CHIPS Child Care Requirement

Equitable Implementation Promotes Stable, Well-Compensated Early Childhood Jobs

The Creating Helpful Incentives to Produce Semiconductors or CHIPS Incentives Program leverages public dollars to implement a unique child care requirement. Semiconductor manufacturers that apply for more than $150 million of CHIPS direct funding must provide access to high-quality child care for facility and construction workers. This stipulation is a clear recognition that child care is an essential workforce and economic support and a signal that our current child care system has collapsed. Yet, implementation of the child care requirement remains up to semiconductor manufacturers as applicants. They may understandably be unfamiliar with the challenges and inequities posed by our present-day child care system.

An Equitable Child Care System Builds Around Existing Community-Based Assets

The early childhood workforce is made up of educated, skilled teachers who support the brain development of our youngest children and enable families to participate in our economy. Yet, their impossibly low wages—an average of $13.22 an hour—have led to our current child care shortage. We ultimately need adequate public funding that pays the true cost of their services and is accessible to families, regardless of employer, occupation, geography, or other such contingencies. In the interim, it remains important to ensure that public funds intended to incentivize child care are used to support both families and the early care and education (ECE) workforce. The CHIPS Act (2022) presents a unique opportunity for employers to support the local ECE workforce and provide their own employees with the quality child care they need.

By investing in the current child care infrastructure, applicants will contribute to building a system of stable, community-centered early care programs that address the diverse needs of their employees as working parents. In any new or expanded funding for child care, we urge the prioritization of community-based providers, like the many independent center- and home-based programs that exist in communities across the United States. Licensed home-based programs provide assets to manufacturing employees that are rarely found within investor-backed child care chains, including availability of child care during varied work schedules of parents as well as services in the same language they speak at home.

The Current Challenges of Child Care

Today's child care shortage is so dire that many parents, especially mothers, are staying home to care for their children because they either cannot find adequate care or cannot afford to pay for it. The lack of affordable child care costs U.S. business in absenteeism and reduced productivity and hampers the hiring of female employees.

At the same time, the child care system is facing its own serious shortage of educators. The ECE workforce is overwhelmingly made up of women, many of whom are women of color and immigrants. Despite their valuable contributions to child development and the economy, the chronic underfunding of this "women's work" means they are grossly underpaid, earning less than 98 percent of all other occupations in the United States.

Accountability around the quality of early childhood jobs in terms of compensation and work environments is critical. In this regard, we encourage limits on the expansion of private equity-backed and corporate child care providers that have an interest in extracting profit from the provision of a public good at the risk of worsening job quality and increasing turnover, as has been documented in other care sectors. Our recommendations from our earlier guidance in Actions to Preempt the Financialization of the ECE Sector (2021) largely still apply. Building on this and the following key recommendations, we encourage advocates to write context-specific resources for CHIPS implementation in their state, like Ohio Action for Children's white paper.

The CHIPS Workforce Development Guide (2023) recommends four models for CHIPS applicants' child care provision:

- On-site care operated by the employer;
- On-site care operated by contractors;
- Off-site care with cash assistance; and
- Off-site care with provider sponsorship.

As CHIPS applicants consider their options, we propose the following recommendations to promote equity and stability for the existing child care infrastructure in specific communities:

1. Prioritize Existing Community-Based Providers

The Workforce Development Planning Guide acknowledges that CHIPS incentives cannot be used for a "one-size-fits-all" child care solution, but can be put in practice in a way that promotes stability and equity for existing local programs and educators. We encourage the prioritization of existing community-based providers, whether contractor-operated on site, off-site care with cash assistance, or off-site care with provider sponsorship.

Supporting small businesses and community-based programs means supporting families' diverse needs and aspirations for their children. Such support will bolster the current economic and cultural assets of communities and maintain diversity in types of care and educational setting. The CHIPS Incentive Program Notice of Funding Opportunity and the Workforce Development Planning Guide emphasize that varied options will be required to meet families' needs, and home-based programs (family child care) often fit the bill. These diverse needs include availability of child care during varied work schedules of parents and programs that offer cultural and linguistic diversity that affirms the cultural background of families they serve. Many working families need nontraditional hours for child care and/or want to send their child to a local program that offers services in the same language they speak at home.

Expanded child care assistance also has the potential to promote women's economic development and equity. This is the case, only if resources are directed toward capacity-building for existing and new independently owned and operated programs (in centers or homes). Most child care today is provided by either home-based providers who are typically women of color or community-based child care centers that employ fewer than a dozen child care staff members.[1] Our concern is that these small programs will be locked out of this and other funding opportunities if they are not prioritized for employer-sponsored contracts or eligible for cash assistance to families. In order to identify and prioritize small community-based programs owned by women—and especially women of color—CHIPS applicants might consider the Small Business Administration's classifications as a useful parameter.

1 Based on unpublished CSCCE analysis of 2019 National Survey of Early Care and Education data.

2. Promote Stability and Quality of Services With Good ECE Jobs

CHIPS applicants should make sure that their child care investments are sustained in stable, quality programs by ensuring that the programs are resourced to hire, retain, and compensate appropriately. The Workforce Development Planning Guide stresses that high-quality care is associated with better compensation for providers. Research has shown that providing additional financial resources reduces turnover, and reporting from the U.S. Office of Child Care on programs' use of pandemic relief funding primarily for personnel demonstrates how funds directed to compensation can stabilize the sector. Given chronic underfunding and reliance on what parents can pay, adequate funding must be supplied to programs to provide a regionally adjusted living wage and benefits.

In the case of a CHIPS applicant providing on- or off-site contracts or cash assistance to families, they should establish a per child rate that reflects a proportional contribution to a regionally adjusted living wage and access to benefits. Since current market rates are too low and do not support the true costs of providing services, reimbursement rates will need to be higher than those currently used by the state's lead child care agency for CCDF (child care subsidy). An alternate methodology may need to be applied, using cost estimates or models that account for adequate compensation in calculating base rates for early learning and care programs. Often referred to as a "cost of quality model," this approach is a strategy that states' lead child care agencies are increasingly implementing.

The Workforce Development Planning Guide cites Wisconsin's Partner Up! initiative as an example of employer sponsorship of off-site programs. In this program, employers work with the state lead agency to purchase child care slots for their employees in a matching program where the state pays 75 percent and the employer, 25 percent. While Partner Up! did not require programs to increase wages, it did use a calculation of increased wages in the cost model that adjusted the state funding portion. For example, the average cost of care for an infant in Wisconsin at the time was $1,047/month. Partner Up! used their adjusted cost model to set the rate at slightly more than $1,800/month, a meaningful increase for many programs involved.

In the case of on-site, employer-operated programs, CHIPS applicants should ensure that their ECE employees have access to compensation packages similar to other employees.

The California-based clothing company Patagonia has offered subsidized on-site child care since 1983, and their employees in the child care program have access to the same benefits as other employees of the company.

3) Engage Community Stakeholders to Understand Impact on Existing Child Care Supply

The guidelines encourage applicants to "work with community stakeholders, including state and local governments and local groups with expertise administering child care, to create effective solutions." We strongly encourage the engagement of local providers, child care advocates, and parents in order to gauge the impact of employer-sponsored child care on the surrounding child care infrastructure and to understand any existing gaps in child care supply. In addition, applicants should engage providers on how to best utilize the CHIPS child care incentive to support existing community-based providers and parents with diverse needs and preferences.

As noted in the guidelines, providing vouchers or cash assistance to employees may drive supply issues in the local community: "As a result, large scale projects may need to pair vouchers with steps that directly influence the supply of child care." This strategy, if pursued, should be implemented by engaging local community stakeholders. For this reason, we highly recommend off-site provider sponsorship. As noted in the Planning Guide, provider sponsorship can support existing community-based programs and increase local supply by contracting additional slots, embodying the notion of a corporate "good neighbor."

Key Items for Consideration in CHIPS Implementation

Opportunism by corporate child care entities threatens to undermine the equitable benefits that should be secured from public financing. One of the largest corporate providers has already placed sponsored ads to position itself as a CHIPS applicant child care provider. Smaller community-based providers may not have the resources or bandwidth to compete. Without intentional community engagement, they may not be considered by CHIPS applicants.

Most corporate enterprises providing child care are privately held (only Bright Horizons is a publicly traded company), so their profits, executive compensation, and workforce expenditures are not public information. Available data does not allow us to generate center-level estimates for how much educators are paid. However, we know from 2019 National Survey of Early Care and Education data that early educators working in for-profit care chains reported median wages lower than those of early educators in publicly funded centers.[2] Such findings raise several questions. Who profits—and to what extent—from the delivery of child care? What are the ethical dimensions of public financing that directly or indirectly supports entities that create inequitable profit distribution across an already undervalued sector?

2 Educators who work in for-profit chain centers reported a median wage of $13.68, while those in public programs reported a median wage of $25.60, according to unpublished CSCCE analysis of National Survey of Early Care and Education data (2019).

Additionally, large corporations and investor-backed companies are known to hamper unionization of their workforce.[3] Yet, the CHIPS Act refers to collaboration with labor unions representing the manufacturing jobs.[4] Support for union choice and collaboration with entities representing the ECE workforce should be extended to the early educators who are working in the programs that CHIPS applicants sponsor.

In the case of on-site programs (employer operated in partnership with a corporate provider or contracted child care), we urge the adoption of contract requirements that promote equity, transparency, and accountability. Consider advocating for some of the parameters outlined in our earlier piece, Actions to Preempt the Financialization of the ECE Sector (2021).

The Limits of Employer-Sponsored Child Care Underscore the Need for Systemic Child Care Reform

While initiatives that direct companies to support child care may benefit staff of specific employers, they further underscore the need for systemic reform. Access to child care should not depend on the ability of one's employer to provide a solution or on a worker's ability to stay with a specific employer. If our solution to the child care crisis continues to be subsidization of employer-based child care in select sectors, then we risk deepening inequities based on occupational segregation and unequal distribution of resources among ECE programs. Even if a responsible CHIPS applicant implements an equitable child care component, early childhood programs need stable, adequate funding that is not contingent on the workplace of their children's parents.

In closing, it is critical—to the public trust, to the education of young children, to the support of working parents, and to the economic security of early educators—that publicly financed investments in early care and education be used to stabilize and promote equity for the ECE workforce. By promoting quality jobs for the early childhood workforce and supporting small independent programs (especially those owned and/or operated by women of color), employer-sponsored child care will contribute to a system of stable, community-centered early care programs that address the diverse needs of their employees.

3 KinderCare, one of the largest corporate providers of early care and education programs, expressly notes that unionization poses problems for its financial model in its 2021 SEC filing (KC Holdco, LLC, 2021).

4 The CHIPS and Science Act promotes collaborations, partnerships, and knowledge sharing among institutions of higher education, national laboratories, other federal agencies, industry, and associated labor unions.

References

Bassok, D., Doromal, J. B., Michie, M., & Wong, V. C. (2021, December). *The Effects of Financial Incentives on Teacher Turnover in Early Childhood Settings: Experimental Evidence from Virginia.* EdPolicyWorks at the University of Virginia. https://files.elfsightcdn.com/022b8cb9-839c-4bc2-992e-cefccb8e877e/6de6fd54-e921-4c88-a452-ad7cabccc362.pdf

Center for the Study of Child Care Employment (CSCCE). (2021, August 31). *Action to Preempt the Financialization of the Early Childhood Sector*. Center for the Study of Child Care Employment, University of California, Berkeley. https://cscce.berkeley.edu/publications/brief/action-to-preempt-the-financialization-of-the-early-childhood-sector/

Center for the Study of Child Care Employment (CSCCE). (2023, March 13). *Child Care Center Jobs: BLS Analysis*. Center for the Study of Child Care Employment, University of California, Berkeley. https://cscce.berkeley.edu/publications/brief/child-care-sector-jobs-bls-analysis/

CHIPS and Science Act of 2022. Pub L. No. 117-167. (2022). https://www.congress.gov/bill/117th-congress/house-bill/4346

Coffey, M. (2023). *States Can Improve Child Care Assistance Programs Through Cost Modeling*. Center for American Progress. https://www.americanprogress.org/article/states-can-improve-child-care-assistance-programs-through-cost-modeling/

Gould, E., & Blair, H. (2020, January 15). *Who's Paying Now? The Explicit and Implicit Costs of the Current Early Care and Education System*. Center for the Study of Child Care Employment, University of California, Berkeley. https://cscce.berkeley.edu/publications/report/whos-paying-now-the-explicit-and-implicit-costs-of-the-current-early-care-and-education-system/

KC Holdco, LLC. (2021). *United States Securities and Exchange Commission form S-1 Registration Statement*. https://www.sec.gov/Archives/edgar/data/1873529/000119312521301187/d163371ds1.htm#rom163371_6

Karolak, E., & Salamone Testa, M. (2023). *CHIPS and Child Care in America's Silicon Heartland*. Action for Children-Ohio. https://www.actionforchildren.org/wp-content/uploads/2023/04/CHIPS-White-Paper-April-2023_FINAL.pdf?fbclid=IwAR3dOwQQXnyaVPa5_TiIm4NLO2RmziFJyLEvwWPllksPNaAMKEyS37cg6mk

McLean, C., Austin, L.J.E., Whitebook, M., & Olson, K.L. (2021). Compensation & Financial Relief. In C. McLean, L.J.E. Austin, M. Whitebook, & K.L. Olson (Eds.), *Early Childhood Workforce Index 2020*. Center for the Study of Child Care Employment, University of California, Berkeley. https://cscce.berkeley.edu/workforce-index-2020/state-policies-to-improve-early-childhood-educator-jobs/early-childhood-educator-workforce-policies/compensation-financial-relief/

National Institute of Standards and Technology. (2023a). *CHIPS Incentives Program — Commercial Fabrication Facilities: Notice of Funding Opportunity (NOFO)*. CHIPS for America. https://www.nist.gov/system/files/documents/2023/02/28/CHIPS-Commercial_Fabrication_Facilities_NOFO_0.pdf

National Institute of Standards and Technology. (2023b). *Workforce Development Planning Guide: Guidance for CHIPS Incentives Applicants*. CHIPS for America. https://www.nist.gov/system/files/documents/2023/03/30/CHIPS%20Workforce%20Development%20Planning%20Guide%20%281%29.pdf

Office of Child Care, Administration for Children and Families. (n.d.). *ARP Child Care Stabilization Funding State and Territory Fact Sheets*. https://www.acf.hhs.gov/occ/map/arp-act-stabilization-funding-state-territory-fact-sheets

Patagonia. (n.d.). *Family Business & Innovative On-Site Child Care*. Patagonia. https://www.patagonia.com/family-business/

ReadyNation & Council for a Strong America. (2023). *$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis*. https://strongnation.s3.amazonaws.com/documents/1598/05d917e2-9618-4648-a0ee-1b35d17e2a4d.pdf?1674854626&inline;%20filename=%22%24122%20Billion:%20The%20Growing,%20Annual%20Cost%20of%20the%20Infant-Toddler%20Child%20Care%20Crisis.pdf%22

United States Government Accountability Office. (2023). *Nursing Homes CMS Should Make Ownership Information More Transparent for Consumers*. https://www.gao.gov/assets/gao-23-104813.pdf

Wisconsin Department of Children and Families. (2023). *Partner Up! Grant Program*. Wisconsin Department of Children and Families. https://dcf.wisconsin.gov/childcare/projectgrowth/partner-up

CHIPS Child Care Requirement
Equitable Implementation Promotes Stable, Well-Compensated Early Childhood Jobs

Suggested Citation

Center for the Study of Child Care Employment (CSCCE). (2023). *CHIPS Child Care Requirement: Equitable Implementation Promotes Stable, Well-Compensated Early Childhood Jobs*. Center for the Study of Child Care Employment, University of California, Berkeley. https://cscce.berkeley.edu/publications/brief/chips-child-care-requirement

Acknowledgements

This brief was generously supported through grants from the Heising-Simons Foundation and the Bainum Family Foundation. The views expressed in this commentary are those of the authors and do not necessarily represent collaborating organizations or funders.

Prepared by: Annie Dade, Lea J.E. Austin, and Claudia Alvarenga.

Edited by: Deborah Meacham.

About CSCCE

The Center for the Study of Child Care Employment (CSCCE) has been the national leader in early care and education workforce research and policy since 1999. CSCCE provides research and analysis on the preparation, working conditions, and compensation of the early care and education workforce. We develop policy solutions and create spaces for teaching, learning, and educator activism. Our vision is an effective public early care and education system that secures racial, gender, and economic justice for the women whose labor is the linchpin of stable, quality services.

Center for the Study of Child Care Employment
Institute for Research on Labor and Employment
University of California, Berkeley
2521 Channing Way #5555, Berkeley, CA 94720
(510) 642-2035 | cscce.berkeley.edu

CSCCE
Center for the Study of Child Care Employment