively small increases in income that result in the loss of multiple benefits due to income-level eligibility.<sup>71,72,73</sup>

Any family receiving benefits tied to their income level can be at risk of the cliff effect. Many of these families face the risk of losing more in benefits/supports than they are gaining in income.<sup>74</sup> Missouri’s Transitional Child Care program decreases benefits more gradually for families *who are already receiving subsidies*. Should family income increase and exceed the limits of the Child Care Subsidy Program, Missouri’s Transitional Child Care program will temporarily pay for a portion of childcare costs. This program plays a central role in preventing families from “falling off a child care cliff”. However, if Missouri does not make changes to the current guidelines, families will instead “slip down a slope” gradually losing eligibility for child care subsidies. Missouri should ensure that the levels and availability of child care subsidies (and transitional funding), as well as child care reimbursement rates, are set at levels that allow Missouri parents to obtain the quality child care they need in order to fully participate in the labor market, and make working pay for Missouri’s families.

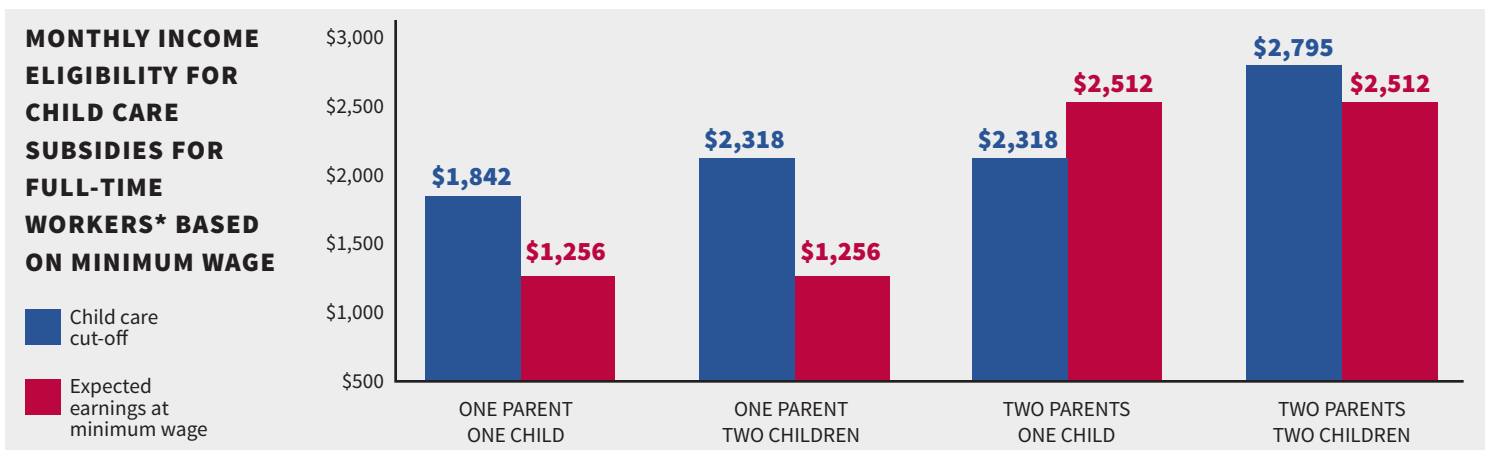
Minimum wage workers whose income increases incrementally will lose their child care subsidies even while their income is still far below the actual cost of living in Missouri. A single parent with one

child would lose their subsidy benefits when their monthly income reaches \$1,842 (\$11.51 per hour), or at \$2,318 (\$14.48 per hour) if they have two children. In a two-parent family, eligibility ends at a combined monthly income of \$2,318 for one child or \$2,795 for two children. Changes in income are monitored and subsidies are phased out when eligibility is not met. This is challenging for low-income working families whose eligibility often changes over time due to unstable work and wage fluctuation.



**CHILD CARE COSTS FOR TWO CHILDREN IN MISSOURI (AT AN AVERAGE OF \$16,016) IS EQUAL TO 98% OF ANNUAL SALARY FOR A MINIMUM WAGE FULL-TIME WORKER<sup>20</sup>**

The loss of child care subsidies can become a disincentive for formal labor force participation, serving as a deterrent to seeking jobs with higher pay and working more hours.<sup>76</sup> This has serious consequences for low-income women, especially women of color, and has long-term negative consequences for intergenerational poverty.<sup>77</sup>





## Policy Implications and Recommendations

Early childhood is a critical time of life. Children’s development, growth, and health at this stage are strong predictors of their future well-being, educational attainment, and financial independence. Investing in young children has important immediate and long-term payoffs. This means that time-limited, small investments in child well-being continue to increase in value over time.

### Make Work Worth It: Living Wages

All Missourians should be able to earn a living wage to support their families. Living wages make work worth it for families, allowing them to contribute to the state economy and reducing the need for public support. Increased wages have important long-term economic effects across multiple generations. For Missourians with children ensuring a minimum income level through adequate wages will promote a healthy and strong Missouri.

#### RECOMMENDATION 1: INCREASE THE MINIMUM WAGE TO A FAMILY-SUSTAINING WAGE.

Child care subsidies serve as a critical incentive for employment, as they make “work pay.”<sup>78</sup> Subsidies are efficient. Affordable child care lets working parents get to work. Subsidies promote greater self-sufficiency among families, and allow them to make important contributions to the economy. Combining an increased minimum wage with child care subsidies compounds the positive effects of higher wages with a decreased burden of child care costs.

Affordable child care enhances parents’ ability to work more hours, and may ultimately encourage parents earning low wages to take higher paying jobs. Without the worry of “falling off the cliff,” or “slipping down a slope”, parents are free to maximize their work and contribute more to the economy.<sup>79,80,81</sup> Addressing wages while making parallel changes to child care subsidies will help individual families—and Missouri as a whole.

“

*When my children were younger, I had to take a job in homecare field because I had to have availability to take care of my kids. My son has a behavioral disorder and I was getting calls from his school a lot for a period of time. I would have to leave work and miss out on pay. It was also creating so much tension with my job— but if I didn’t leave work to address my kids issues I’d be seen as neglecting my children.*

Single mother, two children  
St. Louis, MO  
Courtesy Wilson Vance

*Ensuring that child care subsidies continue to support families as they cross the poverty threshold wages will help families attain greater financial independence and sustain it over time, leading to decreased need for safety net services later among working parents, and ultimately, their children.*

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**RECOMMENDATION 2: MODIFY CHILD CARE SUBSIDIES TO ENSURE THAT PARENTS CAN MAKE A FAMILY-SUSTAINING WAGE AND STILL ACCESS QUALITY CHILD CARE.**

Many families in Missouri benefit from subsidies supported by the federal Child Care and Development Fund (CCDF). While there are basic federal guidelines for eligibility, states have the flexibility to establish different income limits and requirements.<sup>82</sup> To receive child care subsidies in Missouri, working families must meet income eligibility requirements and have children under age 13 (or children under age 19 with special needs). In 2017, the income limit for a family of three was only 45% of Missouri's median income.<sup>83,84</sup> Expanding Transitional Child Care funding to some families already receiving subsidies whose income goes above the limit would help working families whose income is gradually reaching a sustainable level.<sup>85</sup>

**RECOMMENDATION 3: DEVELOP A SYSTEM FOR MEASURING CHILD CARE QUALITY AND PROVIDE SUPPORTS FOR CHILD CARE PROVIDERS TO IMPROVE SERVICES.**

In fiscal year 2018, Congress appropriated \$5.226 billion to the Child Care Development Block Grant (CCDBG).<sup>86</sup> In FY18, Missouri received a total of \$150,890,984 in federal funds, \$94,838,673 of which is in discretionary spending, \$31,383,743 in federal matching grants, and \$24,668,568 in mandatory spending.<sup>87</sup>

Missouri has the opportunity to decide how to use these funds in ways that are most helpful to its citizens and economy.

First, as the CCDBG allows income eligibility rates to be adjusted to increase access to child care, we recommend that Missouri adjust eligibility to increase access to affordable childcare for more working families.

Second, we recommend that discretionary funds be used to enhance the quality of care. In 2016, the Missouri General Assembly approved legislation and funding that would allow for a quality improvement system (QIS) to be developed. In addition to the \$57,922 designated by the state, a portion of the CCDBG discretionary fund has been allocated to support quality improvement systems for childcare.

In order to ensure that an effective and sustainable rating system is developed, a transparent process that allows for genuine parent and community input should be implemented. ■

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*It wants you to get and also wants you to stay a certain amount to say 'hey you're needy' but once you step out of there even if it's just a quarter or a dollar or 50 cents over that amount they cut you off cold turkey so again it's like punishing you for doing better.”*

Grandmother, two children  
St. Louis, MO  
Courtesy SKIPNV



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## ENDNOTES

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