Investing in the Care Economy Works: Learning from the American Rescue Plan

FEBRUARY 28, 2023 — JULIE KASHEN, ANNA WADIA, CHOUA VUE, AND ALLISON COOK

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This brief is one of the first studies to look at the impact of the American Rescue Plan Act and identify best practices in implementation across three pillars of the care economy—child care and early learning, paid family and medical leave, and home and community-based services. It kicks off a series that will examine the successes and challenges of implementing ARPA. Future briefs in this series will look at: promoting equity in implementation; overcoming challenges stemming from the historic lack of investment and temporary nature of the funds; and new information derived from the work of government, nonprofits, researchers, and others to track the impact on an ongoing basis. As with all briefs in the series, this one draws on lessons from states around the country and from a cohort of national organizations supported by the Care for All with Respect and Equity (CARE) Fund.

The breakdown of care during the pandemic demonstrated its essential nature in the American economy. Faced with a potential catastrophe, elected leaders made emergency investments toward something America has long needed, but never had: a robust, publicly supported care infrastructure to fuel its regional economies, improve the wellbeing of children and families, create and support good jobs, promote equity, and enable people with disabilities[1] and older adults to live independently with safety and dignity. The results were significant, offering Americans a glimpse of what could be—but they were temporary.

The investments in care infrastructure through the American Rescue Plan Act (ARPA) included unprecedented resources to stabilize the child care sector, increase Medicaid payments for long-term supports and services provided to disabled people and aging adults in their homes and communities, otherwise known as home and community-based services (HCBS), and provide relief to states and localities, including for paid leave and related care needs. These funds were a lifeline across the care economy and made clear what is possible when the federal government comes together with families, states, employers, communities, and other stakeholders to build the care infrastructure needed. They also shone a spotlight on the need to make such changes permanent and helped identify what gaps could be filled to improve these policies—especially to improve equity—in the future.

This commentary can be found online at: https://tcf.org/content/commentary/investing-in-the-care-economy-works-learning-from-the-american-rescue-plan/

ARPA Funding Provided a Vital Lifeline

Families' care needs during the pandemic were similar to their needs prior to the pandemic. They needed reliable, affordable, safe, nurturing options that met their specific needs. They also needed to ensure that time spent caring for loved ones or their own illnesses did not mean they would lose their job or paycheck. Prior to the pandemic, however, most families' needs were not being met. And while America's care infrastructure has always been an insufficient patchwork, the sudden onset of the pandemic only made things worse—shutting down child care programs and schools; endangering disabled people and older adults living in congregate care; and disproportionately hurting women of color. ARPA provided a vital lifeline to address families' care needs during this critical moment.

The insufficiency of the care infrastructure is part and parcel of the historic racism and sexism institutionalized into our care economy. For the people employed to provide care—in child care and in long-term supports and services this discrimination has contributed to ongoing poverty-level wages and lack of benefits. What changed for these workers during the pandemic was that they either lost their jobs or had to show up at work and put themselves and their families at risk of the often deadly coronavirus. ARPA provided funds to better compensate workers and invest in their health, safety, and wellbeing.

In order to work toward a more robust care infrastructure going forward, it is important to understand the specific ways in which ARPA and other pandemic interventions invested in and expanded child care and early learning, home and community-based services, and paid leave policies and how these investments have served—and are serving—workers, families and communities.

Child Care and Early Learning

The American Rescue Plan Act, and earlier COVID-relief funds, included more than $50 billion for child care and early learning programs, which saved the sector from total collapse. To date, 200,000 providers across the nation have been able to use the child care stabilization funding to shore up safe, nurturing options for families. A recent survey from the National Association for the Education of Young Children (NAEYC) found that three in four child care directors and more than four in five family child care owners who responded said their programs had received stabilization funds. Of those, one in three child care directors or owners said that their program would have closed permanently without the funds.

Providers have used the combination of their stabilization and Child Care Development Block Grant (CCDBG) supplemental funds to support operating costs like paying mortgage, rent, and utilities; paying for the costs of increasing their health and safety protections; bonuses and stipends to increase staff compensation; including families previously not receiving assistance; and lowering costs for families.

In Michigan, for example, more than 280,000 children and their families were supported by the ARPA stabilization funds, which went to 6,270 child care programs. The state increased its income eligibility limits to reach more families with child care assistance. To address staffing shortages and compensate early educators fairly for their complex and valuable work, Michigan's ARPA stabilization grant includes stipends for child care professionals in the amount of $500 to $1,000 one-time stipends paid to staff. Employers may choose to pay bonuses as additional wages, salary, employee benefits, or bonus compensation.

Michigan is also an example of a state that effectively engaged stakeholders to ensure a more equitable distribution of funding to diverse providers. After initial missteps in the first round of COVID-19 relief funding, state leaders actively worked to improve stakeholder engagement, which resulted in covering more families and achieving more equitable results. For example, "areas of highest need," which include most of the major population centers for Black residents in Michigan, received more than half of the stabilization grant funds.

Home and Community-Based Services (HCBS)

The American Rescue Plan Act also included approximately $12.7 billion dedicated to Medicaid home- and community-based services, on top of earlier Medicaid increases from COVID-19 relief packages that states could use for HCBS and a variety of other purposes. According to a summary from the Centers for Medicare and Medicaid Services (CMS), states have used ARPA funding to expand services to beneficiaries, strengthen the provider workforce, enhance the use of technology and telehealth, and improve services for the children, families, and disabled and older adults who rely on them.

Low wages, few benefits, challenging working conditions, and immigration restrictions have led to HCBS staffing shortages that were exacerbated by the pandemic. States used their ARPA funding to provide home care workers recruitment and retention bonuses, pay increases via permanent and temporary rate increases, and student loan forgiveness for direct support professionals. Many also included investments in certification and training programs for direct support professionals.

For example, in Illinois, where unions have successfully organized portions of the home care workforce, pre-pandemic advocacy to achieve wage increases helped them leverage the ARPA opportunity to raise rates and therefore wages. Where they weren't able to raise rates permanently, some programs instituted temporary increases to provide short-term raises, ranging from per diem increases to one-time workforce retention payments and pandemic bonus pay.

The direct engagement of diverse stakeholders contributed to the successful implementation of these wage increases. Labor unions and advocates for people with disabilities and seniors have been working together in Illinois to achieve better care and in recent years created a formal coalition to work on rebalancing Medicaid's focus from institutional settings to home- and community-based settings.[2] Coalition members served on Medicaid Advisory Committees that pre-dated the pandemic, which gave them an easy way to engage the state directly. They also submitted comments to the state with recommendations about how to use the ARPA funds, which were taken seriously and helped lead to the rate and wage increases mentioned above.

Illinois was also able to expand service delivery and support transitions from congregate care into the community. For example, the state is spending $13 million on a range of programs to help older adults and people with disabilities transition smoothly from institutions to their own homes or community settings, with adequate supports, including home care.

Paid Leave

The emergency paid leave desperately needed to care for loved ones and one's own illness or injury without risking jobs or paychecks was provided by previous COVID-19 -relief packages and had already expired by the time the ARPA funding was received. However, the $350 billion in state and local relief in ARPA included flexible funds to meet state and local priority needs. The U.S. Department of the Treasury released a rule making clear that creating, expanding, or financially supporting paid sick time, paid family leave, and paid medical leave are permissible uses of these funds. As a result, some states and localities have used that funding for paid leave.

States and localities have used these funds to create or expand paid leave for government employees, study the costs of implementing paid leave programs, reimburse employers who provided paid sick time, support existing paid leave funds, expand paid leave policies, and more.

Colorado has used state American Rescue Plan funds to advance paid leave. The state had already passed one of the most progressive and inclusive paid family and medical leave insurance (FAMLI) programs in the country, but had not yet fully funded it. Colorado was able to use ARPA state and local relief funds to advance $57 million to the Colorado Department of Labor and Employment to continue implementation of the FAMLI program before its official launch. These funds will support the Colorado Department of Labor and Employment's ability to hire staff, develop systems, and build capacity, so that the program can begin to offer benefits on time.

What's Next for Care?

The federal funds deployed through ARPA were a vital lifeline for families, regional economies, and the care sector as a whole. They helped demonstrate what is possible when the federal government comes together with states, localities, and diverse stakeholders to invest in our nation's care infrastructure.

Unfortunately, the temporary nature, speed of implementation, and gaps in the policies were insufficient to meet the true, ongoing demand for care. Decades of historic underinvestment means that a lot more is needed to create the sustainable care infrastructure the nation desperately needs. In addition, ensuring equitable implementation of these policies requires acknowledging and proactively addressing historic and structural racism and sexism, ableism, ageism, and other intersecting oppressions.

The Care for All with Respect and Equity (CARE) Fund pools philanthropic resources to support movement-building for a universal publically supported care infrastructure that includes paid leave, early care and education, long-term services and supports, and quality jobs for care workers. In 2022, the CARE Fund provided grants to organizations providing technical assistance to state administrators and advocates to ensure equitable implementation of federal, state, and local ARPA funding across the care economy. This spring, the CARE Fund will bring these grantees together with others focusing on movement-building and narrative change to share best practices on equitable implementation and insights on the impact of ARPA funding locally for families and care workers. Grantees will also strategize about building the case for sustained public investment in all of the pillars of the care economy.

Subsequent briefs will share lessons on how implementation can promote equity across the care pillars. They will also address lessons learned from the successes and challenges of ARPA implementation across the care economy to inform future policy design and implementation strategies.

The COVID-19 pandemic pulled the invisibility cloak off care work, revealing a workforce—consisting mostly of the Black, Latinx, and immigrant women—that has long been holding up the American economy without adequate compensation, recognition, or support. The pandemic was the impetus for investing in the care economy in ways that have long been needed. Now that we have seen that federal investments work, it is time to build the long-term sustainable care infrastructure the United States so desperately needs. Achieving this vision will not only pave the way to progress on gender, racial, and income equality; it will also create and support millions of jobs, helping to advance an inclusive and equitable economy.

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Notes

1 This brief uses person-first and identity-first language throughout. The intentionality behind this choice is to honor the preferences, cultures, and identities within the disability community.

2 Author's interviews with advocates from February 2022.