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# Childcare in Wyoming: A Business Problem with Business Solutions

## Summary

**Insufficient childcare supply in Wyoming is a significant business problem.** A shortfall in supply is a key challenge today in the context of a very tight labor market with most firms struggling to find workers. We approximate that over 10,000 individuals may be out of the workforce in Wyoming completely due to lack of childcare. This is also a significant long-term problem as childcare is something in which states ultimately compete to attract businesses. Childcare access for their workers affects their bottom-line and childcare access and cost are a problem nationwide. Wyoming is failing to compete and losing out on growth and opportunity as a result. The cost of childcare in Wyoming is not exceptionally high in comparison to many other states, but cost is irrelevant if there simply are not available slots. Businesses and young families are drawn to Wyoming's excellent K-12 education system but face an important gap in Pre-K childcare and early childhood education.

**Childcare supply is a solvable challenge with business solutions - this need not cost the state significant new fiscal resources.** A Growth Lab investigation has found that home-based childcare is of special importance because it is currently profitable as a business and viable in lower population and more dispersed areas of the state. A package of 10 state-level business support services and start-up tools can help expand this segment of supply substantially. Center-based childcare is also critical as it provides most childcare slots, but centers face challenges to remaining profitable with a chief problem being attracting and retaining their own labor. Meaningful solutions at low cost are also possible and differ from previous areas of policy focus. Finally, communities are finding innovative ways to utilize community assets and resources to supply childcare in places where the marketplace for childcare does not reach. These innovations can be scaled to more communities across the state.

## The Main Problem is Supply, Not Demand.

**The childcare market in Wyoming is severely supply-constrained.** A recent estimate by the Bipartisan Policy Center estimated a childcare gap of nearly 28% for Wyoming overall, amounting to over 5,000 children with both parents in the labor force, with many parts of the state at a much higher rate and considered "childcare deserts." However, this underestimates the problem, as many parents are out of the labor force completely and those children are not captured in this estimate. The Growth Lab has been working with the Department of Family Services, Department of Workforce Services, Wyoming Business Council, and other informed stakeholders to understand why supply is so far below demand. We found that wait lists are ubiquitous among providers, even as some providers operate below their licensed capacity. These providers, we learned, often cannot operate at their licensed capacity due to staffing and sometimes physical space constraints. Even as many providers keep rates artificially low, insufficient supply leaves many families priced out of childcare. Others do not have any childcare within their area, especially in rural settings.

**What holds back supply in the market? In other words, why don't more providers expand and why don't new providers enter to close the gap?** Most policy attention in Wyoming (and nationally) has been focused on the demand-side, especially through subsidies to families to help them afford childcare. However, the real question for attention is what prevents supply from growing. In fact, all indications are that overall supply has been contracting in Wyoming in recent years. In economist speak, we set out to understand what it would take to shift the childcare supply curve outward and to steepen the supply curve, such expansions in demand-side subsidies to families (a key part of Wyoming's strategic plan on childcare) create a larger supply response. We have completed intensive data analysis of state and national childcare and labor data, results of market rate surveys, and surveys of families, conducted in-person interviews with providers, childcare center staff, and communities in Rock Springs, Green River, Pinedale, and Big Piney, and virtual interviews with providers in other parts of the state.

### How to Catalyze Childcare Supply Growth

**State-wide policies and initiatives could substantially increase childcare supply in the market.** We find that distinctly different constraints hold back growth and entry of childcare centers and home-based providers. Both these market

segments are needed to expand supply, and this would increase cost effectiveness of current policies and lower overall costs to families. More childcare centers and more ability for centers to operate at full capacity is essential for larger population centers, whereas home-based providers are viable in smaller markets. Centers currently face severe challenges, which center on attracting and retaining workers while only being able to very pay low wages. Meanwhile, home-based providers are already achieving profitability but new business formation is low.

**The figure below summarizes support strategies that are currently under development based on this research.** All initiatives would target critical problems and many have relevant examples of success in other states. For home-based provision, the support package would expand upon current DFS efforts to tap into greater entrepreneurship and help these small businesses overcome normal issues that face very small businesses while also introducing and supporting quality, curriculum, and facilities improvements. Additionally, in cases where market solutions may not be viable or sufficient, there is substantial room to share innovations across communities and pilot state initiatives that help communities to utilize existing assets to deliver community-based childcare solutions.

