



Addressing the Childcare Workforce Shortage

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OVERVIEW

Even before the COVID-19 pandemic, the U.S. childcare system had been characterized as a “classic market failure.” This was a result of the increased demand for childcare far exceeding the supply of childcare providers and workers. Additionally, the childcare sector has struggled to provide high-quality childcare while also being within affordable range to what most families can pay. This inability for childcare providers to bridge the gap between quality-care and affordability, has left the sector to operate within approximately a [1% profit margin](#), making it difficult for childcare providers to adequately pay childcare workers, and to maintain a sufficient supply of workers. This has left many childcare workers to leave the sector all-together and pursue higher wage jobs.

For many families, and in particular, financially vulnerable families, the cost of childcare has become unaffordable, leaving [2.7 million](#) parents to change jobs due to the limited access and high costs associated with childcare. In a recent report published by the [U.S. Department of Labor](#), U.S. families spend between 8.9% and 16% of their median income on full-day care for one child, with annual pricing ranging from \$6,552 - \$15,600 in 2022. In Delaware, the average yearly price is 20% of median family income, or \$13,000 per year per child (Office of Early Learning Advisory Committee Report 2023).

To revitalize the childcare sector and to retain the loss of childcare workers to other industries, Kentucky expanded their childcare subsidy program to include all staff who work at least 20 hours per week in a licensed early care and education program. This allowed childcare workers, regardless of household income, to become automatically eligible for free childcare for their kids. One year since Kentucky’s program was implemented, 3,200 parents employed in childcare and 5,600 children benefited from the program. In effect, Kentucky’s program aims at retaining childcare workers which would offset the current imbalance between the increasing demand for childcare and the limited supply of childcare workers.

Kentucky’s [Childcare Assistance Program](#) (CCAP) has drawn the attention of a dozen states (including [Arizona](#), [Colorado](#), [Indiana](#), [Iowa](#), [Massachusetts](#), [Nebraska](#), [Rhode Island](#)), with some making changes to their own CCAPs and others launching their own pilot programs. On a national level, the [Center for the Study of Childcare Employment](#), estimates based on 2021 data that 234,300 workers with children who work at least 20 hours a week in a childcare program could benefit from similar programs. Delaware currently employs 10,000 childcare workers, but that number is likely to decrease considering the declining enrollment in early education degrees, and the poor compensation and lack of benefits that childcare workers receive. To retain more childcare workers back into Delaware’s childcare sector, Delaware legislators could consider granting free or subsidize childcare services for childcare and early education employees.

ADVANTAGES OF SUBSIDIZING CHILDCARE FOR CHILDCARE WORKERS

Addresses labor shortages. Delaware currently employs 10,000 childcare workers, but that number is likely to decrease considering the declining enrollment in early education degrees, and the poor compensation and lack of benefits that childcare workers receive.

Incentivizes childcare workers to continue working in the childcare sector by assisting childcare workers in paying for their own children's childcare costs through issuing subsidies or offering them full benefits.

Reduces expenses for childcare workers. 13% of the childcare workforce has another paid job to supplement income. Additionally, childcare workers are paid 34.6% less than their colleagues in the K-8 system.

CHALLENGES OF SUBSIDIZING CHILDCARE FOR CHILDCARE WORKERS

Available Funding. Majority of the programs modeled after Kentucky's CCAP utilize federal and state funding. However, exclusive reliance on federal funds or overly ambitious spending on these childcare programs can prevent their enactments or halt their operations. For example, Nebraska's bill, in addressing this issue, had to change its fiscal policy three times in order to achieve support.

OTHER STATE APPROACHES

Arizona used federal pandemic funds to run a one-year [Education Workforce Scholarship program](#). The program assisted childcare workers and public-school teachers with paying for their own kids' childcare; 3,541 children benefited from the program.

Nebraska passed [LB856](#) in April 2024, granting subsidies to childcare workers with incomes up to 185% of the federal poverty level (FPL). Additionally, to address childcare deserts in

rural areas, an amendment to LB856 was added to allow, under certain conditions, for parents to care for their own children while receiving the subsidy.

Colorado passed [HB24-1223](#) in 2024, granting an employee of a childcare provider full benefits for children from 6 weeks of age to 13 years of age, regardless of employee's income. In addition, the bill simplifies application process, and directs childcare providers to be paid based on enrollment and not on attendance and be paid a weekly rate in advance.

Iowa introduced the [Childcare Assistance \(CAA\) Pilot Program](#) for the childcare workforce. Childcare workers who work at least 32 hours per week are eligible to receive subsidies regardless of income.

Rhode Island introduced the [Childcare Assistance Program for Childcare Staff](#), a pilot program that provides subsidies to childcare employees who work at least 20 hours a week. The program has since been removed from the category of "pilot" and was included the Rhode Island's fiscal 2025 budget.

CONSIDERATIONS FOR DELAWARE LEGISLATORS

Identifying the underlying issue in the childcare sector can be challenging. Whether the childcare sector owes its instability to one factor, such as labor shortages, low pay, and childcare deserts, or a combination of factors is questionable and varies based on the economic landscape of each state. Delaware legislators could consider **creating a task force** or delegate exploring this policy approach to the Delaware Office of Early Learning Advisory Committee.

Delaware legislators could also **supplement this policy approach with other policy tools to address other factors** that impede the accessibility or affordability of childcare.