



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Public Hearing on Challenges of Childcare in Pennsylvania

Before the:
Pennsylvania House Children and Youth Committee

Presented by:

Alex Halper
Vice President, Government Affairs

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417 Walnut Street
Harrisburg, PA 17101-1902
717.720.5471 phone
pachamber.org

Chairwoman Bullock, Chairman Jozwiak and members of the House Children and Youth Committee, my name is Alex Halper and I am Vice President of Government Affairs for the Pennsylvania Chamber of Business and Industry. The PA Chamber is the largest, broad-based business advocacy association in Pennsylvania. We represent employers of all sizes, crossing all industry sectors throughout the Commonwealth. Thank you for the opportunity to testify today regarding childcare in Pennsylvania.

Pennsylvania employers confront a range of challenges every day beyond the usual difficulties running a business, meeting customer demand and making payroll: persistent inflationary pressures; ongoing supply chain disruptions; for many industries, lingering impacts from the pandemic and business shutdowns; and competition from other states and around the world. One challenge that seems to continue impacting employers of all sizes, regions and industries is the ability to find qualified job applicants to fill open positions.

The extent of this crisis was made clear by Pennsylvania employers well prior to the pandemic. For example, the PA Chamber used to conduct an annual economic survey of employers and would ask respondents to name the single most important issue facing their company. Over the decades, the top response to that question generally rotated among taxes, the cost of healthcare and the state of the

economy. In the 2019 survey, however, the top response, for the first time ever, was Workforce/labor shortage/lack of applicants.

Today, while recent federal Bureau of Labor Statistics data show the Commonwealth has largely recovered the 1.1 million jobs lost in March and April 2020, the labor force remains smaller than in February 2020,¹ and it took Pennsylvania six months longer than the rest of the country to return to pre-pandemic employment levels.

Numerous factors, economic forces and demographic trends are contributing to this workforce crisis. The Keystone Economic Development and Workforce Command Center, convened by former Gov. Tom Wolf, released a report² in January 2020 which identified five key barriers to employment: childcare, licensure, re-entry, training, and transportation. Additionally, an October 2022 report from the Pennsylvania Independent Fiscal Office³ cited an unusually high demand for 110,000 more workers in Pennsylvania and theorized a number of reasons why the labor market remains tight including recent and long-term demographic trends;

¹ Pananjady, Kasturi and Ravitch, Lizzy. "Pa. has finally recovered all the jobs it lost during the pandemic, but serious challenges remain." The Philadelphia Inquirer. 27 March 2023.
<https://www.inquirer.com/jobs/labor/inq2/pennsylvania-jobs-recovery-pandemic-workers-unemployment-20230327.html>

² The Keystone Economic Development and Workforce Command Center. 2020 Annual Report.

³ Pennsylvania Independent Fiscal Office. (2022). *Where Did the Workers Go?*
http://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/RB_2022_10_Worker_Shortage.pdf

individuals caring for elderly parents; accumulation of savings; early retirements; and, again, childcare. The IFO report notes that “employment in the childcare subsector contracted by 3,400 jobs (-7.0%) and childcare services have likely become considerably more expensive.”

Lack of affordable childcare is clearly a recurring theme in the context of the workforce crisis and has been since before the pandemic. The PA Chamber and U.S. Chamber issued [a joint report](#) in Feb. 2020 titled Untapped Potential: How Childcare Impacts Pennsylvania's State Economy. Among the report’s findings:

- Absences and turnover caused by childcare cost Pennsylvania employers \$2.88 billion annually
- Pennsylvania loses \$591 million annually in tax revenue annually due to childcare issues
- Childcare issues result in a nearly \$3.47 billion loss annually to Pennsylvania’s economy
- 55 percent of Pennsylvania parents reported missing work during the 4th quarter of 2019 due to childcare issues
- Nearly 10 percent of Pennsylvania parents (during the time of this report) had voluntarily left a job due to childcare issues
- 38 percent of Pennsylvania parents postponed job upskilling or reskilling training opportunities due to childcare issues

The pandemic added significant complexity to the childcare and employment landscape. On one hand, childcare became even more scarce as many facilities were forced to close. On the other hand, many parents were either working from

home or not working at all and therefore, at least for a time, did not require childcare services.

The PA Chamber was interested in learning more from employers during this period and in the Spring of 2021, we partnered with the Pennsylvania Early Learning Investment Commission and the Center for Rural Pennsylvania to [conduct a childcare-focused survey](#) of Pennsylvania employers. In March and April 2021, we conducted surveys with 284 employers, both for-profit and nonprofit, of all sizes, representing regions throughout the Commonwealth. The survey was intended to shed light on childcare and the workforce, specifically to identify how employers are meeting the childcare needs of their employees; determine how employers were responding to employee childcare needs during the pandemic and to identify areas of opportunity for employers in how to better address employee childcare needs.

Respondents generally indicated some childcare demands among their workforce though most employers had no formal process to gauge their employees' needs.

There was strong interest among employers to explore ways to help working families with childcare in order to help retain a strong workforce and reduce turnover, attract new employees and increase productivity, among other reasons. At the same time, most employers who had implemented some childcare supports during the pandemic

were planning to discontinue the benefits or were unsure if they would be maintained long-term – 44 percent were unsure if there would still be a need for additional benefits and 35 percent cited concerns over cost. Notably, 70 percent were unaware of the variety of resources available to employers to help assist with employee childcare needs.

Improving the childcare landscape is critical to addressing workforce challenges and ultimately it is the responsibility of the private sector to drive solutions. For example, the U.S. Chamber suggests a five-step plan for employers⁴: assess your working parents' needs; talk to your ops team and line managers; find out where there is flexibility in the business; implement and communicate; and track the impact.

It is not realistic to expect government to allocate the funding necessary to maintain a functional childcare system. That said, the PA Chamber has promoted among its members the legislature's work last session to create a state childcare tax credit to complement the federal program and hopefully make childcare more affordable and help parents maintain or transition back into employment.

Other states are pursuing novel approaches as well. Michigan, for example, has

⁴ U.S. Chamber of Commerce Foundation. (2022) *Employer Roadmap: Childcare Solutions for Working Parents*. https://www.uschamber.com/assets/documents/Employer-Roadmap_March-2022.pdf

established what it calls the Tri-Share program, in which the cost of child care is shared equally by an eligible employee, their employer and the State of Michigan, with coordination provided regionally by a facilitator hub. Similarly, Kentucky's General Assembly last session created the Employee Child Care Assistance Partnership, in which employers can partner with the state to provide financial assistance to employees struggling with the cost of childcare.

Funding is critical and employers with the ability must lead in emphasizing employee benefits, and potentially childcare support, as internal budget priorities. Lawmakers can support the business community by embracing a legislative agenda that helps employers reduce costs in other areas. We further urge lawmakers to work with the childcare industry to identify and mitigate administrative and regulatory cost-drivers.

Thanks again for the opportunity to testify. I am happy to answer any questions.