



Childcare Supply and Demand in Montana

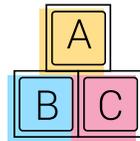
Exploring the impacts of a lack of childcare on the Montana economy

by Amy Watson, *State Economist*

Childcare provides critical support to the Montana economy, allowing parents of young children to participate in the labor force and preparing the future generation of workers through high-quality early childhood education. Licensed childcare capacity has been consistently undersupplied despite its essential role in supporting the statewide workforce. In 2022, licensed childcare capacity met only 43% of estimated demand. This article explores the supply and demand for childcare in Montana and the workforce impacts of this persistent undersupply.

How many children need care?

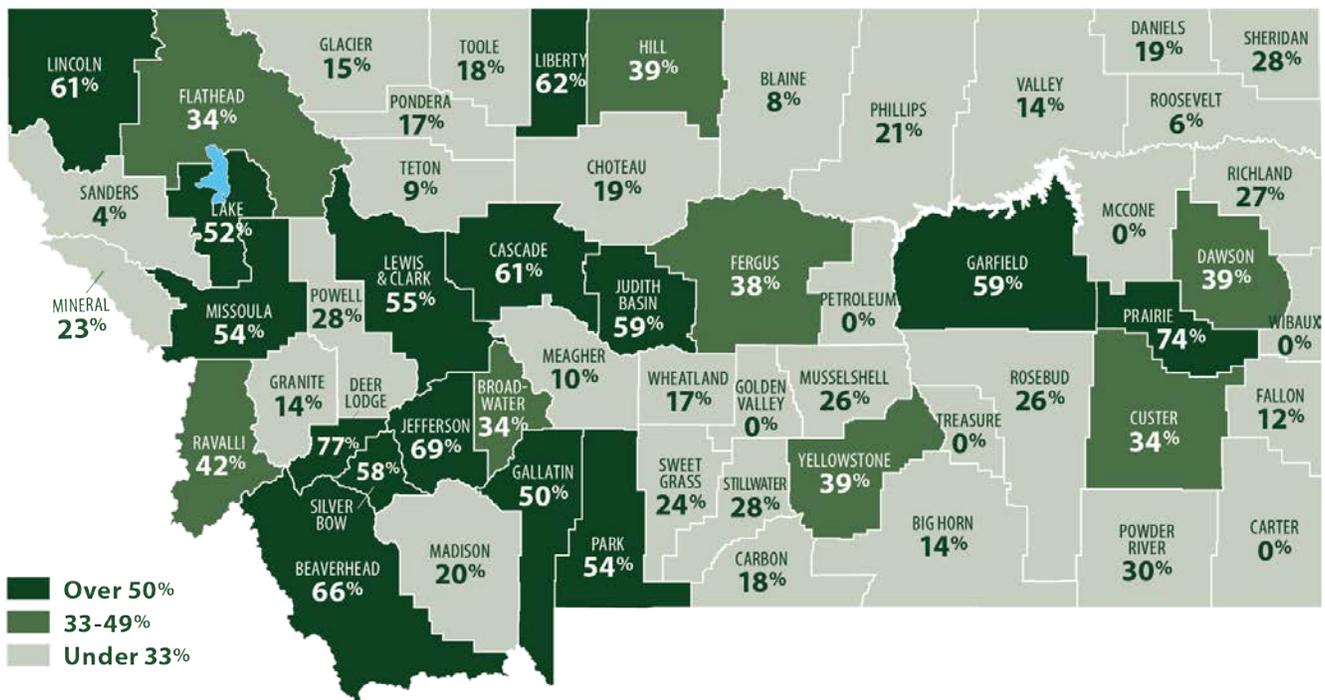
The demand for childcare is defined as the number of children under the age of six living in households where all parents are in the labor force, meaning the children are either part of a single-parent household or a dual-parent household where both parents are employed or actively seeking work.



Statewide Childcare Shortage

Licensed childcare capacity meets only 43% of estimated demand in the state.¹ Childcare shortages exist in every county, with 59% of counties identified as childcare deserts – meaning supply meets less than a third of estimated demand.² **Figure 1** shows the licensed childcare capacity as a percentage of demand in each county in 2022. The most significant unmet demand occurs in the more rural areas of the state. There are six counties without a single licensed childcare provider.

FIGURE 1
Childcare Capacity as a Percent of Demand by County



Produced by the MTDLI. Childcare Capacity Data Provided by MT DPHHS as of 12/2022. Demand is equal to the number of children under age six living in working parent households.

¹ Calculation based on 2017-2021 ACS 5-Year Estimates and average licensed childcare capacity in July 2022 as reported by Montana Department of Health and Human Services.

² DPHHS childcare licensing data 2022 annual average capacity. 2017-2021 ACS 5-Year Estimates.

The childcare shortage is more severe for infants and toddlers under two years old. Licensed infant care capacity meets 31% of the estimated demand in Montana, qualifying the state overall as a childcare desert for infant care.³ Higher staff-to-child ratios increase the cost to providers of infant care operations, contributing to the shortage. **Figure 2** shows infant capacity as a percentage of demand by county in 2022.

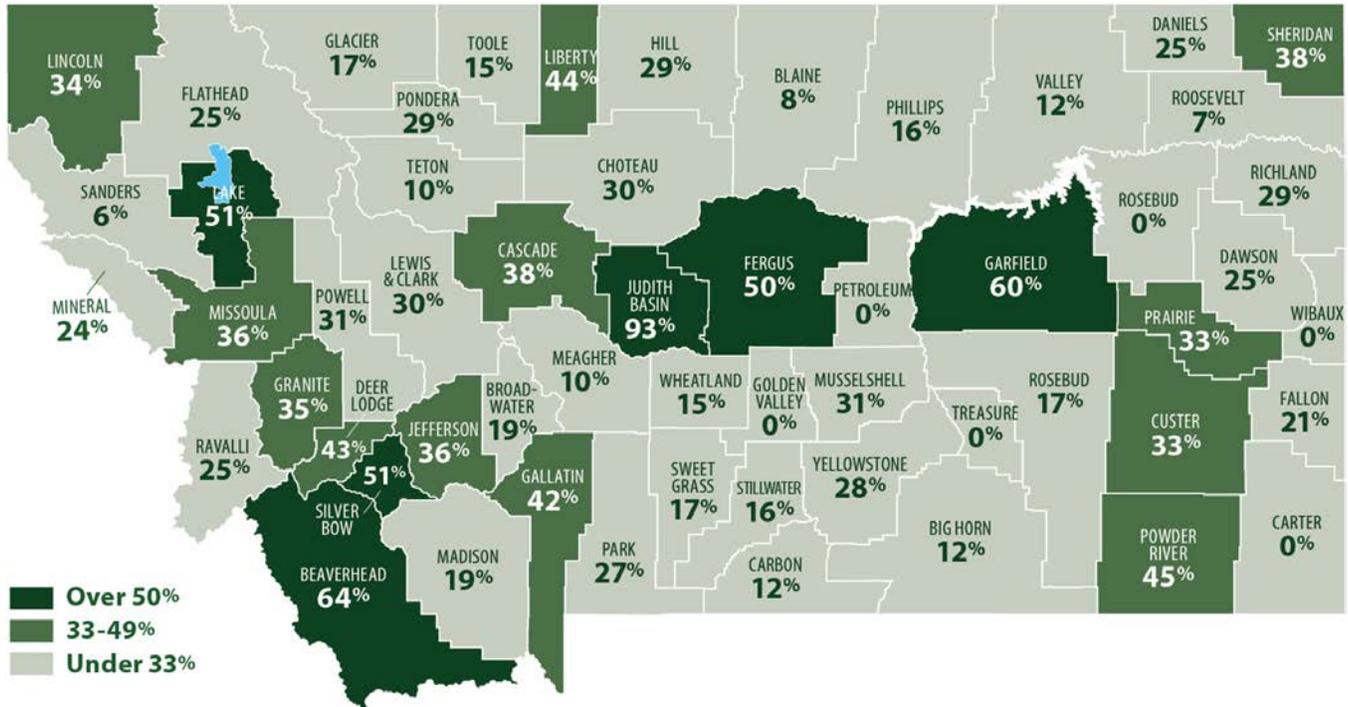
A shortage of licensed childcare in Montana has existed for several years. In 2019, licensed capacity met only 41% of estimated demand. That same year Montana ranked 40th among states for childcare availability, with only ten states reporting more unmet demand.⁴ The pandemic recession further exacerbated the childcare shortage. During April 2020, 43% of licensed childcare providers closed as an immediate response to the pandemic.

What about unlicensed care?

The supply of childcare only considers licensed childcare capacity, which includes centers, group and family homes, and family, friend, and neighbor care. Many children in working-parent households who cannot secure a licensed childcare slot are likely in unlicensed care. According to the US Census Bureau, as many as 70,000 Montana children may be in unlicensed care. While some families may be able to find high-quality unlicensed childcare, the quality of care is not monitored.



FIGURE 2
Infant Childcare Capacity as a Percent of Demand by County



Produced by the MTDLI. Childcare Capacity Data Provided by MT DPHHS as of 12/2022. Infant is defined as a child less than two years old. Demand for infant care is calculated as the number of children under the age of two living in working parent households.

³ DPHHS childcare licensing data 2022 annual average capacity. 2017-2021 ACS 5-Year Estimates. Infant is defined as a child less than two years old.

⁴ Montana Department of Labor & Industry using US Census Bureau 2012-2016 ACS data and Child Care Aware Survey 2017.

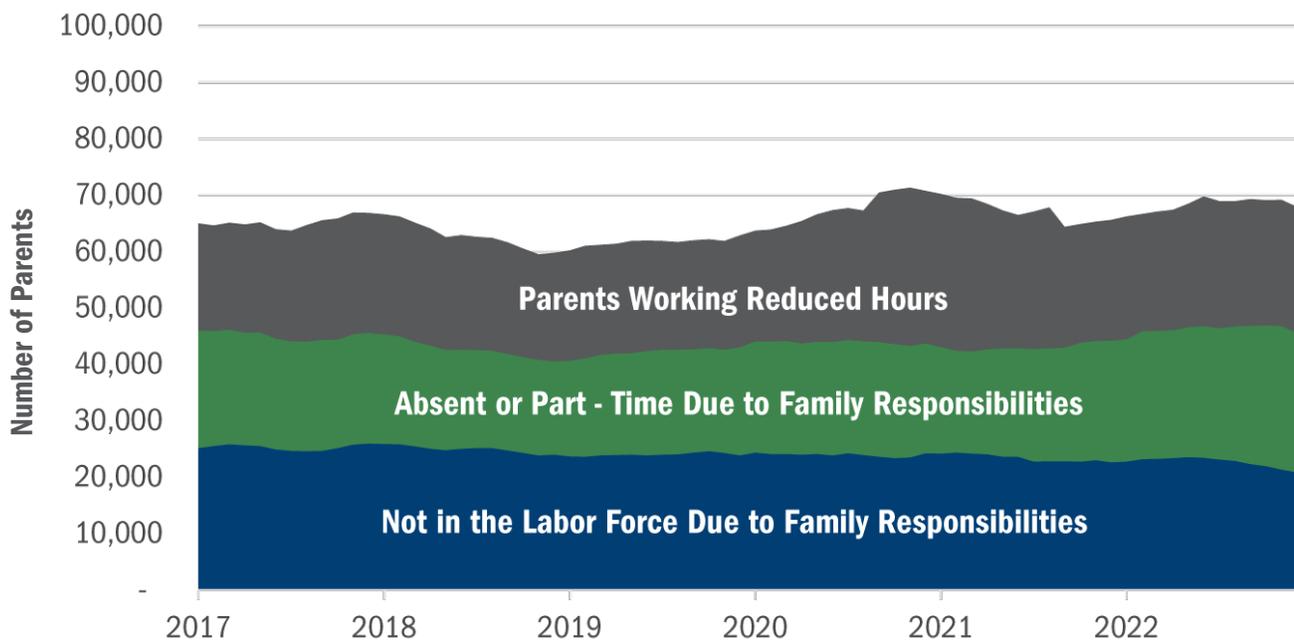
These closures accounted for 10,921 childcare slots at licensed providers. Many providers found ways to reopen, and by 2022 total and infant capacity surpassed pre-pandemic levels, hovering above 21,000 licensed childcare slots.

The cost of care for a child also prevents many parents from accessing licensed care. The U.S. Department of Health and Human Services benchmark for affordable childcare is 7% of household income.⁵ In 2022, Montana households averaged \$16,269 in childcare expenses for children under age five. Annual childcare expenses in 2022 amounted to 25% of the state’s median household income, far exceeding the U.S. Health and Human Services benchmark for affordable care.⁶

Workforce Impacts

A lack of high-quality childcare in Montana has prevented many parents from fully participating in the labor force, thus further exacerbating the state’s workforce shortage. In 2022, a monthly average of 22,800 Montana parents were unable to participate in the labor force due to family responsibilities and a lack of childcare.⁷ An additional 45,000 Montana parents were underemployed or reported working reduced hours in 2022 – which translates to 8% of the state’s labor force.⁸ In total, approximately 68,000 Montana parents are unable to fully engage in the workforce.⁹ **Figure 3** shows how these parental workforce impacts have changed over the last five years.

FIGURE 3
Underutilized Parent Workforce



Source: MTDLI analysis of Current Population Survey microdata from IPUMS through December 2022.

⁵ <https://www.govinfo.gov/content/pkg/FR-2016-09-30/pdf/2016-22986.pdf>

⁶ Annual childcare expenditures estimated based on weekly childcare costs reported by the U.S. Census Household Pulse Survey from September to February 2023. Median household income reported by 2017-2021 American Community Survey (in 2021 dollars).

⁷ Current Population Survey, IPUMS monthly extract December 2022. Number of Montana parents who were not in the labor force due to family responsibilities.

⁸ Current Population Survey, IPUMS monthly extract December 2022. Number of Montana parents who reported working reduced hours in the past week.

⁹ Parents are defined as adults with children under the age of 18 in the household.

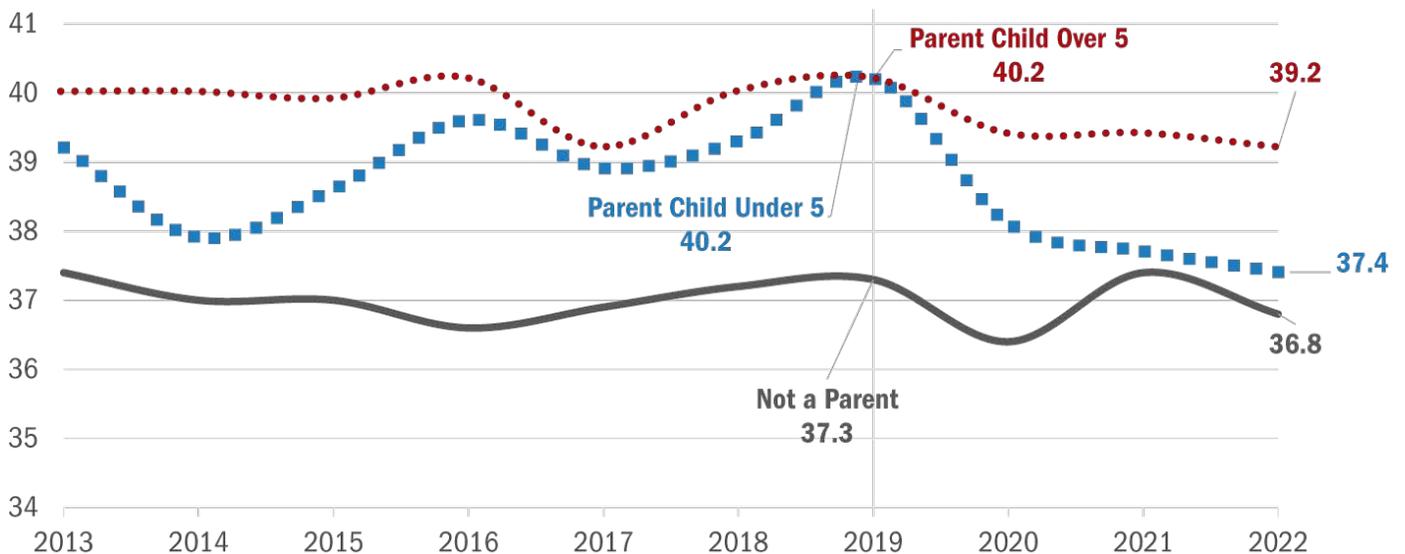
The pandemic childcare closures contributed to a drop in parental workforce engagement. From 2019 to 2020, the number of parents unable to fully engage in the workforce increased by almost 10,000, reaching a high of 71,000 parents in the fourth quarter of 2020. Since then, parental workforce engagement has improved, yet the number of parents experiencing childcare-related workforce disruptions remains elevated from pre-pandemic levels.

Labor force participation rates of parents have increased over the last five years, reaching 81.4% in 2022 compared to 77.7% in 2017. Parents who may have exited the labor force during the height of the pandemic recession have reentered; however, they are not working as many hours as they did in 2019. The average parent in Montana worked a 40-hour week in 2019. By the end of 2022, the average workweek for Montana parents had shortened by about 1.5 hours, with parents of children under five reporting the most

significant decline in hours worked. Parents with young children reported working 2.8 hours less per week at the end of 2022 compared to pre-pandemic levels. **Figure 4** shows the average hours worked by parents and non-parents over the last five years.

Flexible scheduling and remote work opportunities can help parents adapt to inconsistent childcare while remaining engaged in the workforce. The pandemic greatly expanded access to telework opportunities in the state. The number of people working from home more than doubled from 2019 to 2021, with an estimated 14% of the workforce working from home compared to 7% in 2019.¹⁰ However, remote work opportunities are not available in every industry. Retail and wholesale trade, transportation, and leisure activities are the least likely to offer remote work and account for over a third of all employment in Montana.¹⁰

FIGURE 4
Average Hours Worked per Week by Parental Status



Source: Current Population Survey, IPUMS monthly extract through December 2022.

¹⁰ ACS 1-Year Estimates 2019 and 2021 for Montana.

Childcare Workforce

One of the primary causes of the childcare shortage is a lack of available workers. Early childhood educators (ECE) are one of the most in-demand occupations in Montana, according to the Montana Department of Labor & Industry (MTDLI) 2021-2031 employment projections.

Figure 5 shows the employment projections for ECE workers and the median wage for each occupation in 2022.

The MTDLI estimates 743 annual job openings for childcare workers through 2031, placing the occupation in the top 20 among all occupations for number of openings. Nearly half (49%) of these openings are projected to occur due to childcare workers changing occupations. Retirements are estimated to generate an additional 47% of the job openings for childcare workers. More early childhood educators (ECE) are needed to meet the demand for childcare workers, and preschool as well as kindergarten teachers.¹¹

Low wages often prevent childcare providers from being able to recruit and retain a qualified workforce. An estimated 42% of providers cite caregiver pay as one of the most important factors limiting access to childcare.¹² Childcare workers reported a median wage of \$11.19/hour, which translates to \$23,280 per year in 2021. Childcare workers' wages vary slightly based on their position, with lead teachers reporting to the Early Childhood Project an average hourly rate of \$14.19.¹³ These low wages lead to increased poverty rate for early childhood educators compared to the statewide average. In 2019, the poverty rate for early educators in Montana was 24.7%, higher than for Montana workers in general (12.7%) and eight times higher than for K-8 teachers (3.1%).¹⁴

There is a tension between the need to provide high-quality early learning and development experiences to children through highly trained, educated, credentialed, and experienced staff, and the low wages paid in the sector.

FIGURE 5
Early Childhood Education Employment Projections and Wages

Occupation	Minimum Education	Annual Job Openings				Median Wage
		Exit	Transfer	Growth	Total	
Childcare workers	High school diploma	350	363	30	743	\$23,280
Preschool teachers	Associate degree	34	48	11	93	\$29,370
Preschool and childcare administrators	Bachelor's degree	5	9	2	16	\$48,050
Kindergarten teachers	Bachelor's degree	22	31	1	54	\$45,120
Elementary school teachers	Bachelor's degree	137	178	10	325	\$49,480

Source: MTDLI Employment Projections 2021-2031. Occupation Employment and Wages (OEWS) 2021. Exits refer to the number of job openings created by labor force exits, such as retirements. Transfer openings refer to the number of job openings created as individuals leave the occupation to pursue a job in another field. Growth openings occur due to an increase in demand for the occupation.

¹¹ Montana Postsecondary Workforce Report 2022, MTDLI.

¹² Kristal Jones and Kirsten Smith, Bloom Consulting, *Childcare Licensing Assessment: Stakeholder Perspectives to Support Regulator and Systems Improvement*, April 2022. <https://dphhs.mt.gov/assets/ecfsd/childcare/MTCCLProjectAssessment.pdf>.

¹³ Montana Early Childhood Project, Montana State University, *Profile Summary Fact Sheet*, Q3 2022.

¹⁴ Center for the Study of Childcare Employment, UC Berkeley, *State Profiles: Montana*. <https://cscce.berkeley.edu/workforce-index-2020/states/montana/>.



Overall, fewer than one-third of ECE staff have any degree beyond a high school diploma.¹⁵ Only one percent (1%) of early childhood educators have a director’s credential, which is necessary to become a childcare administrator.¹⁶

The Montana post-secondary education system is essential to the state’s early childhood educator workforce. Over 85% percent of ECE graduates from Montana institutions work in the state a year after graduation. These graduates reported earning between \$22,000 and \$30,000, depending on their level of education. After ten years, income for ECE graduates grew to as much as \$40,000. **Figure 6** shows the workforce outcomes for early childhood education graduates in

the ten years after graduation by educational attainment.

The Montana Early Childhood Apprenticeship Program (MECAP) is another avenue for training early childhood educators. The MECAP is a registered apprenticeship program offering on-the-job training and related technical instruction. This work-based learning model allows the childcare workforce to further their training while remaining engaged in the workforce. Incentives can also help offset the cost of training. The program offers a national childcare development specialist (CCDS) certificate that is recognized in all 50 states.

FIGURE 6
Workforce Outcomes of Early Childhood Education Graduates by Degree

Degree	1 Year After		10 Years After		Annual Income Growth Rate
	% Filing	Median Income	% Filing	Median	
Certificate (CDA)	96%	\$22,869	73%	\$29,605	3%
Associate degree	89%	\$24,706	81%	\$32,026	3%
Bachelor’s degree	87%	\$30,213	74%	\$40,331	3%

Source: DOR, OCHE, RMC, CC, UP, and apprenticeship income data match summarized by MTDLI. Real income reported in 2021 dollars using the CPI-U. Percent filing resident or non-resident Montana income taxes.

¹⁵ Montana Early Childhood Project, Montana State University, Profile Summary Fact Sheet, Q3 2022.

¹⁶ Montana Early Childhood Project, Montana State University, ECP Quarterly Report, Q4 2021-2022.



Conclusion

Access to affordable, high-quality childcare is a critical element of a healthy economy, allowing parents of young children to engage in the workforce. Despite childcare's important role in supporting the economy, licensed childcare supply only meets approximately 43% of estimated demand. Childcare shortages exist in every county, with most designated as childcare deserts. The lack of available care contributes to a rise in the number of parents unable to fully engage in the workforce. Approximately 68,000 parents aren't employed or are working reduced hours due to family responsibilities.

A lack of workers is one of Montana's most significant barriers to expanding access to affordable childcare. Childcare workers are one

of the most in-demand occupations in the state; however, there are not enough early childhood educators to meet demand. Low wages prevent many people from entering the field and contribute to high turnover within the profession. The Montana Department of Labor & Industry is committed to helping address this concern, specifically by expanding the early childhood registered apprenticeship program (MECAP). Using funding through the American Rescue Plan act, MTDLI has continuously emphasized streamlining the program and improving incentives to encourage participation. For more information about MECAP, please visit mtecp.org.