



Expensive and Inaccessible: Childcare in Sioux Falls, South Dakota

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Introduction


Significance of the Issue

In the past year, childcare in the United States has gained significant attention; however, childcare problems pre-date the pandemic. Sara Mauskopf, the CEO of Winnie, a marketplace that connects families to childcare providers, stated, “[The pandemic] increased recognition for the value of child care with employers, who realized their employees can’t perform without child care; with parents... and with our government” (Carrazana, 2021). The COVID-19 pandemic has brought the issues with childcare to light, but they do not originate with the pandemic. The childcare system has had problems for decades and is demonstrably broken on a national level.

Childcare is too expensive for many parents to afford, which disproportionately affects poor families and families of color in the United States (Schochet, 2019). Unaffordable childcare is a challenge for working parents and their employers, as childcare issues can increase absenteeism, reduce productivity, or even force parents to drop out of the workforce entirely to care for their children; every year, these inefficiencies cost the the United States’ economy an estimated \$57 billion (Jessen-Howard, Malik, & Falgout, 2020). Childcare availability is holding parents back--especially mothers--from reentering the workforce (Minneapolis Federal Reserve, 2020). A study by the National Survey of Children's Health (2016) found that almost two million parents in 2016 alone with children under the age of five quit a job, did not take a job, or changed their job due to childcare issues. Turnover due to employees’ lack of childcare costs businesses 20% of hourly wage employees’ salaries and 150% of a manager’s, while providing childcare for workers can reduce absences by 30% and turnover by 60% (U.S. Chamber of Commerce, 2021). Almost three fourths of working parents report that their work has been affected by childcare issues in some regard (First Five Years Fund, 2021).

Childcare’s effects on the workforce are especially relevant in Sioux Falls because more than 75% of the 15,116 children under age six have all parents working, compared to the national average of 66% (U.S. Census Bureau American Community Survey 5-Year Estimates, Table DP03, 2019). Of these 11,386 children with working parents, only 9,723 childcare slots exist in Sioux Falls according to the Helpline Center and the City of Sioux Falls Health department 2021 data; close to 2,000 children do not have childcare slots available for them. Furthermore, more than 4,000 Sioux Falls parents are not in the workforce but potentially could be if they had accessible and affordable childcare for their children (U.S. Census Bureau American Community Survey 5-Year Estimates, Table B23007, 2019).

Based on 2019 data in Sioux Falls, mothers of young children are less likely to work than mothers of school aged children: half of stay-at-home mothers return to work once




their children reach school-age (U.S. Census Bureau American Community Survey 5-Year Estimates, Table S2301, 2019). Some mothers may choose to stay at home when their children are young, but some may return to the workforce if they have affordable and available childcare provided to them. Fathers' workforce participation was close to unaffected based on the age of their children, showing that clear gender roles still exist of women staying home with children, which may be potentially due to the national pay gap between men and women (U.S. Census Bureau American Community Survey 5-Year Estimates, Table B23007, 2019). Even so, hundreds of people could be working if they had affordable childcare in Sioux Falls.

However, a shortage of childcare slots makes it difficult for parents to find care. In South Dakota, 43% of residents live in a childcare desert, or a census tract with 50 or more children under the age of five that has no childcare providers or has children outnumbering childcare slots by more than three to one (Early Learner SD, 2021). A recent state-wide report found that thousands of childcare slots were lost in South Dakota due to the pandemic; however, Kids Count, a nationwide data source on children and families, reveals that a majority of these slots are in-home care slots (Ferguson, 2021; Kids Count Data Center, 2021). Conversely, childcare centers' numbers are increasing throughout the state and have been for years, which may explain some of the rising costs of childcare, as centers are normally more expensive than in-home care. The reliability of the estimated number of care slots is compromised by the use of only licensed or registered childcare providers' data, excluding many unregulated, in-home providers across the state. According to Early Learner South Dakota (2021), the majority of childcare providers in South Dakota are unregulated, totalling more than 2,000 providers.

In addition to an overall shortage of childcare slots, childcare affordability is also a challenge for parents. According to the U.S. Department of Health and Human Services (HHS) Child Care and Development Fund (CCDF) Program, parents should pay no more than 7% of their income on childcare services to be considered affordable, and many families are paying considerably more than this (2015). This study discovered that the average cost of childcare for one child birth to age five in Sioux Falls is close to \$10,000 per year, while the median annual wage for a Sioux Falls resident is around \$39,000 (U.S. Bureau of Labor Statistics, 2020). In other words, the typical worker in Sioux Falls would need to spend about one-fourth of their earnings for childcare fees, far above the 7% recommended amount.¹ Overall, childcare for a single child is unaffordable at the median wage earnings level across all occupations in Sioux Falls (U.S. Bureau of Labor Statistics, 2020).

At the same time that parents struggle to find affordable care, childcare providers operate on slim margins; fees for services rarely cover childcare providers' costs. Many childcare providers struggle to make ends meet every year due to large annual deficits. The

¹This family would not receive any state childcare assistance at their family size and income level.



extremely low wages that childcare workers are paid may be one of the only reasons providers are continuing to operate: the average salary for South Dakota childcare workers is \$21,943 per year (South Dakota Department of Labor & Regulation, 2021). Even so, the low income of childcare workers is an impediment to recruitment and retention and thus to combating childcare deserts.

At the national level, lawmakers have recognized that the current childcare system is ineffective. Congress is debating a trillion dollar bill to help improve childcare by introducing universal preschool, increasing funding for affordable childcare, and offering paid family leave. However, the outcome of this debate remains uncertain, as do its implications for Sioux Falls families. In the meantime, local businesses and policymakers face a challenge in confronting childcare availability. This report provides local data about childcare availability and workforce impacts in order to inform local decision making.

Goals of This Study

Childcare deserts have been documented at a statewide level, and workforce implications have been measured nationally, but the existence or extent of local childcare gaps has yet to be demonstrated at a local level in Sioux Falls, South Dakota. In conjunction with the Sioux Falls Childcare Collaborative (which is facilitated by Sioux Falls Thrive) and the Beacom Research Fellows Program at Augustana University, this study set out to research childcare locally by distributing two surveys: one to state-licensed childcare centers and a second to local employers to understand each of their perspectives. Recognizing the specific childcare problems at a local level will help to measure the extent of any gaps and understand how to close them in order to support Sioux Falls families.

Executive Summary / Key Findings

In Sioux Falls, childcare is in a double bind because childcare is too expensive for parents, but providers are not making enough money from parent fees for financial sustainability. Employers are feeling the effects--even more so since the beginning of the COVID-19 pandemic. The system as it currently exists is failing to meet the needs of families and employers.

1. Sioux Falls has a shortage of childcare slots.

- More than 75% of children under age six in Sioux Falls have all of their parents in the labor force, compared to 66% nationally.
- There are not enough childcare spots in Sioux Falls: close to 1,000 families are on waiting lists for Sioux Falls childcare centers (see waiting lists).
- According to the survey results, the biggest barrier to amending this gap is staffing issues because this is the biggest barrier to adding childcare spots

(75% of childcare providers rank hiring/retaining staff as their number one or number two barrier to enrolling more children).

2. Childcare in Sioux Falls is unaffordable for many working parents, and employers feel the squeeze.

- The average cost of childcare in Sioux Falls amounts to almost \$10,000 a year for one child, which for most workers is far above the recommended threshold for affordable childcare (7% or less of a family's income). By comparison, 7% of the Sioux Falls median wage is about \$2,700 a year--a gap of \$7,300 between what the typical parent can afford and the market rate for childcare.
- The average worker in Sioux Falls, who brings home roughly \$39,000 a year, cannot afford childcare, which at \$10,000 per child amounts to about one-fourth of their earnings.²
- Cost is the number one barrier for employees when finding childcare: 68% of employers rank it as being heard somewhat or very frequently from employees.
- A total of 12 Sioux Falls employers--representing 8,680 employees--reported that, after COVID-19, accessing childcare has become moderately or highly challenging.
- Even before the pandemic, large employers were already seeing childcare challenges; as a result, they saw less of a difference in childcare challenges for their employees after the pandemic occurred, while most small employers did not notice this effect. Large employers generally were more aware of childcare issues than small employers were.
- As of 2016, only 2% of employers across all industries in South Dakota offered some type of childcare benefits to their employees; this is the least common benefit out of any recorded by the South Dakota Department of Labor & Regulation in 2016. Childcare assistance is yet to be a top priority for employers.

3. Sioux Falls childcare providers operate on slim margins, so outside support may be necessary to increase affordability.

- Providers cannot cut costs any further: most centers run a deficit, and they struggle to meet staffing needs as is.
- Survey results find that the largest expense that providers have is staffing, yet childcare workers only make around \$22,000 a year in South Dakota (South Dakota Department of Labor & Regulation, 2021).

² For simplicity and comparability, a single earner's income is compared to the cost of having a single child in childcare. Many families in Sioux Falls have two earners and multiple children in childcare. State childcare assistance is available to very low income families, but at this income level (\$39,000), a family with one child in childcare would not qualify for assistance. Additional detail is provided in the discussion.

Methods / Approach to the Problem

Survey of Providers

A survey of providers was sent out to 52 state-licensed childcare centers and 67 individual sites in Sioux Falls, South Dakota, including both for-profit and nonprofit providers. This survey was in the field for one month from 5/25/2021 to 6/25/2021. Contact lists from these childcare providers were received from the publicly available 211 Helpline Center childcare database list. The purpose of the survey was to measure provider capacity, enrollment, affordability, and financial sustainability, as well as to collect providers' perceptions of barriers to increasing the availability and affordability of childcare.

One of the goals of this survey was to ascertain the extent to which fees charged for childcare services cover the actual cost to childcare providers and make an estimate of that financial gap, if one exists. The financial gap for Sioux Falls providers was calculated by asking providers whether fees for services cover their annual expenses, and if not, what their annual deficits are. This information was contextualized by a review of childcare providers' capacity, enrollment, and daily attendance to discern whether providers had the capacity to increase enrollment (and fee revenue) given current licensing. Hours of operation and hours of care provided per child were examined to see whether there was a difference between the two that might also indicate capacity to increase enrollment and fee revenue. Also, providers were asked about their current rates per child, if they had children unable to enroll or leave childcare because of cost (and how many), and their number of part- and full-time staff to understand providers' financial information and affordability. The amount of full-time care--defined as a child attending childcare 40 hours per week--was collected per provider. A few providers offer scholarships or discounted rates for families with lower income; when calculating overall affordability of rates, these discounted rates were excluded in order to determine the average market rate and unassisted cost of center-based childcare in Sioux Falls.

Providers were asked about their waiting lists to understand the local demand for childcare. In addition, data was collected about obstacles childcare providers face when they wish to expand their services. The survey offered a list of potential barriers for providers to rank from one to six--one being the most important and six being the least important--to enrolling more children. The options included operating at full capacity, inability to hire and/or retain personnel, not enough children wanting to enroll, location or lack of demand for services in the area, cost of services exceeding families' ability to pay, and "other". If there were other barriers not listed, childcare providers could rank and describe them, and if barriers were different depending on age group, they could also explain this. See **Appendix A** for the childcare provider survey questions.

Survey of HR Representatives

A second survey was sent out to Human Resource (HR) representatives of Sioux Falls employers. This survey was in the field for one month from 5/25/2021 to 6/25/2021. The contact list of Sioux Falls employers was compiled through an internet search of a variety of large and small businesses from different industries, as this study aimed to discover the extent in which the overall business community is affected by unmet childcare needs. HR representatives were asked about the primary challenges and the degree of difficulty their employees have experienced in accessing childcare, both before and after the pandemic, to determine whether businesses only saw challenges for their employees because of the pandemic or whether there had been issues prior to it. Additionally, HR representatives were asked how frequently they believed their employees confronted certain obstacles in finding and retaining childcare services in general. Obstacles included cost, location, hours of childcare services, providers at full capacity, and concerns about the quality of care provided. Lastly, the survey asked employers what--if any--subsidies they provided to employees for childcare and whether they would consider providing a subsidy, if they do not currently. Based on the responses to these questions, a new perspective on the childcare system was gained from employers in Sioux Falls. See **Appendix B** for business survey questions.


Results

Childcare Provider Survey

Summary of Results

Overall, of the 67 state-licensed center-based childcare providers in Sioux Falls who were invited to take the survey, 40 took the time to give their perspective on childcare with this survey. The average licensed capacity for providers was about 123 children for birth to age five children, and the average daily attendance was about 103, revealing a gap of 20 children between the space that could be used for childcare but is not. Waiting lists are common: a majority of the 40 providers had waiting lists for birth to age five programs. Taken together, these waiting lists totaled 913 families seeking care. On average, childcare centers provided 33.6 hours of care per week per licensed slot, yet providers were open for 57.2 hours per week. This suggests unused capacity of more than 20 hours, about two-thirds of currently used capacity.

The largest barrier for childcare providers to enrolling more children was staffing issues, which may be due to childcare workers' low salary and the large number of part-time workers in this occupation. The second most common barrier to enrolling more children was providers already operating at full capacity.



Results of the provider survey also demonstrate the unaffordability of childcare. A majority of providers reported that, every year, they have families whose children are unable to enroll or leave the center because of its cost. Among providers surveyed, the average cost for a child from birth to age five is \$184 per week, nearly \$10,000 per year. Despite this high cost of childcare for parents, most providers reported an annual deficit that ranged from less than \$100,000 to more than \$500,000 every year. Childcare providers and parents are both struggling to get by with the current state of childcare.

Provider Data

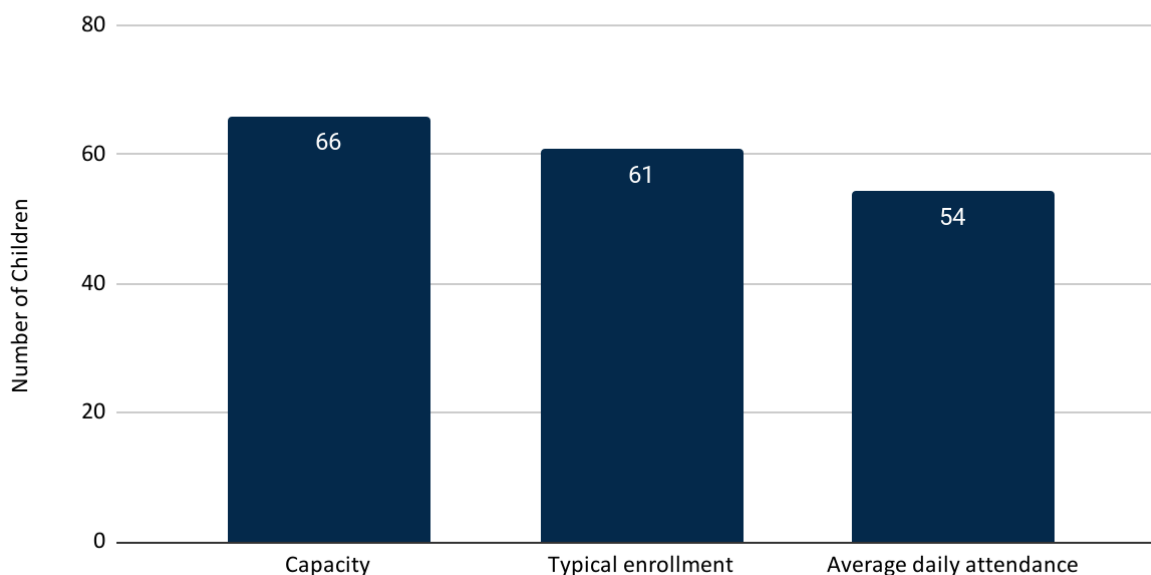
Childcare providers differ widely in their size, location, licensing, and ages of children served, among other factors. Directors of state-licensed childcare centers in Sioux Falls--including 52 childcare providers and 67 individual sites--were asked to complete the provider survey. This survey was administered to determine whether fees for services cover the actual cost for providers and calculate what the financial gap is--if there is one--along with gaining an understanding of what barriers providers face to expansion of services. In total, 40 providers responded to the survey. Each provider's data was split into two categories: infants, toddlers, and two year olds (children aged zero to two) and children aged three to five. The following results are broken down into these categories.

Capacity, Enrollment, and Daily Attendance

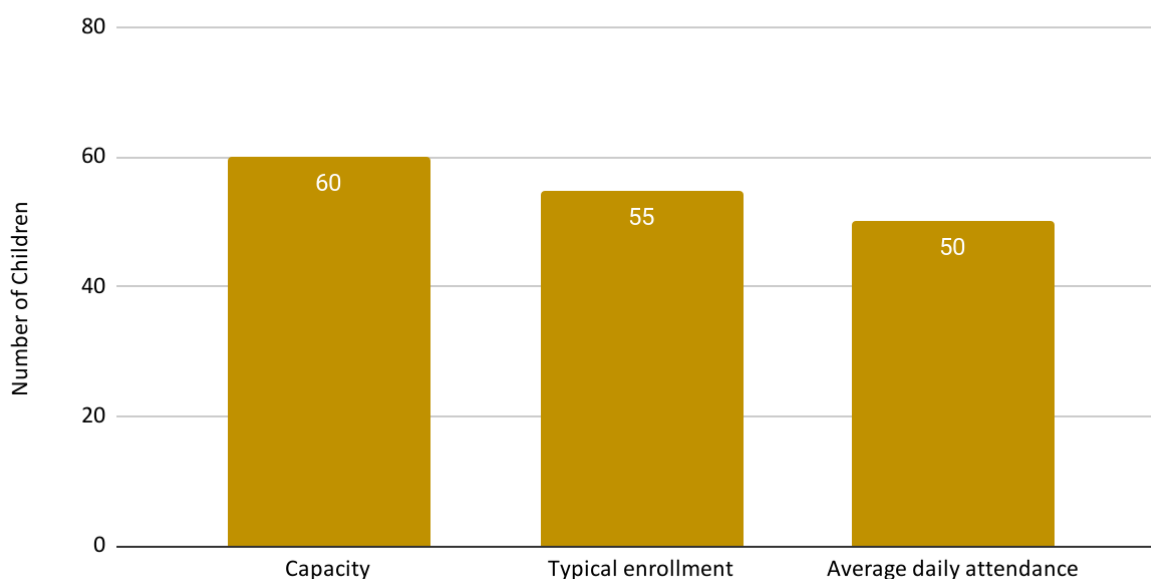
Providers reported an average licensed capacity of 66 for children aged zero to two and 60 for children aged three to five. If providers supplied services for both age groups, which a majority do, then their average overall capacity was about 123 children; this showcases the rather large nature of most centers in Sioux Falls.

Centers' typical enrollment and average daily attendance are lower than their licensed capacity. For the younger age group, centers have an average licensed capacity of 66 but typically enroll 61 and have an average daily attendance of 54, for an average daily attendance of about 82% of licensed capacity. For the older age group, centers have an average licensed capacity of 60 but typically enroll 55 and have an average daily attendance of 50, for an average daily attendance of about 83% of licensed capacity. The results for this data are shown in the following two figures.

What is the capacity, typical enrollment, and average daily attendance for children aged 0-2 at childcare providers?



What is the capacity, typical enrollment, and average daily attendance for children aged 3-5 at childcare providers?



Waiting Lists

A majority of state-licensed childcare centers in Sioux Falls do not have enough room to care for all of the families that need it. Most Sioux Falls providers reported waiting lists for both age groups, with an average of 26 children aged zero to two and 13 children aged three to five on each list.

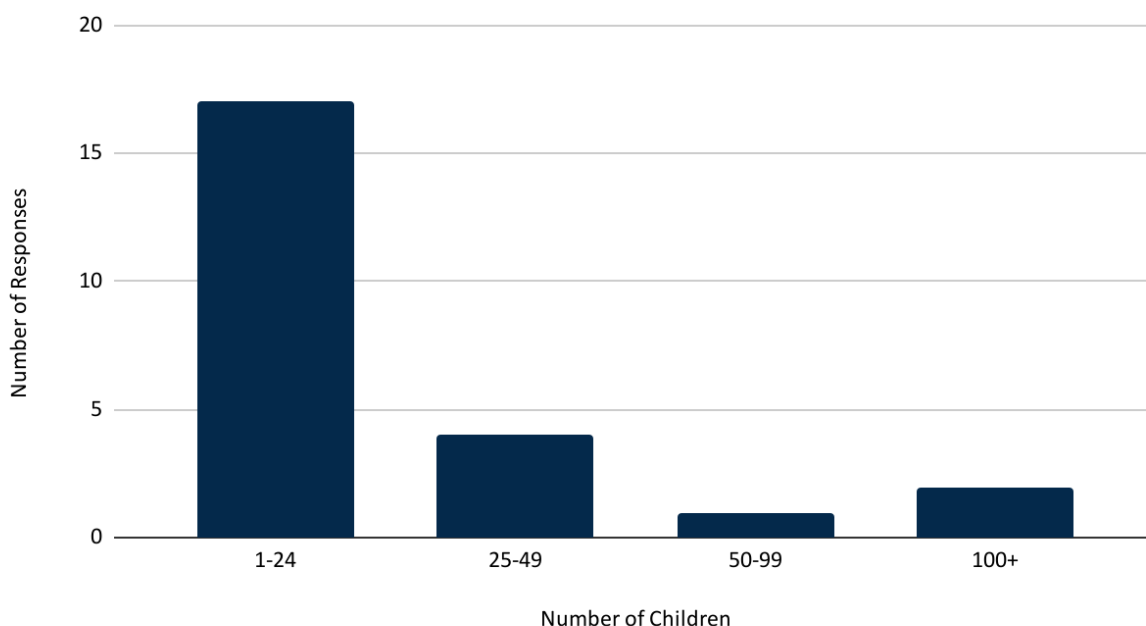
Two-thirds of childcare providers had waiting lists for children aged zero to two.

67%

of childcare providers have a waiting list for children aged 0-2

There was an average of 26 children aged zero to two on waiting lists, with the smallest waiting list having four children and the largest having 101. Overall, 625 families were on a childcare providers' waiting list for children aged zero to two in Sioux Falls. The results for the 67% of providers with waiting lists are shown below.

How many children aged 0-2 are on provider waiting lists?



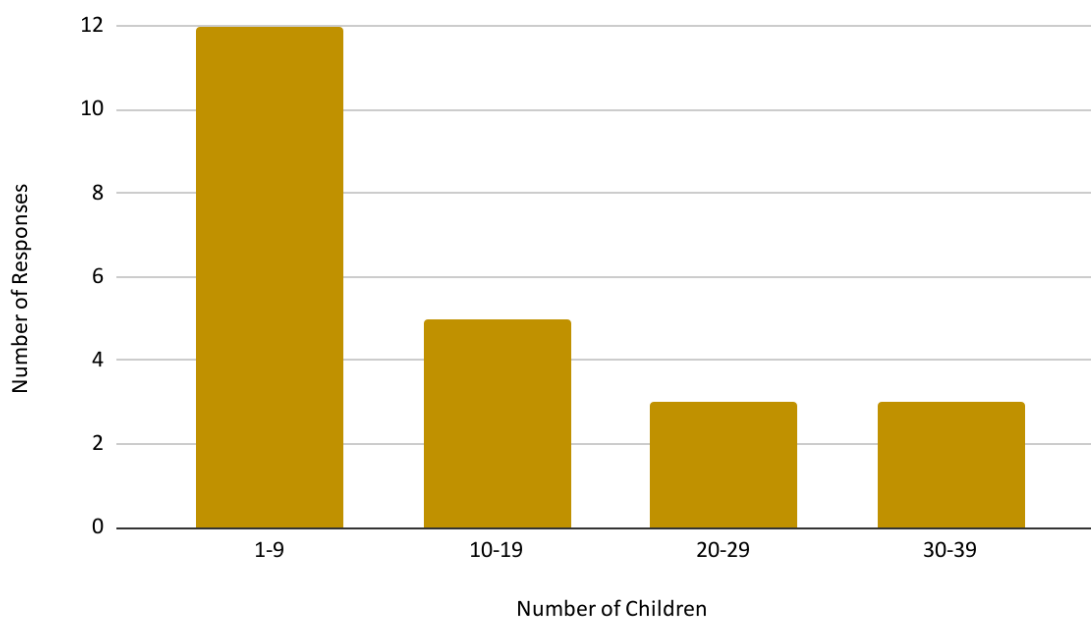
Nearly three fifths of providers also had a waiting list for children aged three to five.

58%

of childcare providers have a waiting list for children aged 3-5

Even though this number is smaller than the number of providers who had waiting lists for children aged zero to two, a majority of providers still had waiting lists for children aged three to five. There was an average of 13 children on these waiting lists, with the smallest having three children and the largest having 35. For children aged three to five in Sioux Falls, 288 families were on waiting lists for childcare providers. Results for these 58% of providers with waiting lists are shown below.

How many children aged 3-5 are on provider waiting lists?

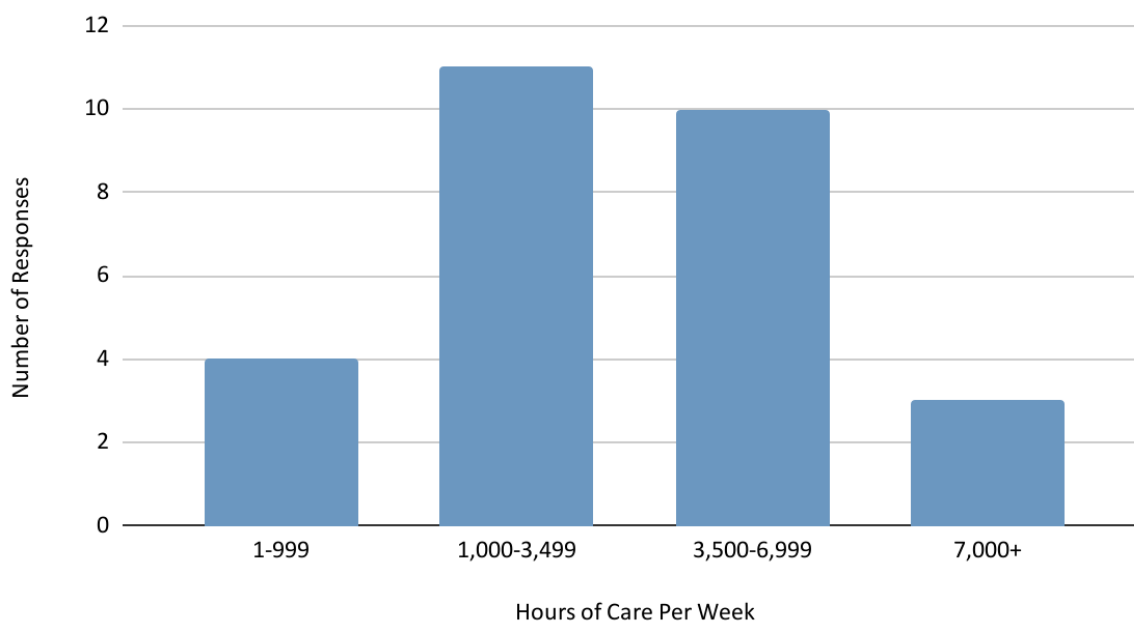


Hours of Care vs. Hours of Operation

Childcare providers were open 57.2 hours per week on average to provide care for children, with the fewest hours being 30 and the most being 63.8 per week. Centers were open anywhere from 5:30 a.m. to 6:30 p.m. Monday through Friday. No centers reported any available weekend or evening hours.

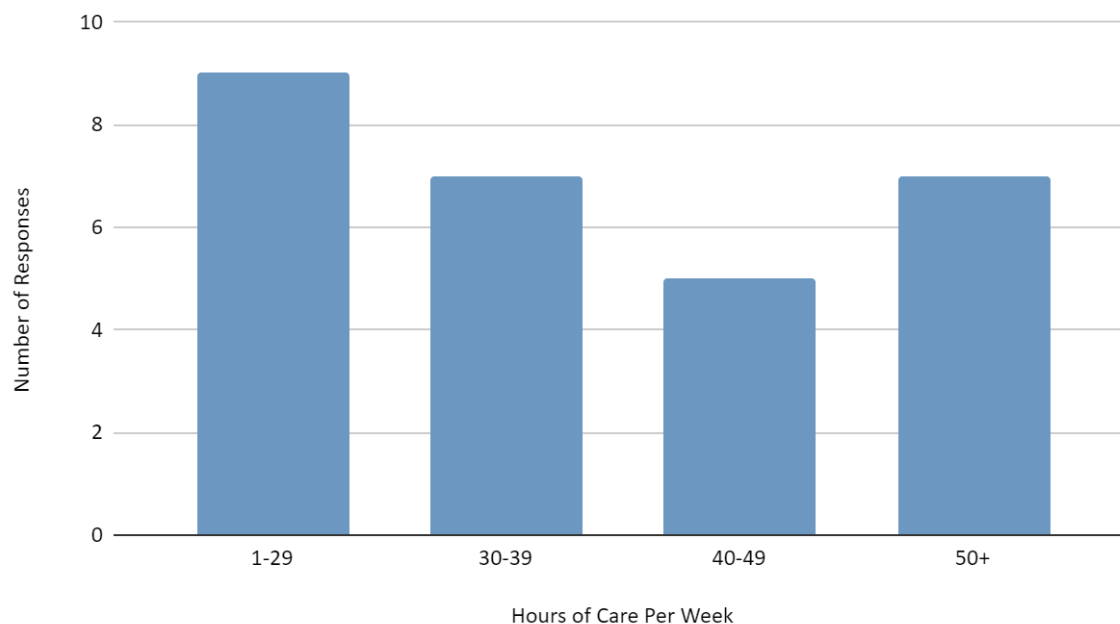
On average, childcare centers provided 3,583 hours of childcare per week, with a minimum of 150 hours of care and a maximum of 8,950 hours of care. Childcare centers provided these numbers, and they were calculated by multiplying the number of children they care for in a typical week by the number of hours they care for each of these children. For example, if a provider cared for five children who each spent 40 hours in childcare in a week, their typical hours of care per week would be 200 hours. This was asked to determine how many hours of care each child receives per week compared to the provider's total hours of operation in a week. The results for this are shown below.

How many hours of care do providers give in a typical week?



Per licensed slot, centers provided an average of 33.6 hours of care per week per licensed slot. Hours of care varied from a minimum of six to a maximum of 61.7 hours per week. The results for hours of childcare provided per week per slot are displayed below.

How many hours of childcare per week are provided per licensed slot?



Barriers to Enrolling More Children

Providers reported that the biggest barriers to enrolling more children were staffing, capacity limits, and families' ability to pay. The largest barrier by far for providers was the inability to hire and retain personnel, with 75% of providers ranking it as their number one or number two barrier to enrolling more children. The next most frequently indicated response was that providers are already operating at full capacity, with 47% ranking it number one or two. Another common obstacle providers indicated they face in enrolling more children is the cost of services exceeding families' ability to pay: 28% of respondents ranked this as the number one or number two barrier. Location or lack of demand for services in the area and not enough children wanting to enroll were least frequently ranked as providers' number one or number two barriers to increasing enrollment.

Few providers volunteered other barriers to enrollment not offered in the survey. If providers had other barriers to enrolling more children, or if barriers differed depending on the age group, they were asked to describe these in a comments section (see **Appendix C** for comments). Other barriers that providers described include cost of operations for centers who only provide care for infants, providers only offering care starting at age two, and the effect of the pandemic on enrollment. Some common barriers to enrolling more children that were different based on ages for providers were only caring for certain age groups and having unequal demand for different age groups. Outcomes for barriers to enrolling more children are shown here.

What are the biggest barriers to enrolling more children for providers?

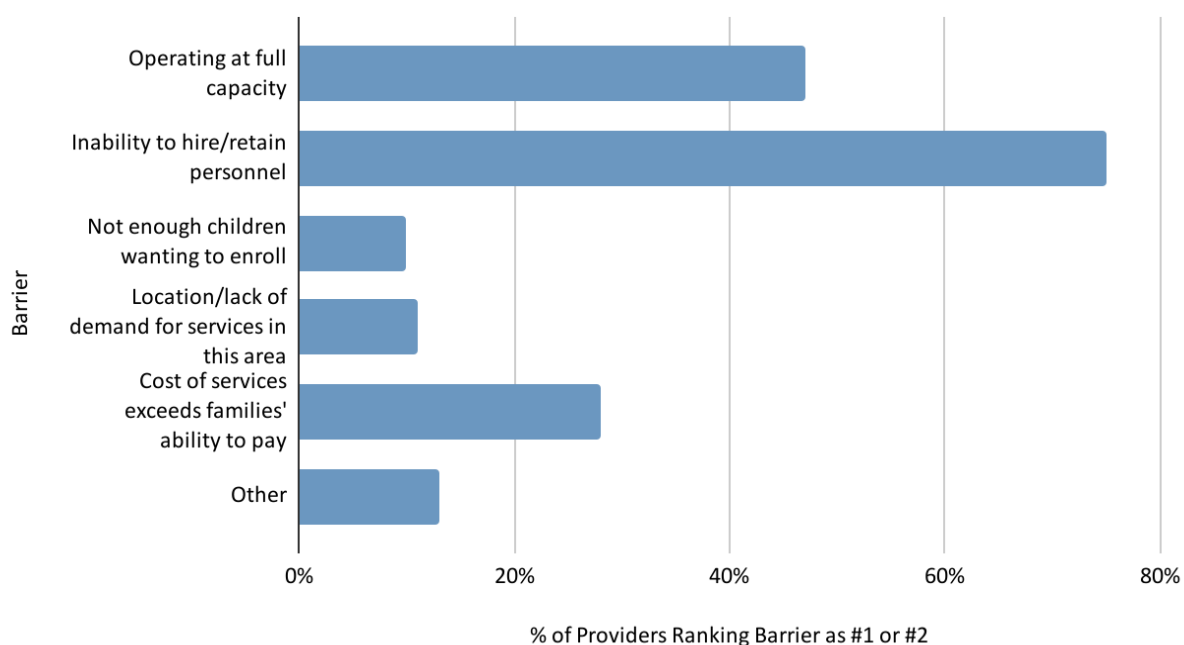


Table 1

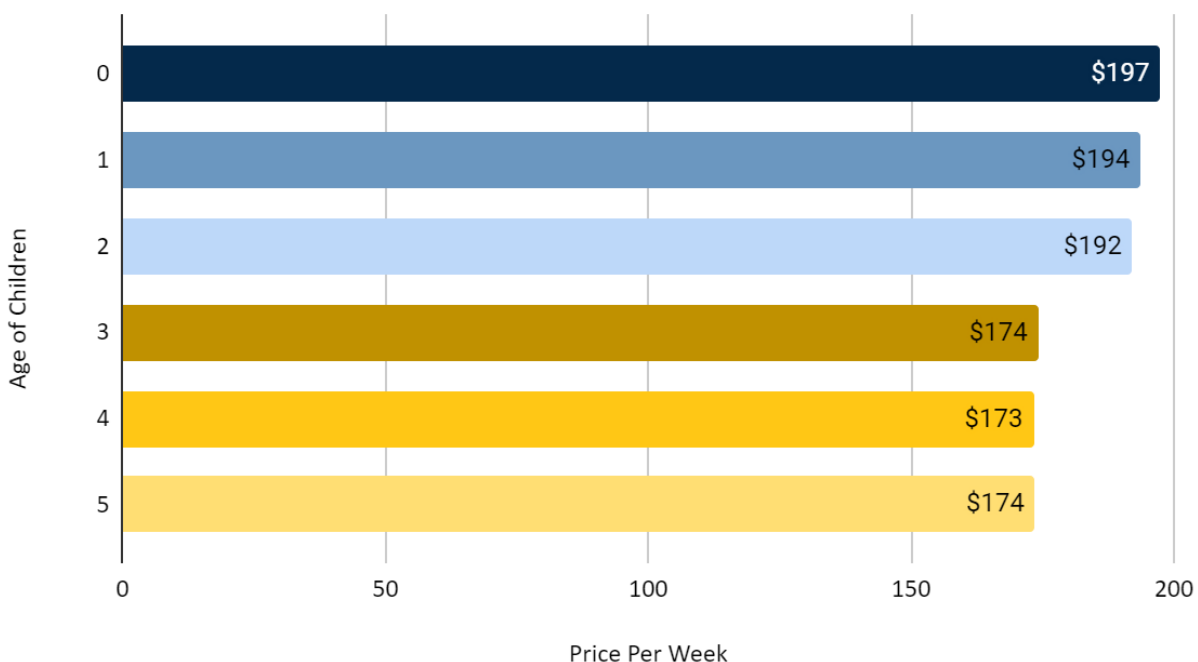
Barriers to Enrolling More Children for Childcare Providers (n = 33)

	Ranking						
<u>Barrier</u>	#1	#2	#3	#4	#5	#6	Unranked
Operating at full capacity	9	5	2	2	2	0	10
Inability to hire/retain personnel	14	10	3	1	0	0	4
Not enough kids wanting to enroll	1	2	4	4	3	2	13
Location or lack of demand for services	1	2	1	5	5	1	13
Cost exceeds families' ability to pay	4	4	7	5	2	0	7
Other	2	1	1	1	1	4	14

Cost of Childcare

Overall, it costs \$10,105 a year on average for a zero to two year old to attend childcare full time in Sioux Falls and \$9,031 for a three to five year old.³ Most providers set similar fees for children within each of these two age groups, but fees vary slightly by age even within these groups. Among the zero to two year olds, the lowest overall cost of childcare per week was \$150 and the highest was \$224 per week. The average cost per week for infants was \$197, for one year olds was \$194, and for two year olds was \$192. For three to five year olds, the lowest cost per week was \$135 and the highest was \$200. Average cost was roughly equal across ages: \$174 was the average cost for three year olds, \$173 for four year olds, and \$174 for five year olds. Results for this data are displayed in the following figure.

What is the average cost of childcare per age group per week?



³ The childcare industry typically designates these two categories of children by their cost differences based on different ratio requirements, as younger children need more supervision by staff.

Families Leaving Childcare Due to Cost

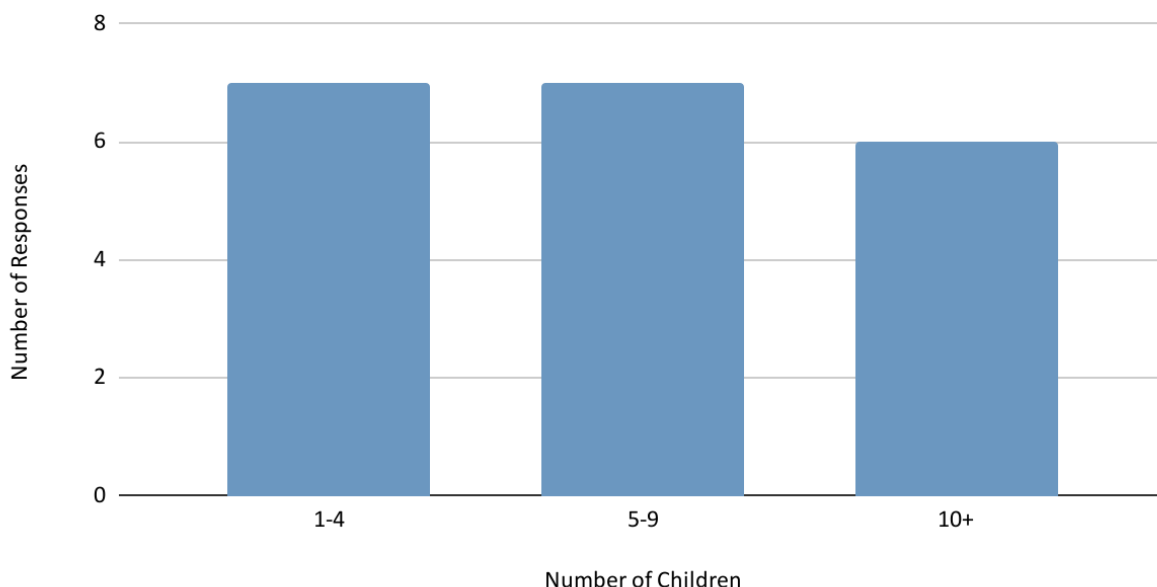
Almost two-thirds of providers reported that, in a typical year, they have children leave childcare or not enroll entirely because of an inability to pay.

63%

of providers have children unable to enroll or leave childcare because of the inability to pay

On average, providers reported six children left or could not enroll in childcare per year, with the lowest number being one and the highest number being 20. Results below describe data from the 63% of providers who reported children leaving or being unable to enroll in childcare because of the inability to pay.

How many children are unable to enroll or leave childcare because of the inability to pay?



Provider's Annual Deficits

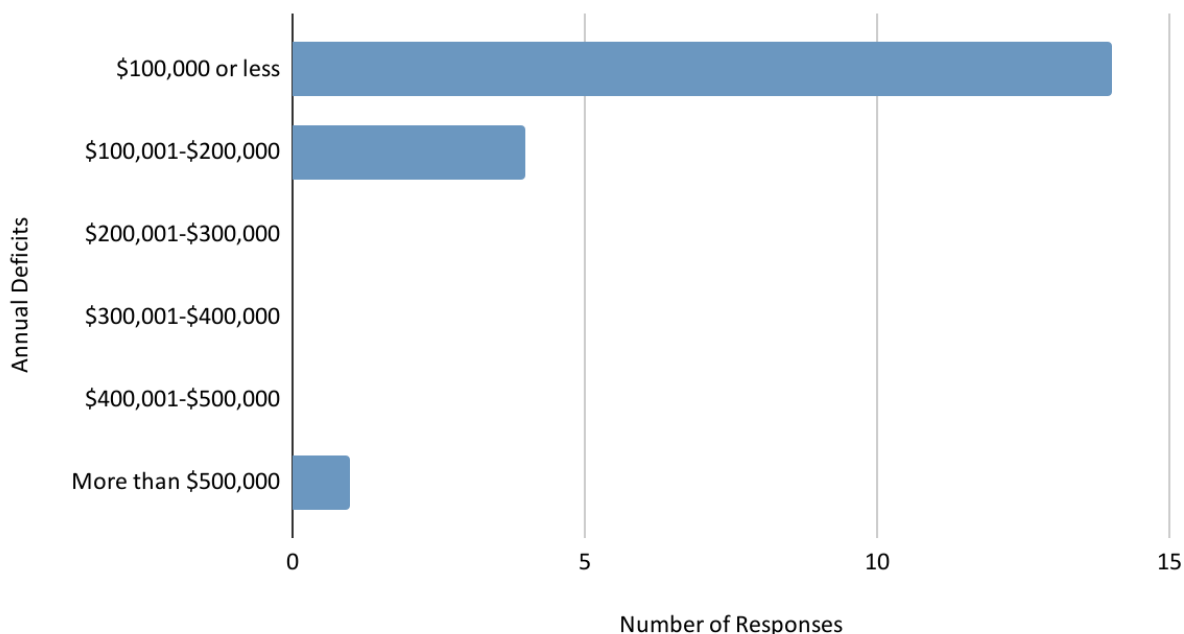
Fees for services, including parent fees and other subsidies, do not cover a majority of childcare providers in Sioux Falls' annual expenses. Close to two-thirds of the state-licensed childcare providers that were surveyed reported annual deficits for their birth to age five program.

64%

of childcare providers have annual deficits

Most providers' deficits were under \$100,000 (74%), but 21% of providers had deficits from \$100,001 to \$200,000, and one reported an annual deficit of over \$500,000. Childcare providers who had annual deficits and listed the amount are shown below.

What are childcare provider's annual deficits?



Provider's Mortgage or Rent Payments

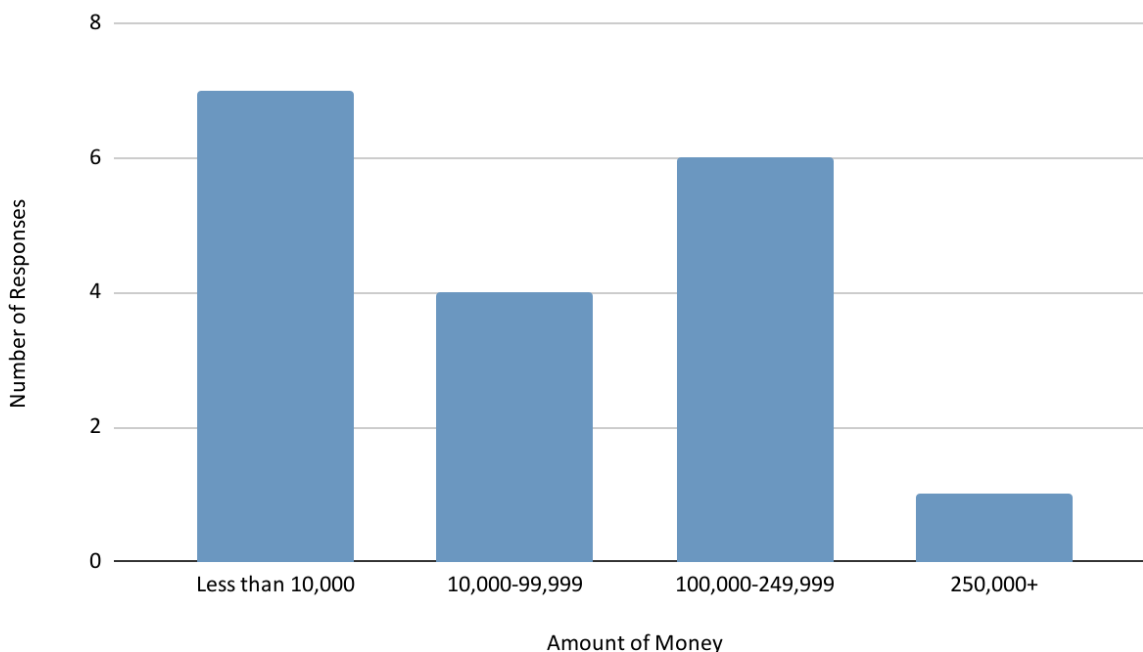
Coincidentally, the same percent of providers who have annual deficits also make mortgage or rent payments for the space used for their birth to age five program.

64%

of childcare providers make rent or mortgage payments for their space

Providers were also asked how much they pay in annual mortgage or rent payments for their space, and they paid \$72,161 per year on average. The lowest payment was \$2,800 and the highest payment was \$415,000. Having to pay mortgage or rent could contribute to deficits: about three-fifths of providers with an annual deficit also said they make mortgage or rent payments. Mortgage and rent payment data for these with these payments is displayed here.

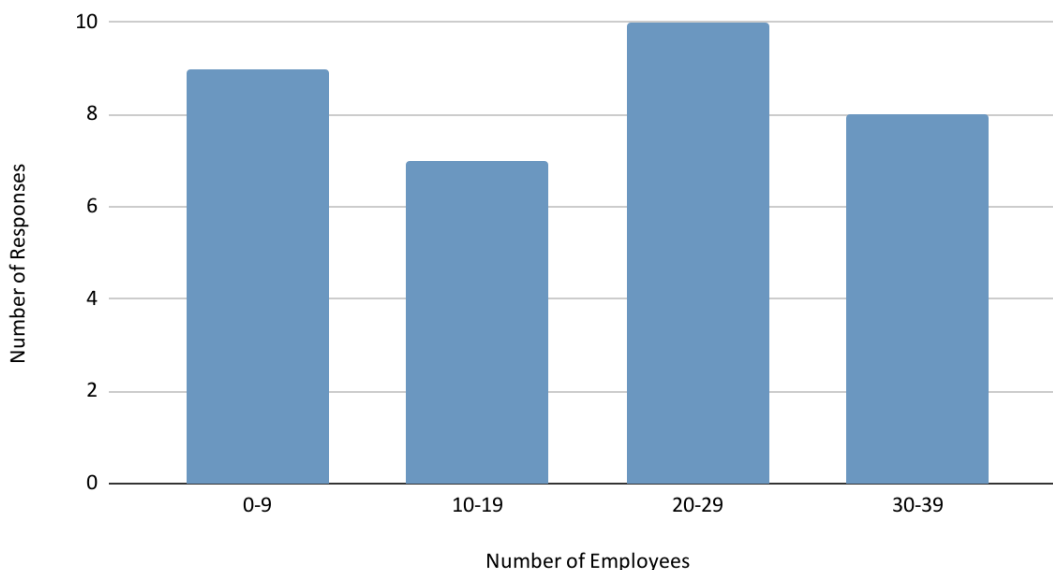
How much do providers pay in annual mortgage or rent for their space?



Staffing for Providers

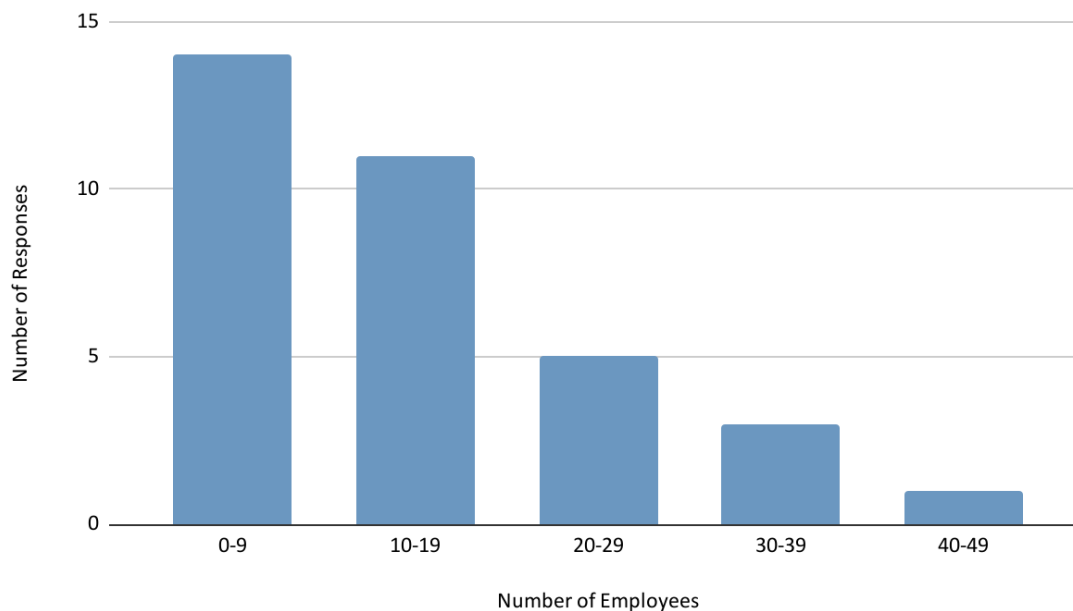
Surveyed providers averaged 21 full-time employees, ranging from zero to 35. The percentage of full-time workers per center is 61%, with a minimum of 0% (no full-time employees) and a maximum of 100% (only full-time employees). Results are shown here.


How many full-time employees do providers have?



Part-time employees are common in childcare settings, and this survey found an average of 13 part-time employees per center, ranging from zero to 40. More than one-third (38%) of employees at childcare sites are part-time. The average percentage of part-time employees per center is 39%, with a minimum of 0% (no part-time employees) and a maximum of 100% (only part-time employees). These results are shown below.

How many part-time employees do providers have?





Business Survey

Summary of Results

Overall, 29 Sioux Falls employers responded to this survey about the needs of childcare among their employees. Five large employers (500 or more employees) and 24 small employers (less than 500 employees) that ranged in size from three to 3,600 took the time to answer questions about how their business is affected by unmet childcare needs.

Employers were asked about the challenge of childcare for their employees before and after COVID-19 in order to understand their perspective on the state of childcare with and without the pandemic's effect. More than one-third of employers (38%) reported childcare being a bigger challenge after the pandemic, but some businesses (17%), especially large ones, still considered it at least a moderate challenge even before the pandemic. Additionally, a majority (75%) of large employers recognized barriers to childcare for their employees, compared to just less than half (46%) of small employers. This could showcase the true struggle that parents face in Sioux Falls because large businesses have more employees to hear about these concerns from.

According to HR representatives, the largest barrier to accessing childcare for employees was cost, and the second most common barrier was a lack of available space at childcare providers. Respondents also reported hearing frequent concerns with location, hours of childcare services, and the quality of care.

Finally, employers were asked whether they offered a subsidy to employees for childcare. Of the 29 employers surveyed, none provided a subsidy, and just three said that they would consider providing one.

Size of Employers

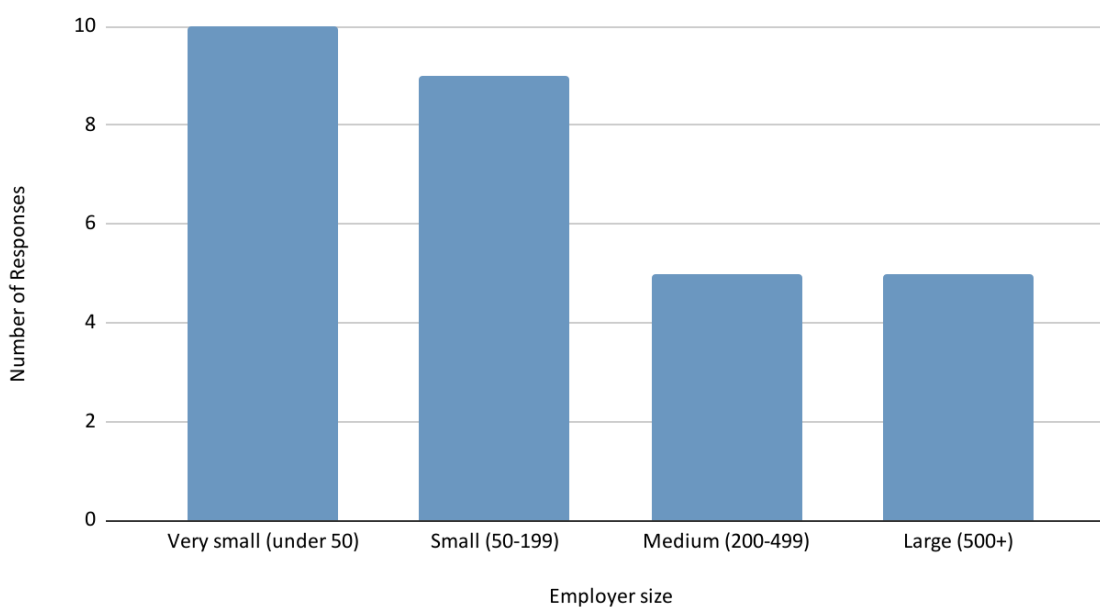
Human Resource (HR) representatives of 53 Sioux Falls employers of varying sizes were asked to complete a survey about how their business is affected by unmet childcare service demands. Of those 53 employers, 29 responded, including five large and 24 small businesses. Large businesses had 500 or more employees, and small businesses had less than 500 employees. The following figures for the employer survey are split up based on the employers' size. Data on their sizes are as follows.

Table 2

Average Employer Size in Sioux Falls (n = 29)

Average Employer Size Data	Mean	Median	Mode	Minimum	Maximum
	460	100	250	3	3,600

How many employees are employed in Sioux Falls?



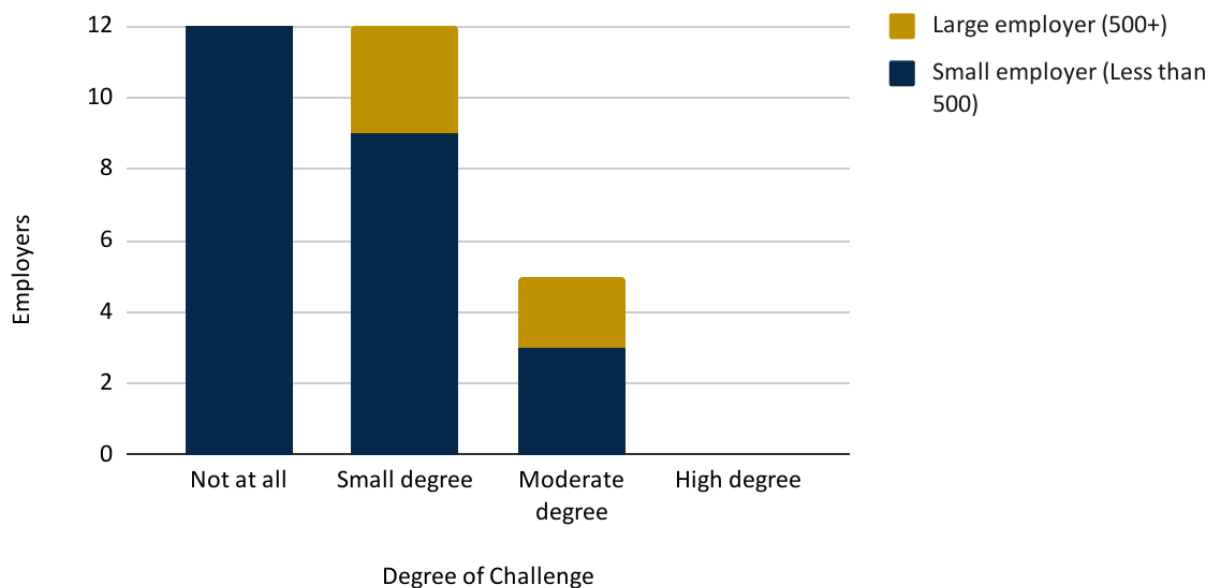
Challenges of Accessing Childcare Before COVID-19

Half (50%) of small employers stated that accessing childcare was not at all a challenge for their employees before COVID-19, while over one-third (37.5%) said it was a small challenge and one in eight (12.5%) said it was a medium challenge. All five large businesses reported that accessing childcare was at least a small challenge, including two that reported it was challenging to a moderate degree. In total, five Sioux Falls employers--representing 5,718 employees--reported that, even before COVID-19, accessing childcare was moderately challenging for employees.

Large employers may have perceived higher degrees of challenge with childcare because they have a greater number of employees who can approach HR representatives about childcare challenges, so they may have a more representative viewpoint of the state of childcare in Sioux Falls.

None of the employers who were surveyed stated that the degree of accessing childcare was highly challenging before COVID-19, which suggests either that childcare was not a large issue before the pandemic, or employees did not approach HR representatives with childcare issues. If the former is true, then childcare challenges may improve considerably after the pandemic. But if the latter is true, then the childcare system most likely has been an issue for a stretch of time with parents having few resources to support them. The graphical results prior to the pandemic are shown below. See **Appendix D** for comments from HR representatives about common issues their employees faced before COVID-19.

How challenging for employees was accessing childcare before COVID-19?

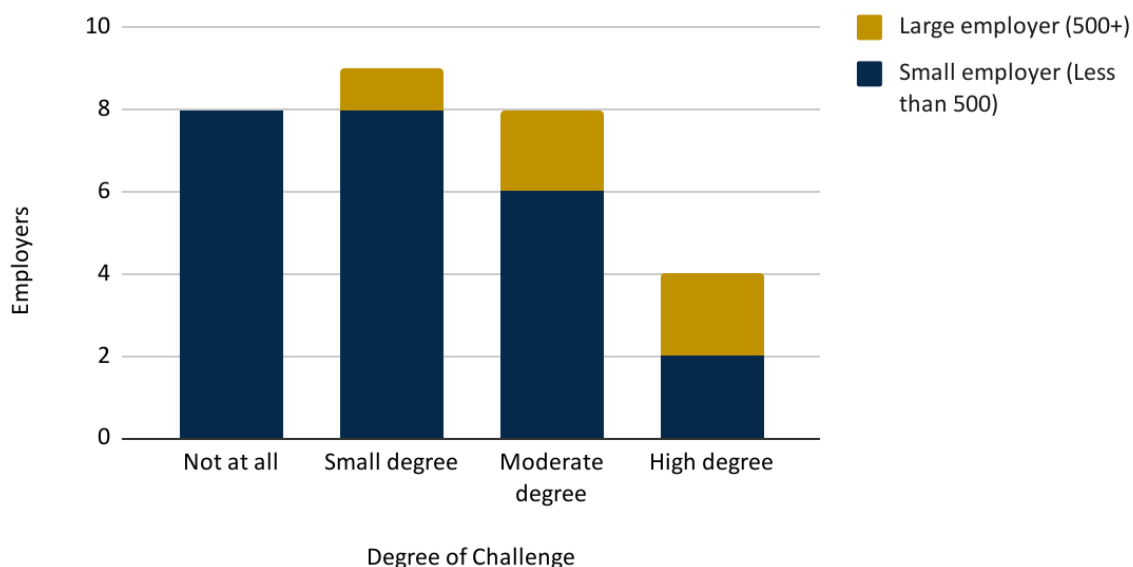


Challenges of Accessing Childcare After COVID-19

Asked about childcare access since the beginning of the COVID-19 pandemic, more employers described a moderate or high degree of challenge; the pandemic had a negative effect on the state of childcare from employers' perspectives.

Large employers reported higher levels of challenge: 80% indicated accessing childcare was moderately or highly challenging since the beginning of the pandemic. Including both small and large employers, a total of 12 employers--representing 8,680 employees--reported that, since the onset of COVID-19, accessing childcare has become moderately or highly challenging. Again, no large employers stated that access to childcare was not at all an issue for employees after COVID-19, and only one-third of small employers reported this as well (compared to 50% pre-pandemic). Results are shown below. See **Appendix D** for comments from HR representatives about common issues their employees faced after the onset of COVID-19.

How challenging for employees was accessing childcare after COVID-19?



Obstacles to Childcare for Parents

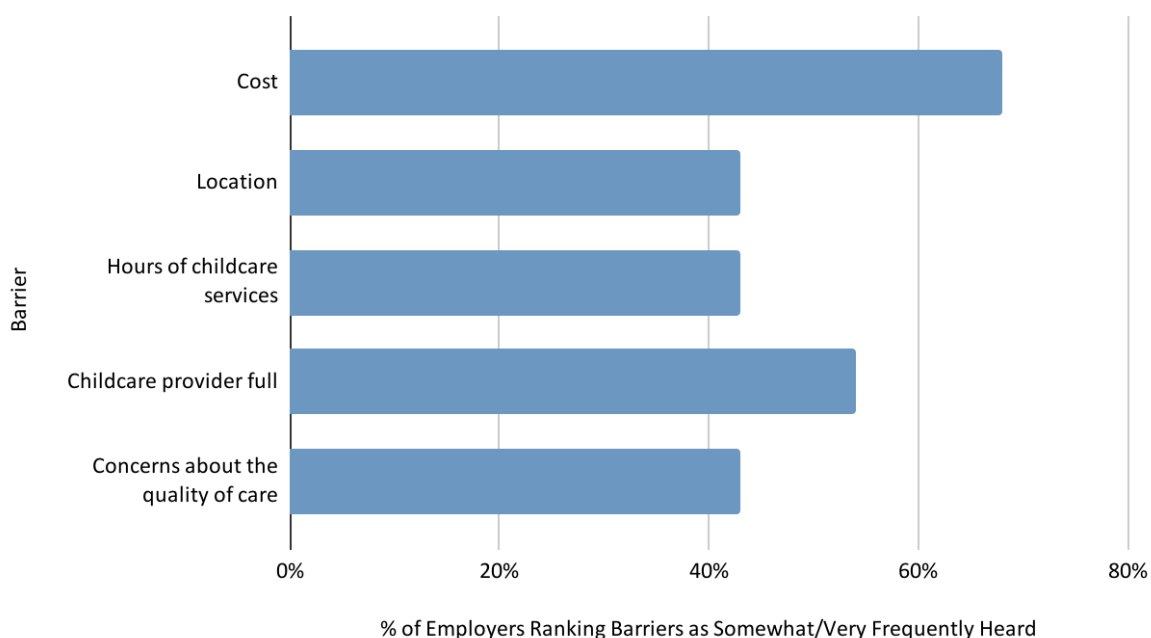
The business survey presented HR representatives with a list of barriers employees might face in accessing childcare, including cost, location, hours of childcare services, childcare providers being full, and concerns about the quality of care being provided. Respondents were asked to rate how frequently their employees confronted each barrier based on their perceptions. Overall, every barrier listed had at least some relevance for local employees. The following figure presents these obstacles together for comparison,

showing for each barrier the percentage of employers who indicated they heard concerns about this barrier from their employees either somewhat or very frequently.

In this regard, cost is the most significant barrier to accessing childcare for employees in Sioux Falls: more than two-thirds (68%) of employers stated that they heard cost concerns somewhat or very frequently. Childcare providers being full is the second most significant obstacle to finding childcare services: more than half (54%) of employers heard this somewhat or very frequently from employees. The last three barriers--location, hours of childcare services, and concerns about the quality of care--all came in with 43% of employers hearing these concerns from employees somewhat or very frequently.

Survey results are based on HR representatives' perceptions of the barriers employees confront, not on direct reports from parents themselves. These numbers nevertheless suggest a large portion of working parents are unsatisfied with how childcare is functioning in Sioux Falls, and it is impacting their work life enough to communicate their concerns to their employers. Furthermore, these numbers may underestimate the true extent of barriers in the community because this assumes that all employees are approaching their HR representatives with concerns about childcare. In reality, this may not be the case because employees must be comfortable enough to approach their HR representatives, or the situation must be severe enough to do so, so many employers may not be fully aware of childcare issues. Additionally, these results do not speak to the experiences of parents who are not currently employed because of childcare barriers they face. The overall results of employers' perception of barriers for parents to finding and retaining childcare in Sioux Falls is shown below.

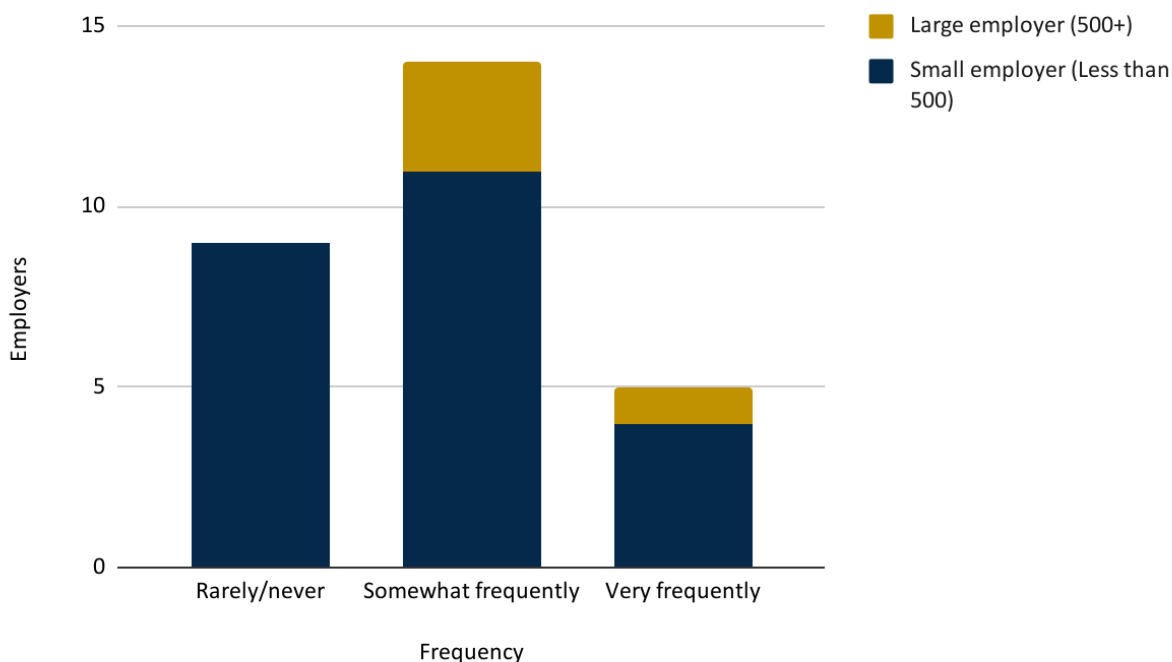
How many employers had somewhat/very frequently heard barriers?



Cost as an Obstacle to Childcare

Based on this study's data mentioned on page 19, the average cost of childcare in Sioux Falls amounts to almost \$10,000 a year for one birth to age five child. Survey results suggest the cost of childcare is the biggest obstacle that working parents face with childcare in Sioux Falls. Cost ranked number one among barriers, with 68% of employers indicating they heard cost concerns somewhat or very frequently. Overall, all large employers reported that cost was either somewhat or very frequently confronted for employees, while small employer's perceptions were across the board with somewhat frequently being the most common answer. The results for this obstacle are shown below.

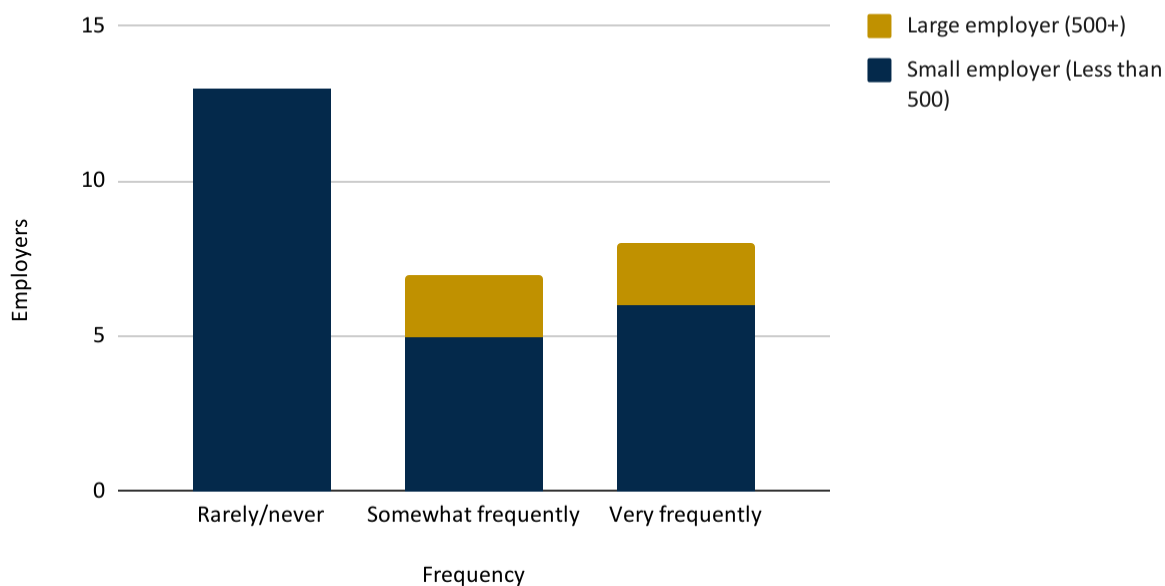
How often do employers confront cost as an obstacle to childcare?



Full Providers as an Obstacle to Childcare

More than half of employers (54%) reported hearing concerns about full or at capacity childcare providers somewhat or very frequently, with large employers seeing it as more of a concern. The following graphic exhibits employers' perceptions of how frequently employees face full childcare providers as a barrier to childcare.

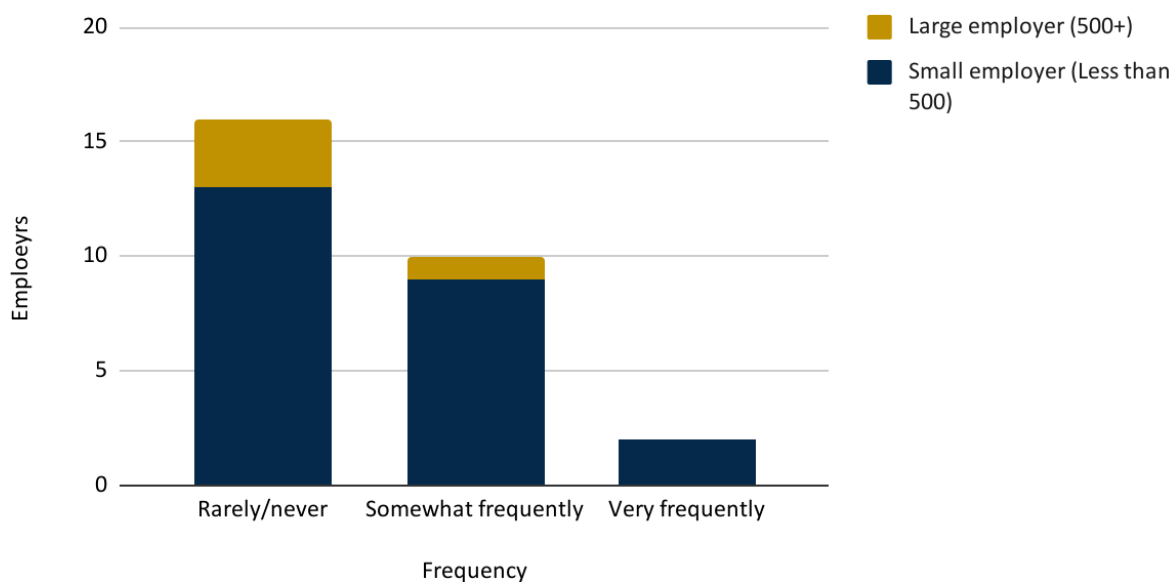
How often do employees confront childcare providers being full as an obstacle to childcare?



Location as an Obstacle to Childcare

Most employers stated that location of childcare providers was rarely/never an obstacle, with some reporting they heard this concern from employees somewhat frequently. Few employers stated that this came up very frequently for their employees. Transportation is not equally accessible for everyone, so location may be an obstacle for some families more than others. Even so, this barrier was not the most common one that employees faced. Results for this question are shown here.

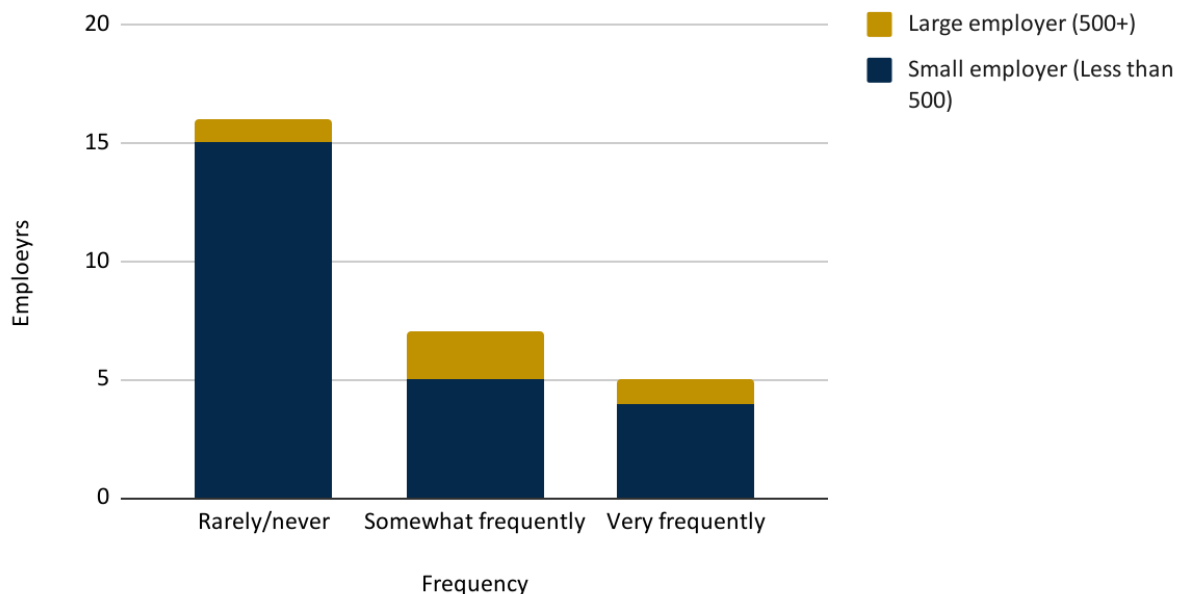
How often do employees confront location as an obstacle to childcare?



Hours of Childcare Services as an Obstacle to Childcare

Almost half (43%) of all employers heard about hours of childcare services as a barrier somewhat or very frequently. Results showed that large employers were more likely to rank hours of childcare services as somewhat or very frequently a barrier for employees. The results for this information are shown below.

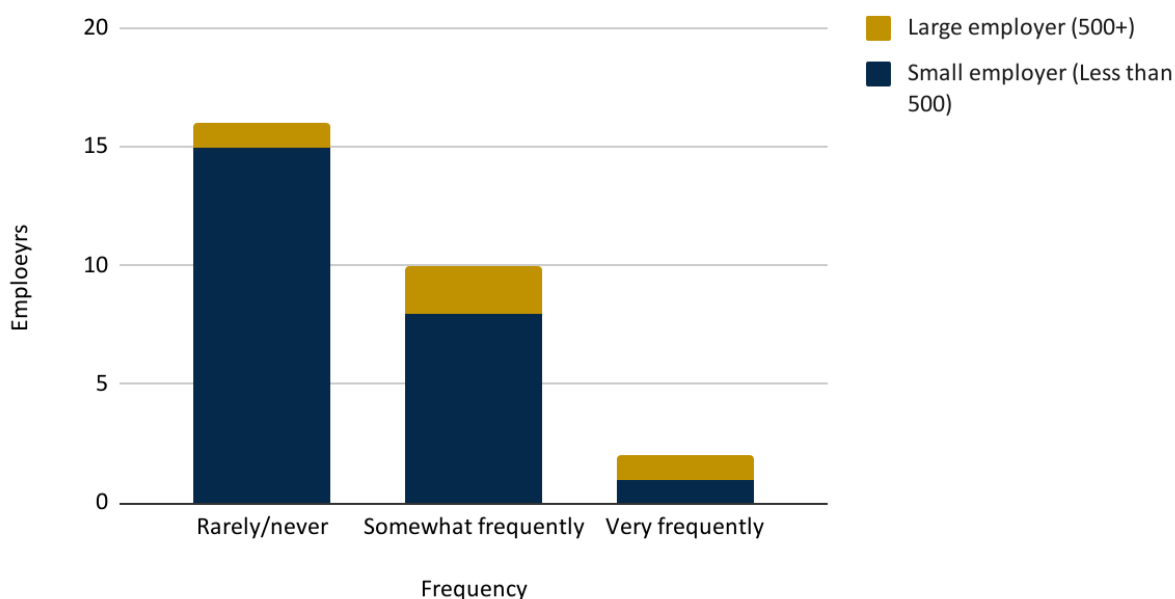
How often do employees confront hours of childcare services as an obstacle to childcare?



Quality of Care Concerns as an Obstacle to Childcare

Most employers did not see concerns about the quality of care as a large concern, but close to half (43%) had somewhat or very frequently heard about this barrier. The following figure displays these results.

How often do employees give concerns about the quality of care as an obstacle to childcare?



Employers Helping with Childcare

None of the 29 employers surveyed offered a subsidy for childcare assistance for their employees.

0

employers offered a subsidy to employees for childcare

Additionally, most employers who were surveyed are not actively considering adding a subsidy.⁴ About 10% of surveyed employers (three of 29) stated that they would consider providing a subsidy for their employees' childcare.

⁴ One employer mentioned that they offered a Flexible Spending Account (FSA) for employees' childcare, but this is not a direct subsidy. The survey did not specifically ask about FSAs, only about subsidies. No other employers volunteered information about FSA availability.

3

employers said they would consider providing a subsidy

Based on a 2016 survey by the South Dakota Department of Labor & Regulation, only 2% of employers across all industries in the state offer some type of childcare benefits to their employees, which is the least offered benefit out of any recorded in 2016. Survey results indicate low levels of employer support for childcare are still the norm in Sioux Falls. Childcare assistance is yet to be a top priority for employers.

211 Helpline Center Childcare Data

The 211 Helpline Center, an information and support call center in Sioux Falls, maintains a database of childcare providers in Sioux Falls for infants to 18-year-olds. Providers voluntarily submit information to be included in the database, which is available for parents to search.

As of July 2021, for the city of Sioux Falls, the Helpline Center's childcare database has 51 childcare centers and 156 in-home childcare providers listed. Of the 156 in-home providers that supplied data, 19 set desired capacity limits below their licensed capacity. Providers do this for many reasons, including accounting for unexpected staff shortages that would not allow them to care for the maximum number of children. The total licensed capacity slots for in-home providers in Sioux Falls is 1,841, and the desired capacity is 1,750.⁵ The average licensed capacity for in-home providers is almost 12, and the average desired capacity is about 11. In-home providers thus operate at 95.1% of licensed capacity. The City of Sioux Falls Health Department also provided information on in-home childcare providers in Sioux Falls who are registered with the city. City registration is mandatory for in-home providers. The city list included 267 providers with 12 licensed slots per home for a total of 3,204 licensed capacity slots. City registration numbers were used to estimate total available slots because they are a more accurate number than the Helpline Center's voluntary system. Despite this, the Helpline Center database gave additional information about desired capacity that the Health Department did not provide, so these Helpline Center numbers were used to estimate the total desired capacity numbers in Sioux Falls for in-home providers.

For centers, six out of the 51 set desired capacity limits below their licensed capacity. The total licensed capacity slots for childcare centers is 6,929, and the desired capacity is 6,677. The average licensed capacity is about 139, and the average desired

⁵ 30 in-home providers and seven centers did not provide numbers on their desired capacity in the Helpline Center database. Their desired capacity was assumed to be the same as their licensed capacity in these calculations.

capacity is close to 134. This means that 96.4% of official slots for centers are available for children, and there is a difference of five children between licensed and desired capacity numbers for childcare centers in Sioux Falls. These figures are consistent with the results of the provider survey done for this study, which found that the average licensed capacity for surveyed childcare centers was about 123 slots, compared to typical enrollment of about 110, or roughly 94.4% of licensed slots.

Overall, between centers and in-home providers, Sioux Falls has an estimated 96.0% of licensed slots actually available for childcare. This means that only looking at childcare provider's licensed capacity overestimates the availability of childcare. Reference Table 3 for this information.⁶

Table 3

Childcare Slots in Sioux Falls

Provider Type	Licensed Capacity (total)	Desired Capacity (total)	% of Licensed Capacity Slots Actually Available
Center	6,929	6,677	96.4%
In-Home	3,204	3,046	95.1%
Total	10,133	9,723	96.0%

Note: The number of in-home providers is based on the number of registrations with the City of Sioux Falls Health Department reported as of August 2021. Percent of licensed capacity slots actually available was calculated based on the licensed and desired capacity reported by 1,841 in-home providers who were in the Helpline Center database. It may misestimate actual desired capacity among all 3,204 registered providers in the city.

⁶ The Helpline Center database, and the capacity estimates derived from it, include school-age childcare. Therefore, the number of childcare slots reported in the tables is more than the number actually available for birth-to-age-five children. In order to estimate the number of slots strictly available to children under six, capacity for providers serving both under six and school-age can be pro-rated, assuming 63% of total slots are for birth-to-age-five. The 63% pro-ration is based on the proportion of under-six slots among surveyed providers. Assuming this proportion is consistent, about 6,401 of the 10,133 licensed spots and about 6,142 of the 9,723 desired capacity slots are available for birth-to-age-five children.

In the Sioux Falls metropolitan area, 2.2% of total licensed capacity for childcare centers in the 211 Helpline Center database are vacant, which amounts to 154 vacancies. For in-home providers, 11.6% of total capacity is vacant, which is 214 slots. Thus, there are more in-home childcare slots available than center slots. See Table 4 for this information.⁷

Table 4

Childcare Vacancies in Sioux Falls

Provider Type	Vacancies	Vacancy Rate (per licensed capacity)
Center	154	2.2%
In-Home	214	11.6%
Total	368	4.2%

Note: Vacancies are voluntarily reported from providers across the Sioux Falls metropolitan area, not limited to the city of Sioux Falls. This is from the Helpline Center's database, which includes 1,841 in-home providers slots, compared to 3,204 slots based on city registrations. The count of vacancies does not include unreported vacancies or vacancies with providers outside of the Helpline Center database. If the 11.6% vacancy rate is true for all city registered in-home providers, then the likely number of in-home vacancies is 371 slots.

Based on information in the Helpline Center's database, 46 of 51 childcare centers in the city of Sioux Falls accept financial assistance. Of the in-home providers that provided information to the Helpline Center, 92 are state registered, and 60 are only registered by the city. Of the 92 state-registered in-home providers, 72 accept financial assistance, while only four out of the 60 city-registered providers accept financial assistance.

Discussion

The results of this survey, compared with local demographic and economic data, suggest three gaps in the childcare system: a gap between the demand for childcare and the number of available slots, a gap between what parents can afford to pay and the cost of childcare, and a gap between provider's revenue generated from fees and the cost to provide quality care.

Gap #1: Available Childcare Slots

In Sioux Falls, 75.3% of children under age six--11,386 children--have all of their parents in the workforce, compared to the national average of 66.2%, showcasing that

⁷ Using 63% of these slots for birth to age five slots, only 232 total vacancies are open for children under five in Sioux Falls.

most parents with young children are in the workforce (U.S. Census Bureau American Community Survey 5-Year Estimates, Table DP03, 2019). This statistic demonstrates how 11,386 children under six in Sioux Falls need childcare because all parents are working. In some cases, parents may work split shifts or have friends or relatives who provide childcare. In other situations, families must find available, affordable childcare from a center or in-home provider.


***Three in four
children under age six in
Sioux Falls have all of their
parents in the labor force,
compared to 66%
nationally.***

The Helpline Center and the City of Sioux Falls Health Department record a total of only 10,133 licensed slots across both center and in-home providers in the city (2021). The total desired capacity slots for these providers is even less at 9,723 slots available for children, which is most likely due to staffing issues. On one hand, this figure overestimates the number of slots available to children under 6 since it includes school-age providers. On the other hand, these slot numbers are only those listed in the city of Sioux Falls; they do not include childcare options outside of Sioux Falls. But compared to official state licensing numbers, the Helpline Center data and city registrations have the advantage of including in-home providers who are not state licensed.

Overall, the number of available slots (9,723) is less than the number of children under 6 with all parents in the labor force (11,386); as a result, there are an estimated 1,663 children under 6 in Sioux Falls who need care, but a provider-based slot is not available to them.

The short supply of childcare slots has workforce implications. Among married couples in Sioux Falls with children under 18 years old, 3,034 adults--which includes stay-at-home parents--are not in the workforce, and an additional 775 single mothers and 69 single fathers--844 individuals---are also not working and could potentially do so if they had childcare (U.S. Census Bureau American Community Survey 5-Year Estimates, Table B23007, 2019). Although some of these parents may be out of the labor force for a variety of other reasons, a portion of them have likely chosen to stay home because of a lack of available and affordable childcare. Businesses could benefit from these individuals entering the workforce because it would fill vacant positions as Sioux Falls grows and attracts larger employers.

Comparing labor force participation of mothers and fathers is one way to get at the workforce impacts of childcare gaps. In Sioux Falls, and nationally, mothers--especially mothers of young children--have lower labor force participation rates than fathers. In Sioux Falls, labor force participation for fathers is 96.4%, compared to 83.2% for mothers (U.S.



Census Bureau American Community Survey 5-Year Estimates, Table B23007, 2019). Yet for men and women without children, labor workforce participation rates are similar at 69.6% and 66.8%, respectively (including retirement-age individuals).


Because of withstanding cultural norms and the national pay gap between men and women, women are more likely to stay home in the absence of external childcare, further damaging their position in the workforce--and demonstrating the significant way in which the availability of childcare influences family decisions about whether to work (Wade & Marx Ferree, 2019). Families trying to balance the cost of childcare with earnings may decide the additional earnings from a parent returning to work are not worth the added cost of childcare, especially if that parent's earnings are likely to be low. In 2019, the national pay gap amounted to a difference of more than \$10,000 in median earnings: men earned a median salary of about \$53,000 while women earned a median salary of around \$43,000, which is about 81% of men's median earnings (U.S. Census Bureau American Community Survey 5-Year Estimates, Table S2002, 2019). If childcare were equally accessible and affordable to all, potentially hundreds of women would return to work.

About half of stay-at-home mothers return to work when their children reach school-age. In 2019, 72.6% of Sioux Falls mothers who had an infant in the past year were still working, compared to 84.7% labor force participation of women who did not have an infant in the past year (U.S. Census Bureau American Community Survey 5-Year Estimates, Table B13012, 2019). Women who only have children under six have a workforce participation rate of 77.3%, but this jumps to 89.0% for women with children ages 6 to 17 years old (U.S. Census Bureau American Community Survey 5-Year Estimates, Table S2301, 2019). The roughly 11% of women who leave the labor force when their children are young and return to work after their children reach school-age represent a potential 575 additional employees in the Sioux Falls workforce population. For perspective, this number of individuals is equivalent to more than one-third (36.6%) of people employed in the Architecture and Engineering Occupations in Sioux Falls (U.S. Bureau of Labor Statistics, 2020).

The results presented in this study suggest that the shortage of childcare slots is due in part to childcare providers' staffing difficulties. The percent of official slots that are actually made available for childcare is 91% for children aged zero to two and 90% for children aged three to five, and providers report that the biggest barrier they face in increasing enrollment is staffing issues.

The majority of surveyed Sioux Falls providers reported waiting lists for their center. Some providers reported waiting lists with over 100 children on them. In total, survey respondents reported 913 families on

3 surveyed childcare providers had waiting lists of over 100 children long for their birth to age five program.



waiting lists. These staggering numbers reveal that most state-licensed childcare centers in Sioux Falls do not have enough room to care for all of the families that need it. It is important to remember that these numbers only encompass the 40 state-licensed childcare centers that responded to this survey, so it likely undercounts the total number of children on waiting lists in Sioux Falls. It should also be noted that there may be duplication across waiting lists, since some families may be on multiple waiting lists.

“We have a large number of people requesting infant care and increasing need for care for 1's & 2's. All of our classrooms are full and we need to build more rooms.”

Almost half (47%) of providers operate at full capacity in Sioux Falls, and after staffing, lack of capacity ranks as the second most prominent barrier to increasing enrollment. Further, among employers, more than half of those surveyed (54%) saw the barrier of childcare providers being full or at capacity as a somewhat or very frequent concern for their employees, with large employers seeing it as more of a concern. This then leads to these long waiting lists for childcare providers and parents to manage. A study done in Brookings County discovered that a majority of parents had to contact at least three childcare providers before finding a spot for their child, a process which 28% of

respondents stated took more than two months (Brookings Economic Development Corporation, 2020). It is a wonder how parents end up finding quality childcare if a majority of providers have a waiting list, or they cannot afford the rates providers ask. The lack of spots for children in licensed childcare centers leads to many issues for parents, providers, and employers as well. If parents cannot find childcare for their children, they cannot return to the workforce in the high numbers that South Dakota parents have. This has implications beyond childcare because it affects Sioux Falls and the state as a whole. One surveyed employer stated:

“The main issue [for employees accessing childcare] was people finding openings at daycare centers. A lot of people start looking the minute they find out they are pregnant. Centers are booked and often have a waiting list.”

Sioux Falls providers may not be able to run at full capacity and maximize the childcare space they have because the biggest barrier to enrolling more children is the inability to hire and retain personnel: 75% of providers ranked it as their number one or number two barrier to enrolling more children. This may be because of the low wages that childcare workers receive, considering the average annual salary for childcare workers in

South Dakota is \$21,943, yet providers generally cannot afford to increase this salary due to their annual deficits (South Dakota Department of Labor & Regulation, 2021). Again, this reiterates why the largest barrier to enrolling more children is staffing because it is difficult to attract and retain staff if wages are extremely low, especially for full-time employees. More than one-third (38%) of employees at childcare sites are part-time, which may be another reason why a multitude of childcare providers cannot retain their staff. There are normally no benefits with part-time positions, the pay is generally lower than full-time employees, and part-time workers tend to be younger and move between jobs more frequently. This all culminates into providers having difficulty keeping their sites staffed for the children they provide care for. Without enough workers, they cannot enroll more children, and this has led to the dilemma that Sioux Falls is facing with providers who cannot enroll more children mainly because of staffing challenges.

“The largest barrier [to enrolling more children] is finding qualified staff with the pay parameters in today's employment market as well as the drive to even work.”

Gap #2: The Cost of Childcare

A Washington Post poll (2015) found that more than three-fourths of mothers and half of fathers in the United States have either declined new career opportunities, switched jobs, or left the workforce entirely to take care of their children at some point in their career. Furthermore, another study found that this number amounted to close to two million parents in 2016 alone (National Survey of Children's Health, 2016). The cost of childcare is a big factor in parents struggling to balance work and family, as the cost of childcare in the past two decades has more than doubled, which disproportionately affects low-income families and families of color (U.S. Bureau of Labor Statistics, 2021; Schochet, 2019).

Family 1

A single parent makes the annual median wage in Sioux Falls of about \$39,000 and has one infant in childcare. Childcare is essential for this parent to go to work since there is no other working adult to watch the infant. At this income level and family size, this parent would not qualify for state childcare assistance. At current market prices, they would pay about \$10,000 a year for childcare, which is 26% of their income. If an employer wanted to fill this gap after the 2020 \$3,000 yearly tax credit for one dependent child, they could give a direct subsidy to this family of around \$80 per week, which is lower than the \$5,000 subsidy per year in the solutions section.

Family 2

A married couple makes the Sioux Falls annual median wage for married couples of around \$100,000 with two children in childcare. Both parents are in the workforce and rely on childcare to support their family. This family of four would not qualify for state childcare assistance at this income level. They would pay about \$19,000 at current market prices for childcare, which is 19% of their income in a year. If an employer wanted to fill this gap after the 2020 \$6,000 yearly tax credit for two dependent children, they could give a direct subsidy to this family of around \$115 per week, which is a little higher than the \$5,000 subsidy per year in the solutions section.

incomes of \$150,000 or more (U.S. Census Bureau American Community Survey 5-Year Estimates, Table S1901, 2019). The price of childcare in Sioux Falls, especially for single parents or for families with more than one child, is not affordable. Almost two-thirds of surveyed childcare providers have had children leave childcare or not enroll at all because of an inability to pay for childcare in a single year. Per center, an estimated average of six children left or could not enroll in childcare per year from surveyed childcare providers, with the highest number being 20 children at one site.

Table 5 shows median wages across occupations in Sioux Falls, and every occupation would require an employee earning the median wage to pay more than 7% of their income on childcare. Childcare is not affordable for the average person in any career.

In Sioux Falls, it costs \$10,105 a year on average for a zero- to two-year-old to attend childcare full time in Sioux Falls and \$9,031 for a three- to five-year-old. Childcare thus costs close to \$10,000 per child, which is equivalent to national averages of center-based childcare (Child Care of America, 2018). In order to afford childcare at less than 7% of their income, a family with just one child would need to earn at least \$142,857. This is unrealistic for most families, as the median income for a married couple with children in Sioux Falls is \$101,069 a year, according to the 2019 U.S. Census Bureau American Community Survey 5-Year Estimates (Table S1903). In Sioux Falls, only 14.8% of families have


Family 3

A married couple makes \$15 an hour (about \$60,000 a year) working at restaurants in Sioux Falls with an infant in childcare. Both parents work full-time and rely on childcare to support their family but struggle to find care with their rotating shifts. This family of three would not qualify for state childcare assistance at their income level. At current market prices, they would pay about \$10,000 for childcare, which is 17% of their income in a year. If an employer wanted to fill this gap after the 2020 \$3,000 yearly tax credit for one dependent child, they could give a direct subsidy to this family of around \$55 per week, which is less than the \$5,000 subsidy per year in the solutions section.

Table 5**Employment by Occupational Group, Sioux Falls MSA, May 2020**

Occupation	Employment	Annual Median Wage	Childcare Cost as % of Median Wage (\$184/week = \$9568/year)
All Occupations	153,530	\$39,050	25%
Office and Administrative Support Occupations	22,690	\$35,390	27%
Sales and Related Occupations	15,580	\$35,640	27%
Healthcare Practitioners and Technical Occupations	14,960	\$59,320	16%
Transportation and Material Moving Occupations	12,570	\$33,020	29%
Food Preparation and Serving Related Occupations	12,300	\$23,080	41%
Production Occupations	10,160	\$36,220	26%
Business and Financial Operations Occupations	9,860	\$64,150	15%
Construction and Extraction Occupations	7,980	\$41,370	23%
Installation, Maintenance, and Repair Occupations	6,580	\$47,810	20%
Educational Instruction and Library Occupations	6,300	\$42,830	22%
Healthcare Support Occupations	5,230	\$29,670	32%
Computer and Mathematical Occupations	5,190	\$68,780	14%
Building and Grounds Cleaning and Maintenance Occupations	4,890	\$28,000	34%
Management Occupations	4,760	\$106,880	9%
Personal Care and Service Occupations	4,150	\$26,180	37%
Community and Social Service Occupations	2,580	\$42,450	23%
Protective Service Occupations	2,310	\$42,830	22%
Arts, Design, Entertainment, Sports, and Media Occupations	2,060	\$41,870	23%
Architecture and Engineering Occupations	1,570	\$68,750	14%
Life, Physical, and Social Science Occupations	980	\$62,640	15%
Legal Occupations	690	\$74,400	13%
Farming, Fishing, and Forestry Occupations	140	\$31,230	31%

Source: Bureau of Labor Statistics, Occupational Employment Statistics, May 2020 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates; calculations by author



According to HR representatives surveyed for this report, the cost of childcare is the most significant obstacle that employees face to accessing childcare in Sioux Falls. More than two-thirds (68%) of employers ranked cost as the number one barrier for being heard from employees somewhat or very frequently, and this included all large employers that were surveyed reporting it as the number one barrier to accessing childcare.

A reason why parents may not be able to afford childcare is because none of the 29 Sioux Falls employers surveyed offered a subsidy for their employees' childcare. Hence, based on this study, employees are not finding assistance from their employers in regards to childcare. About 10% of surveyed employers stated that they would consider providing a subsidy for their employees' childcare if they did not offer one already. Based on the 2016 survey by the South Dakota Department of Labor & Regulation, only 2% of employers across all industries in the state offer some type of childcare benefit to their employees, which is the least offered benefit out of any recorded as of 2016. Most employers do not see the benefit of offering subsidies to their employees for childcare: this is another potential area of immense growth for businesses in Sioux Falls.

Gap #3: Provider's Revenue versus Expenses

Close to two-thirds of the 40 state-licensed childcare providers in Sioux Falls that were surveyed had annual deficits for their birth to age five program. Even though most providers have families that drop out or do not enroll in childcare because they cannot afford it, providers cannot lower their rates because they are already struggling to cover their annual expenses. Fees for services, including parent fees and other subsidies, do not cover all of a majority of Sioux Falls childcare providers' annual expenses. Most providers' deficits were under \$100,000 (74%), but one provider had a deficit of over \$500,000. An alarming number of childcare providers are not breaking even or making a profit, which poses the question of how these providers are still functioning. Coincidentally, the same percent of providers who have annual deficits also make rent or mortgage payments for the space used for their birth to age five program, which exhibits how these payments may be a factor in why so many childcare providers have deficits: about three-fifths of providers with an annual deficit also said they make mortgage or rent payments. Providers paid on average \$72,161 in mortgage or rent payments per year, with the highest payment being \$415,000. Large employers with available space could indirectly support childcare by providing rent-free facilities for childcare providers.

Almost two-thirds of surveyed childcare providers in Sioux Falls have annual deficits.


The largest expense that childcare providers have is staffing, which accounts for about 70% of a provider's budget, and there is very little wiggle room in this area to cut expenses (Workman, 2018). The average salary for childcare workers in South Dakota is \$21,943 per year, and this is much lower than the median salary across all South Dakota occupations at \$39,050 (South Dakota Department of Labor & Regulation, 2021; U.S. Bureau of Labor Statistics, 2020). Providers cannot cut wages to potentially lower childcare rates because childcare work is one of the lowest paying jobs in the state. More than one-third (38%) of employees at childcare sites are part-time, which shows how providers are already attempting to keep their staff expenses low because there are normally no benefits with part-time jobs, and the pay is even lower than that of full-time staff. This then feeds into gap #1 because consistent staffing is one of the biggest barriers childcare providers face to enrolling more children.

Some may posit that providers could cut their costs through their hours of operation, as most providers are open Monday through Friday from early in the morning to early in the evening. Surveyed childcare providers were open on average 57.2 hours per week, and the average number of childcare provided by childcare centers was 33.6 hours of care per week per licensed slot. Children are spending less than full time in childcare, but centers are open for more than 20 extra hours than they are providing care for. This could be a reason why some childcare providers have deficits, as they are open and operating for close to 60 hours per week when the average child spends less than 35 hours in childcare. This also could be the result of children who are enrolled but do not attend childcare everyday, which is generally not in providers' control. Some of this time may also be necessary for providers outside of caring for children. Despite this, 43% of surveyed employers heard concerns of hours of childcare services as a barrier for employees to accessing childcare somewhat or very frequently, with this more likely to be reported by

“Lack of access to those working second shifts (start times around 3:30 p.m.). Not enough places open early enough to accommodate our early morning shifts, which start as early as 6 a.m.”

large employers. Most surveyed centers were open at the earliest 6 a.m. and the latest 6:30 p.m., Monday through Friday. Only three centers were open before 6am and none were open past 6:30 pm. This does not offer flexibility for those who have occupations outside of these hours, such as the food industry that employs over 12,000 workers and is one of the top five occupations in Sioux Falls (U.S. Bureau of Labor Statistics, 2020).

Out of the five food industry employers surveyed in this study, 80% perceived that their employees saw hours of childcare services as an obstacle to childcare somewhat or very frequently. This is likely because staff at these employers cannot find childcare in the varying times that they work and thus struggle to



find and retain it. This exhibits how much of an impact that childcare has on the workforce and Sioux Falls as a whole. It would be difficult for providers to cut their costs by decreasing their hours of operation because many employees already struggle to find care for their children during most centers' hours of operation and want providers to expand their hours, not cut them. One surveyed employer stated in regards to their staff finding childcare:


"We have 24/7 staff[,] not all staff can find coverage or at any affordable price."

A majority of Sioux Falls childcare providers have annual deficits with few places to cut costs, staff wages that are much lower than the average Sioux Falls salary, and providers who cannot serve more families to combat long waiting lists because they struggle to hire and retain staff. Families cannot afford childcare as it is, yet most employers are not offering any assistance even though some parents drop out of the workforce to take care of their children. This is a clear dilemma illustrating how the Sioux Falls childcare system is broken.

Potential Solutions

Childcare is an issue that affects more than just parents and childcare providers; the effects of childcare extend to employers and the entire community. Childcare cannot be a concern of only those who have direct contact with it. It must be addressed by everyone on a local, state, and national level. The childcare industry's economic impact of \$279 million dollars in South Dakota alone demonstrates this industry's importance through its large influence on the economy (First Five Years Fund, 2021). Here in Sioux Falls, the focus needs to be on local efforts that will help the state of childcare on all accounts.

First, families need more financial support for childcare. While the South Dakota Department of Social Services does offer childcare assistance for some very low-income families, the current income guidelines mean that many families are not eligible for any assistance, and many of those who are eligible are still not receiving assistance. In 2019, 1,350 families received childcare assistance in Minnehaha County (Kids Count Data Center, 2019). Across the state, the number of families receiving assistance in 2019 dropped by 34% since 2010, and similar trends were seen in Minnehaha County (Early Learner SD, 2021). Those families are also limited in where they can receive childcare because not all providers accept financial assistance in the first place (see 211 Helpline Center data section). Families who are not in poverty but still pay more than 7% of their income in childcare often are left without any help, and these numbers are rising with fewer families receiving assistance (see pages 40 and 41 for examples). When parents cannot find reliable, affordable childcare, they generally cannot contribute to the workforce. Many parents become unreliable workers or are forced to drop out of the workforce entirely because of



childcare issues. The United States' economy loses an estimated \$57 billion every year from problems with the childcare system (Jessen-Howard, Malik, & Falgout, 2020).


Paying close to \$10,000 for any child under age five to attend childcare full-time is simply unattainable for many Sioux Falls families. Cost is the number one issue families face when finding and retaining childcare, and providers similarly found that high childcare costs for parents was the number three issue as to why they could not enroll more children. Even so, childcare providers cannot afford to lower their rates because a majority of providers have annual deficits. Beyond any doubt, the lack of available childcare in Sioux Falls is a noticeable concern that many families face.

Employers have a stake in ensuring their employees can find available, affordable childcare. An estimated 20% of hourly wage employees' salaries and 150% of a manager's salary is cost to businesses from turnover due to employees' lack of childcare, while providing childcare for workers can reduce absences by 30% and turnover by 60% (U.S. Chamber of Commerce, 2021). Close to three in four working parents have reported that their work has been affected by childcare issues in some way (First Five Years Fund, 2021). It is long overdue for businesses to consider family responsibilities for their employees a top priority (Seyler, Monroe, & Garand, 1995).

To support employees in securing childcare, the U.S. Chamber of Commerce recommends that employers provide flexible work arrangements, educate employees about their tax and subsidy options, generate a Flexible Spending Account (FSA) for workers, subsidize up to \$5,000 per employee's child for childcare before taxes, offer access to a care resource or marketplace for employees, and provide backup and/or on-site childcare (U.S. Chamber of Commerce, 2021).

***Employers should
subsidize up to
\$5,000 per
employee's child for
childcare.***


Based on survey results, at least one employer in Sioux Falls uses an FSA to support their employees financially. Nationally, several businesses offer examples of what is possible: Target is expanding backup childcare for employees so that they can still make it to work when their regular childcare system fails, along with increasing their paid family leave time ("Target's Offering Team", 2019). Home Depot in Atlanta has taken advantage of having an on-site childcare center for employees (U.S. Chamber of Commerce, 2021). This has allowed Home Depot to tailor the center to their employees' needs, including the location, hours, capacity, and cost. Employees have the peace of mind knowing that their child is being cared for, and young children know that their parent is not too far away. Home Depot also offers backup care, an FSA, and a care marketplace for employees to utilize. One benefit from the COVID-19 pandemic may be the option that many employers give to work from home. Large employers like Facebook, Amazon, and Microsoft are allowing more employees to



work from home after the pandemic and into the future (Gurchiek, 2020). This could be a benefit for parents who are in between childcare settings or have a child who is home sick and could greatly reduce the number of sick days taken by parents for childcare-related reasons. Employers could work with local childcare providers in order to negotiate what would work best for their workers too. Altogether, there are many ways employers could assist their employees with childcare.

Additionally, childcare providers need assistance for their birth to age five programs to continue functioning successfully. Cost is the top barrier to accessing childcare for families and barrier number three for providers who wish to expand their services, yet providers usually cannot lower their rates due to their annual deficits. Some providers offer financial assistance or scholarship spots for low-income families, but they most likely rely on funding from external sources in order to do this. Providers who offer financial assistance to families should be expanded locally in order to benefit parents, but childcare providers themselves need more financial assistance before that will likely happen. Results from this study revealed that almost two-thirds of providers had annual deficits of up to more than \$500,000. Thus, many childcare providers are not able to break even every year. One of the only reasons that providers may be surviving is the low wages that childcare workers receive in South Dakota. The inability to hire and retain personnel was the number one reason providers could not enroll more children (and fee revenue), and their low wages is likely one of the reasons why. Childcare providers need more financial assistance to pay their staff competitive wages, especially as the number of working parents increases every year.

In South Dakota, close to 74% of kids under age six have all of their parents in the labor force, one of the top states in the nation, compared to 66% nationally (U.S. Census Bureau American Community Survey 5-Year Estimates, Table DP03, 2019). Sioux Falls itself has more than 75% of children under age six with working parents; therefore, the need for childcare has never been as essential as it is now. In turn, this has led to many children needing reliable childcare, as most parents are working, but there is not enough space for children to go. With more than half of Sioux Falls childcare providers having waiting lists, this poses the question of how parents are finding quality childcare in these situations. Even so, the second reason that providers gave for not being able to enroll more children was that they were already at full capacity. This demonstrates the clear need of more childcare providers in Sioux Falls to offer services for families. Providers' waiting lists are another indication of this: a majority of childcare providers have waiting lists of up to more than 100 children. A total of 913 families were on waiting lists, and that does not even encompass all of the providers in Sioux Falls. Sioux Falls simply needs more childcare options than it currently has, especially with its growing population, and the current providers need more support in order to stay profitable. This support could come financially to give providers more funds for their operations in order to pay their staff better. It could also come in the form of business mentoring whereby childcare providers



are offered free education on how to successfully run a business. All things considered, childcare providers and parents need more support than they are getting right now for childcare.

Conclusion

Overall, the childcare system in Sioux Falls is broken on many levels. The cost of childcare is astronomical relative to parents' incomes, making it unaffordable for many families in Sioux Falls, which leads to some parents dropping out of the workforce. Extremely long waiting lists for childcare providers gives families few places to go. Families should not have to undergo these circumstances as a clear dilemma exists that no parent should have to face, especially for those who cannot afford childcare and also do not qualify for government assistance.

To address this gap in the childcare system, parents and providers need to be supported more financially. Employers must be educated about the impact that childcare has on their employees and the entire community to gain their support and make family considerations a top priority. This could take the form of subsidies for childcare, connections to local childcare centers, and the option to work from home, among other possibilities. Childcare providers are lacking adequate support and are struggling to make ends meet every year. They need more financial support and business mentoring to continue operating for families who need it.

Families struggle enough to balance work and family demands without needing to know whether they can afford to place their child in affordable, safe, and quality childcare every day. They should not need to worry about spending more than 7% of their income on finding care for their child while they work to support them. Childcare providers fight to survive every year, and some still do not. They should not need to worry about how they are going to stay afloat while striving to offer the best quality of care for the lowest price to parents. This visibly broken childcare system deserves to be fixed and funded, to the benefit of Sioux Falls families, employers, and the community as a whole.

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Appendix A

Childcare provider survey



Sioux Falls Childcare Collaborative Childcare Provider Survey

If your agency has multiple sites, please complete one survey per site.

1. What is the name of your childcare center? If you have more than one site, give the name of the site you are answering for.

2. Name and position of the individual completing this survey?

3. How many total sites does your childcare center have?

4. Which of the following age groups do you care for at this site?

- ☐ Only infants, toddlers, and 2 year olds
- ☐ Only children aged 3 -5 years
- ☐ Both groups
- ☐ Neither



Sioux Falls Childcare Collaborative
Childcare Provider Survey

5. Please provide the following information for your **infants, toddlers, and 2 year olds** at this site.

Capacity:

Typical enrollment:

Average daily attendance:

6. Do you currently have a waiting list for this age group at this site?

☐ No

☐ Yes (If so, how many children are on the waiting list right now?)



Sioux Falls Childcare Collaborative
Childcare Provider Survey

7. Please provide the following information for your children **aged 3-5 at this site.**

Capacity:

Typical enrollment:

Average daily attendance:

8. Do you currently have a waiting list for this age group at this site?

☐ No

☐ Yes (If so, how many children are on the waiting list right now?)



Sioux Falls Childcare Collaborative
Childcare Provider Survey

9. Please provide the following information for your **infants, toddlers, and 2 year olds** at this site.

Capacity:

Typical enrollment:

Average daily attendance:

10. Do you currently have a waiting list for this age group at this site?

☐ No

☐ Yes (If so, how many children are on the waiting list right now?)

11. Please provide the following information for your children **aged 3-5** at this site.

Capacity:

Typical enrollment:

Average daily attendance:

12. Do you currently have a waiting list for this age group at this site?

☐ No

☐ Yes (If so, how many children are on the waiting list right now?)



Sioux Falls Childcare Collaborative
Childcare Provider Survey

13. What are your hours of operation at this site? Please describe them or provide a link for your webpage with this information.

14. How many hours of care do you provide in a typical week at this site? For example, 5 children x 40 hours of care = 200 hours. (This is not the total number of hours your facility is open)

15. What are the barriers, if any, to enrolling more children at this site? (Rank the reasons, using "1" to indicate the most important and "6" being the least important.)



Operating at full capacity

☐ N/A



Inability to hire/retain personnel

☐ N/A



Not enough children wanting to enroll

☐ N/A



Location/lack of demand for services in this area

☐ N/A



Cost of services exceeds families' ability to pay

☐ N/A



Other

☐ N/A

16. If you ranked "Other" above, please describe here.

17. If barriers are different depending on age group, please explain.

18. What are the current rates per child at this site? Please describe here or provide a link for your webpage with this information.

19. In a typical year, do you have children unable to enroll or leave this site because of the inability to pay?

☐ No

☐ Yes (If so, in a typical year, how many children do you estimate are either unable to enroll or leave your care due to cost?)

20. Do fees for services, including parent fees, CACFP, CCA, TANF, United Way, or other subsidies, cover all of your annual expenses for your **birth - 5 year** program at this site? Note this should not include revenues from other programs.

☐ Yes

☐ No

21. If fees do not cover all of your annual expenses, what is an estimate of your annual deficit at this site?

☐ \$100,000 or less per year

☐ \$100,001-\$200,000 per year

☐ \$200,001-\$300,000 per year

☐ \$300,001-\$400,000 per year

☐ \$400,001-\$500,000 per year

☐ More than \$500,000 per year

22. Do you currently make rent or mortgage payments for the space used in your birth - 5 childcare program at this site?

☐ No

☐ Yes (If so, what is your estimated annual rent/mortgage for your birth - 5 programs?)

23. How many full-time employees do you have at this site?

24. How many part-time employees do you have at your childcare center?

25. Do you need to enter data for another site?

☐ Yes

☐ No



Note on Survey Administration

Skip logic was used for the childcare provider survey. Questions 5 and 6 were asked of providers who only cared for infants, toddlers, and two-year-olds. Questions 7 and 8 were asked of providers who only cared for children aged three to five. If providers cared for both age groups, they were only asked questions 9, 10, 11, and 12.

Appendix B

Business survey



Sioux Falls Childcare Collaborative Business Survey

1. What company are you representing?

2. How many employees do you have employed in Sioux Falls?

3. Prior to March 2020 and the beginning of the coronavirus pandemic, to what degree was accessing childcare a challenge for your employees?

- ☐ High degree
- ☐ Moderate degree
- ☐ Small degree
- ☐ Not at all

What access issues did you most commonly hear about (if any)?

4. Between March 2020 and March 2021, to what degree was accessing childcare a challenge for your employees?

- ☐ High degree
- ☐ Moderate degree
- ☐ Small degree
- ☐ Not at all

What access issues do you most commonly hear about (if any)?

5. Based on your understanding of your employees' experiences, how frequently do employees confront the following obstacles in finding and retaining childcare services?

	Very frequently	Somewhat frequently	Rarely/never
Cost	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Location	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hours of childcare services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Childcare provider full/at capacity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Concerns about the quality of care provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other, please describe

6. Does your company currently provide a subsidy to employees for childcare?

- ☐ Yes
- ☐ No

7. If your company currently provides a subsidy, what is that subsidy?

If not, would your company consider providing a subsidy?

Appendix C

Childcare provider comments

Other barriers to enrollment

This section lists the comments from directors of childcare providers on other barriers that providers face to enrolling more children. These barriers were different from the ones listed in the survey, which included operating at full capacity, inability to hire/retain personnel, not enough children wanting to enroll, not enough space to add more children, location/lack of demand for services in this area, and cost of services exceeds families' ability to pay. A comment section in the survey let providers state if there were other barriers here.

"Covid hit us pretty hard in the under 3 ages but numbers are looking up for the Fall Semester. We only accept [a limited population] -- so limited enrollment"

"The pandemic last year caused parents to take one-year-olds and two-year-olds out of the center to be with parents working from home. Those children grew into the preschool, but it was hard to find the younger group ready to enroll. We were at full capacity until March 13th."

"We start at age 2."


"Cost of operations"

Barriers to enrollment differed depending on the age group

This section lists the comments from directors of childcare providers on barriers that providers face to enrolling more children that differ depending on age group. Most providers split their birth to age five programs into infant, toddlers, and two year olds and three to five year olds. The needs of these separate age groups are different, so barriers may be different depending on the age group. A comment section in the survey let providers state if there were differences here.

"We try not to add any children in the middle of the year for our preschool classes (3-5) so they sometimes will have to wait till the following year for a spot in preschool"

"We have a lot of demand for school aged care during the summer. Our infant age group has had the least amount of enrollment."



"If we wanted to expand the only barrier would be hiring at this time. Not looking to expand since we also have a larger after-school program"

"We have a large number of people requesting infant care and increasing need for care for 1's & 2's. All of our classrooms are full and we need to build more rooms."

"We do not offer infant care, but this summer we could have filled our entire center with school aged children."

"The largest barrier is finding qualified staff with the pay parameters in today's employment market as well as the drive to even work."

"Our center has all 1:5 ratio. This makes it next to impossible to make a profit."

"We don't have an infant program and start at 1 year old. Some times we have a hard time keeping the 1 year old room full as people aren't always interested in changing after a year."

Appendix D

Human Resource representative comments

Common childcare issues before the pandemic

This section lists the comments from Human Resource (HR) representatives on what access issues they most commonly heard about before the COVID-19 pandemic. They were asked to comment about what issues they heard before the pandemic in order to understand if childcare had issues before the pandemic.

"Availability of early hours day care. Our plant employees start at 6:00 am."

"The main issue [for employees accessing childcare] was people finding openings at daycare centers. A lot of people start looking the minute they find out they are pregnant. Centers are booked and often have a waiting list."

"most of our employees have their schedule worked out so that they have daycare with a set schedule

Some were on a waitlist for certain providers but otherwise no large issues."

"We have 24/7 staff not all staff can find coverage or at any affordable price."

"Cost of childcare for younger children"

"Long waiting lists at centers, forcing them to keep looking."

"Cost, available early morning and later afternoon. (Note: in construction, our employees work 6 AM or 7AM to 5 PM, so they work long days especially in the Spring - Fall months)."

"Primarily cost of care and flexibility in work schedule to transport the children."

"Only a few illness restrictions"

"Difficulty finding child care for newborns or for children with special needs"

"Lack of access to those working second shifts (start times around 3:30 p.m.). Not enough places open early enough to accommodate our early morning shifts, which start as early as 6 a.m."

"Having enough providers available."

Common childcare issues during the pandemic

This section lists the comments from HR representatives on what access issues they most commonly heard about after the onset of the COVID-19 pandemic. They were asked to comment about what issues they heard during the pandemic in order to understand if childcare employers became aware of issues purely because of the pandemic or if its effect was compounded after the pandemic.

"Same as above [regarding early hours of care before 6:00 am.]"

"COVID closings obviously made childcare difficult for everyone. I would just echo what I said above. Due to [childcare centers being full with long waitlists], there isn't a lot of "back up" child care available."

"Daycare closed because of COVID quarantine."

"If a facility was closed due to COVID reasons, employees had to keep their kids at home, which was a challenge"

"more of the issue was when the school was closed for distance learning"

"Nothing was open. All kids were at home b/c schools and daycares were shut down."

"We had a handful of staff who had newborns during this timeframe and some had difficulty securing childcare. Not enough openings, put on a waitlist for preferred provider, childcare center closures due to COVID-19 exposures, etc."


"Employees had concerns about safety, health etc of the facilities."

"Long waiting lists at centers, forcing them to keep looking."

"Mostly just strict quarantine rules. Kids couldn't even cough without being sent home."

"Daycare Closures. Required isolation periods due to COVID-19. Health and safety concerns."

"I don't have evidence, even anecdotally, that the status of finding daycare has changed for [our] staff."



"Because we had such a high-profile covid experience, caregivers would not accept children whose parents worked [here]. Daycares closed, leaving parents without access to adequate care. Lack of providers available."

"Hours of operation, quality of care, and number of providers."