



May 11, 2022

Testimony before the Study Committee on Ohio's Publicly Funded Childcare and Step Up to Quality Program

Co-Chairs Senator Cirino, Representative White, and members of the Study Committee on Ohio's Publicly Funded Child Care and Step Up to Quality Program, thank you for allowing me to make some remarks today. My name is Chris Ferruso and I am the Ohio Legislative Director for the National Federation of Independent Business (NFIB). I was asked to appear and provide some perspective on our members' workforce challenges. I am hopeful you will find my comments to be beneficial to this committee and its charge.

By way of background, NFIB members come from all industry sectors in all 88 counties across Ohio. Our typical member employs 15 or fewer and has less than \$2 million in gross receipts. The diversity of our membership runs the spectrum of business operations from sole-proprietors operating out of their homes to large manufacturers that employ hundreds.

The NFIB Research Foundation's quadrennial publication, *Problems & Priorities*, asks small business owners to rank a list of 75 business issues from most to least impactful. The higher the number the bigger the challenge to operations. Before late-2020, "cost of health insurance" was our members' most significant issue and had been since 1986. Yet, even before the pandemic, workforce issues were an increasing concern amongst our members. "Locating Qualified Employees" catapulted from 14th in 2016 to 2nd in 2020!¹ These workforce challenges were substantially exacerbated by the pandemic as demonstrated by a series of pandemic-related surveys posed to our membership as well as our monthly job reports.

During late-2020 and through 2021, nearly 75 percent of our members were experiencing some level of staffing shortage.² Nationally just under 50 percent of members are trying to fill open positions, here in Ohio it is 56 percent. In our most recent jobs reports, labor quality was cited by 23 percent as the top issue facing them this month, closely behind only

¹ <https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>

² <https://assets.nfib.com/nfibcom/Covid-19-Survey-21.pdf>

inflation. This was the second-highest percent identifying labor quality as a top issue in our survey history! Additionally, 93 percent of our members who are looking to hire reported few or no qualified applicants for open positions.³

Understanding the tight labor market, our members have responded accordingly with 83 percent raising wages at least once over the past two years to attract more workers. Nearly a quarter have also increased paid time off, almost a third offered or enhanced health insurance, and taken other steps to attract employees.⁴ Our members are also being flexible concerning scheduling to accommodate the needs of their workforce, it is what small businesses do. Despite these efforts, there is still a workforce demand not being met. As a result, our members have had to make changes in their day-to-day operations.

When asked what adjustments have been made in business operations to compensate for the staffing shortage, 41 percent of small employers are offering more hours to part-time employees. Almost two-thirds are offering overtime to full-time employees. And nearly 90 percent of small employers responded that the owner(s) are working more hours. 38 percent have adjusted business operation hours and 31 percent have reduced the variety of goods and services sold. A third of small employers have introduced new technology to enhance productivity.⁵

Unfortunately, there are other pressures, supply chain disruptions (87 percent of Ohio members indicate it is a problem), and inflation for example, that are causing a flattening and downward trend in the optimism small business owners had been experiencing. Pre-pandemic, our members' optimism about the economy was at levels not seen since the early 1980s. Small business owners expecting better business conditions over the next six months is at a historic 48-year low.⁶ We know when our optimism index drops, our members tend to postpone capital outlays and expenditures causing a negative ripple effect throughout the economy.

I share all this information to help you understand the challenges the small business community is currently facing. The labor shortage is driven by multiple factors. And no doubt one of those factors is childcare, both access, and affordability. Our members have responded through increased wages, benefits, etc. The question before this study committee is what role should state government play in finding other, appropriate solutions? We welcome and hope to be part of meaningful solutions, recognizing there is not one single policy change that will address all our members' current hiring challenges. However, we believe any solutions should avoid adverse business impacts like tax

³ <https://www.nfib.com/foundations/research-center/monthly-reports/jobs-report/>

⁴ <https://assets.nfib.com/nfibcom/Covid-19-Survey-21.pdf>

⁵ <https://www.nfib.com/foundations/research-center/monthly-reports/jobs-report/>

⁶ <https://www.nfib.com/surveys/small-business-economic-trends/>

increases. This is true for any expansion of eligibility for publicly funded childcare, provider payments, and early education initiatives.

We just released our most recent economic survey to our membership and are beginning to collect the results. We did ask a couple of questions related to childcare and the impact it is having on keeping and/or attracting employees. I look forward to sharing more specific data on what we learn from our members with you at a later date.

We also are cognizant of the challenge some face with respect to loss of eligibility for public benefits. The benefits cliff is a real problem. That earning just a small amount above a threshold will trigger a reduction and/or loss of benefits. This creates a huge financial disincentive for parents to return to the workforce which would cause some to essentially work simply to pay for childcare. We believe the adjustment to eligibility levels added in the last biennial budget is a good investment and start to this issue. Additionally, there are places in Ohio where there are limited or no providers of publicly funded childcare. This doesn't even allow for the question of affordability, if there are no providers, parents simply are unable to work. Any solutions need to work toward increased provider availability.

I was also asked to give some comments on the importance/impact of education. We know our members are concerned with the preparedness of high school graduates they are looking to hire. It is not a new phenomenon but something we have heard regularly over the years. The anecdotes we heard from members over the years include a lack of necessary skill sets from prospective employees. Many members told us just give me someone to show up every scheduled day on time and prepared to work, and the company would take on the responsibility of the training.

Recognizing that simply raising the issue does not provide solutions, our association has responded by taking a renewed interest in education policy and regularly engaging with the Ohio Department of Education. The importance of having a business perspective/engagement early in the process is paramount in our view. The more frequently business owners can work with the education community, we believe the more likely the needs of the business community will be considered for curriculum, etc., and the better the lines of communication between parties. As an example, NFIB is a strong believer in business advisory councils (BAC). Each school district is required to have a BAC. These councils are meant to facilitate a relationship between boards of education, school administrators, and local business owners. We feel BACs are incredibly important to ensuring children know there are opportunities available to them in their local areas. We have emphasized getting our members more engaged with their local schools and will continue to do so.

While we are not subject matter experts on early childhood education/childcare, our members see the substantial value in investing in educating and exposing children to career opportunities earlier. We acknowledge and agree that the sooner children are engaged the better positioned they will be upon graduation to enter the workforce. While we have an immediate workforce crisis, the need for prepared workers will continue.

However, there is a balance needed to what is asked and expected of childcare providers. We do not believe a "solution" is one that has criteria with excessively high standards that render many childcare providers ineligible for public funds. Standards that are exceedingly difficult to meet will only exacerbate the access and affordability issues as fewer providers limit competition and availability and drive-up costs. This will only further narrow an already limited employee pool. We hope this committee will evaluate how to build upon Ohio's existing childcare framework with an eye toward increasing provider availability.

Childcare is an obstacle to our members' workforce needs and will continue to be going forward. We know childcare is costly, and resources are limited. We also appreciate the investment early education has in preparing children for their futures. We look forward to working with this study committee and the General Assembly on finding creative ways to increase publicly funded eligibility and ensure greater availability of childcare providers while not diminishing the quality of care. This will help our members attract and retain quality employees, which benefits local communities and the entire state.

Thank you for your time and indulgence. I would be happy to try and answer any questions.