Sandwich Generation

Caring for Children AND Older Adults

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Illustration by Kathleen Bolter; photographs by Pixabay and Nataliya Vaitkevich via Pexels; Gabriel Almanzar via Unsplash; and the Met Collection.

Child and adult care in the United States is notoriously expensive. In recent years, the average household with children spent 9 percent of its income on child care, with lower-income households spending over 20 percent of their income on care. At the same time, estimated lifetime out-of-pocket costs for adult long-term care services average $140,000. Thus, it is unsurprising that almost half of the 4 percent of "sandwich generation" adults—those caring for both adult parents and their own children—struggle to afford basic needs.

With little federal government action to address these costs, some states have responded to families' needs for help with caregiving. New Mexico made child care free for most families during 2023, and its residents voted to make universal prekindergarten a constitutional right. In Oklahoma, the Caring for Caregivers Tax Credit will provide family caregivers with up to $3,000 for out-of-pocket caregiving expenses beginning in 2024.

States and localities wishing to attract residents and foster inclusive growth should consider providing or expanding caregiving supports for both children and adults. There are several existing programs and opportunities for state and local governments to provide additional assistance. Policymakers who fail to seize the moment and extend resources to families with caregiving responsibilities risk losing workers and residents to more care-friendly areas.

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Existing policies to support families with child and adult caregiving responsibilities are piecemeal and limited in scope.

The Landscape for Child and Adult Caregiving Supports

Tax Benefits

The Child and Dependent Care Credit (CDCC) allows households to receive tax benefits for care expenses for a child under 13 or for a coresident spouse or dependent who is incapable of self-care. Claimants must work to qualify for annual benefits, which, for most taxpayers, max out at $600 each for up to two qualifying individuals. The CDCC has some drawbacks. First, low-income caregivers who do not owe taxes after deductions are ineligible for the credit. Second, taxpayers receive the credit only after they have filed their taxes, which might be long after they have spent money on care. Finally, the credit does not take into account the quality of care provided.

Despite these downsides, about half of states and New York City provide supplements to the federal credit, some of which are refundable, limited to low-income taxpayers, or more generous for child-care providers with higher quality ratings. These caveats have bite: only 12 percent of taxpayers with children claimed the federal CDCC during 2021;

claims rates were very low among taxpayers without children.

Dependent-care FSAs are another tax benefit for families with children under 13 or with a disabled coresident spouse or dependent. Employees who receive FSAs from their employers may set aside up to $5,000 of earnings before taxes for caregiving expenditures. The employer deducts this income from employees' paychecks, but employees are reimbursed for qualified spending. Unlike with the CDCC, the decision to set aside funds occurs before expenses are realized. Some 41 percent of civilian workers had access to dependent care FSAs as of 2023, although access was more common among employees working in large establishments and earning higher wages.

In-Kind Benefits and Additional Benefits for Adult Caregivers

Apart from tax-related advantages, numerous employees can also take advantage of family and sick leave. While the United States mandates unpaid family leave for employees who meet tenure and work-hour requirements at firms with at least 50 employees, it does not mandate paid family leave or paid or unpaid sick leave. In recent years, 13 states and several municipalities have introduced their own paid leave mandates, providing eligible workers with partial wage replacement up to a maximum weekly benefit. Some of these programs include job protection, although not all do. In 2023, 80 percent of civilian workers had access to paid sick leave, and 27 percent had access to paid family leave. Similar to dependent care FSAs, paid leave access

Key Tax Benefit Programs

Child and Dependent Care Credit: Nonrefundable federal tax credit based on income and out-of-pocket care expenses. Available to working households with a child younger than 13 years or a coresident spouse or dependent incapable of self-care. Worth up to $600 per qualifying individual for up to two qualifying individuals for most households. Some states supplement the federal credit with their own state care credits.

Dependent-care flexible spending account: Tax-preferred account that some employers offer. Employees may set aside up to $5,000 of earnings before taxes for care expenses. The employer deducts this income from employees' paychecks, but employees are reimbursed for care expenses. Available to working households with a child younger than 13 years or a coresident spouse or dependent incapable of self-care.

is more common among employees who work in large establishments and earn higher wages.

Supports for families providing care to somebody because of aging, chronic illness, or disability are targeted and not broadly available. For example, in addition to free medical care, the U.S. Department of Veterans Affairs provides nursing home services to veterans based on eligibility criteria (such as level of disability) and available resources. Eligible caregivers of veterans can access income support, training, and mental health services, among other supports. In many states, Medicaid home- and community-based services can be directed toward compensating family caregivers, but eligibility for this benefit is restricted to adults with limited financial resources and significant functional impairment. Demand for these services often exceeds availability of funds, resulting in significant wait-lists.

Additional Benefits for Families with Children

Turning to benefits targeted at families with children, Head Start is a means-tested federal preschool program aimed at kids aged three and four whose families have incomes at or below the federal poverty line. Its counterpart, Early Head Start, provides

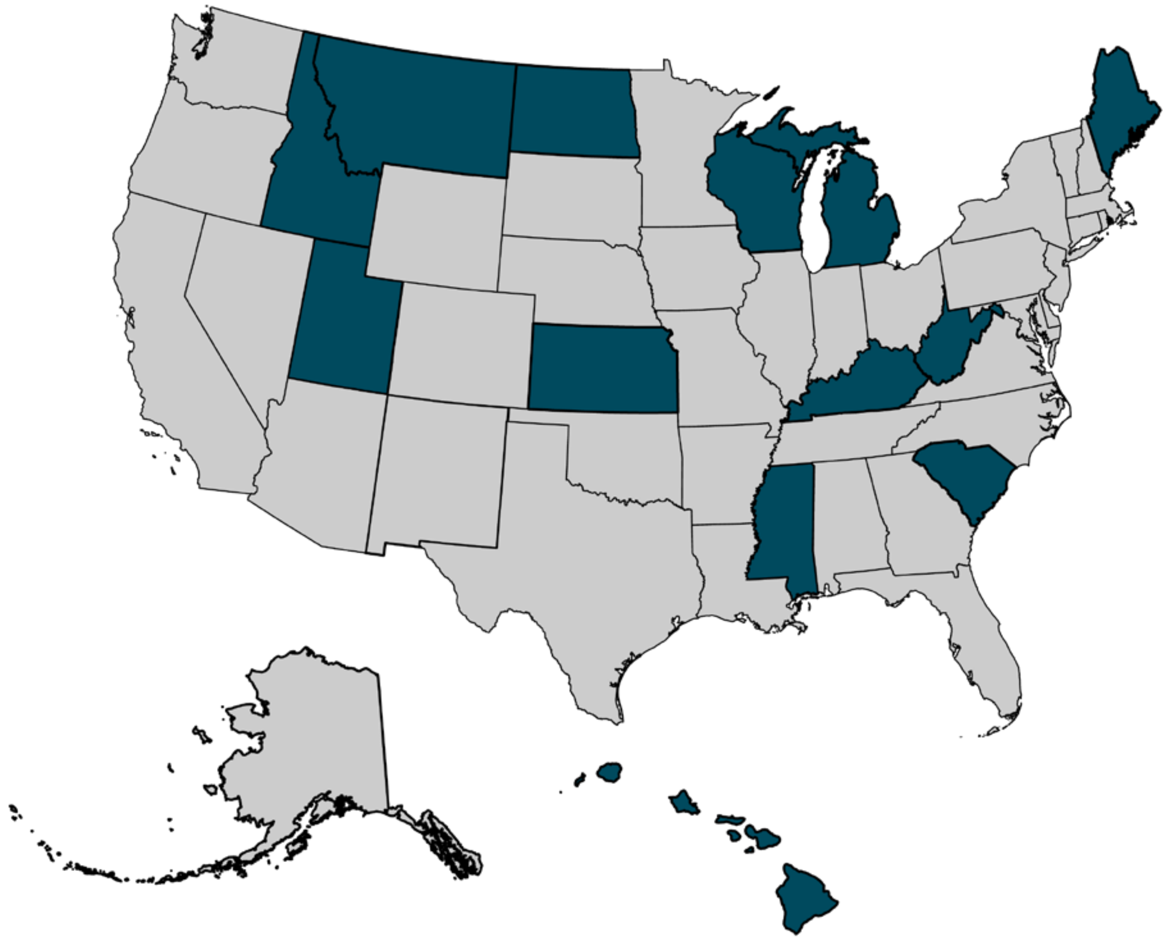
Key Programs for Adult Caregivers

Family and sick leave: Under the Family and Medical Leave Act of 1993, firms with at least 50 employees must offer eligible employees 12 weeks of job-protected unpaid leave for childbirth, adoption, or care of a child, spouse, or parent who has a serious health condition. In recent years, 13 states and several municipalities have implemented paid family and sick-leave mandates.

VA benefits: The U.S. Department of Veterans Affairs provides nursing home services to veterans based on eligibility criteria and available resources. Eligible caregivers of veterans also have access to income support, training, and mental-health services, among other supports.

Medicaid home and community-based services: Some states allow family caregivers to be compensated through Medicaid funds.

Only 13 states provided the federally recommended level of funding for child care subsidy programs



SOURCE: National Women's Law Center. Precarious Progress: State Childcare Assistance Policies 2022. (2023)

home visits and child care for pregnant women and children younger than age three who meet Head Start's income-eligibility criteria. Since the 1960s, both programs have assisted more than 38 million children. However, due to recent workforce shortages, eligible families now have limited access to these services.

Another source of child-care support for low-income working families comes from the federal Child Care and Development Fund Block Grant (CCDBG), which provides funding to states to administer child-care subsidy programs. As of Fiscal Year 2020, about 900,000 families received CCDBG subsidies each month. The rules for who qualifies and how people can get these benefits are quite different from state to state. Each state determines its own eligibility limits, work requirements, provider payment rates, and family copayment requirements, and these may change based on the quality ratings set by each state. Despite large funding increases due to the Covid-19 pandemic, low provider payment rates continued to result in few child-care slots during 2022: only 13 states met or exceeded the federally recommended provider payment level, and 11 states had waiting lists or froze intake of new children.

In addition to the federal subsidy program, some states run their own programs to reach more families. For instance, Minnesota offers child-care scholarships to high-need children attending providers that meet certain quality standards. Michigan's MI Tri-Share Child Care program targets

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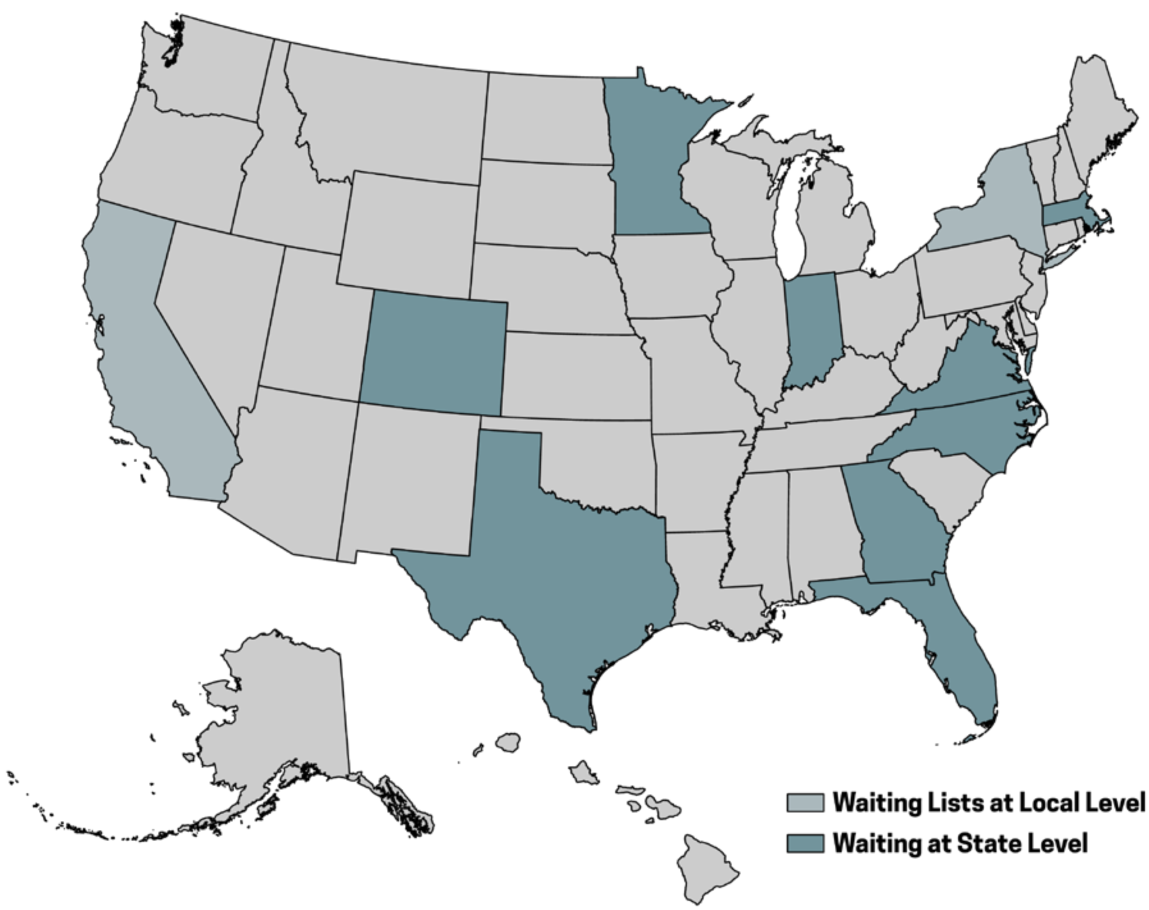

SOURCE: SOURCE: National Women's Law Center. Precarious Progress: State Childcare Assistance Policies 2022. (2023)

moderate-income families who do not qualify for federal subsidies and splits child-care costs equally among the employee, his or her employer, and the state. Most states fund preschool programs for four- and, in some cases, three-year-old children. Preschool programs expanded dramatically over the past several decades but contracted during the pandemic and have not yet fully recovered, in part due to difficulties with hiring and retaining teachers. While program expansions mean that more children have access to preschool, average spending per student, which is tied to program quality, has remained flat for the past 20 years. Universal schooling is available for all children beginning at age five, though school-aged children still typically require care in the afternoons and during the summer months.

How States and Localities Can Bridge the Gaps

As pandemic-related emergency relief funds for child-care providers dried up in late 2023, the Biden-Harris administration recently requested $16 billion from Congress to stabilize the child-care sector and make care more affordable for families. Nonetheless, support for child-care expenses is much broader than support for adult caregiving expenses. Hence, there is scope for states and localities to impact families' access to care and financial resources. Policy options available to states and localities include the following. (In deciding which policies to implement with limited funds, state and local policymakers should consider population demographics and existing supports available to their constituents, as well as unique challenges facing those constituents.)

Key Programs for Families with Children

Head Start/Early Head Start: Head Start is a means-tested federal preschool program for children aged three and four in families with incomes at or below the federal poverty level. Early Head Start is a means-tested child-care and home-visiting program for pregnant women and children younger than age three.

Subsidized child care: The Child Care and Development Block Grant provides funding to states to administer child-care subsidy programs for low-income working families. Some states also use their own funding to provide child-care scholarships to certain families or to share child-care costs with workers and employers.

Universal schooling: Available for children beginning at age five. Several states operate their own universal prekindergarten programs for four- and, in some cases, three-year-old children.

Given limited assistance for caregiving at the federal level, state and local governments wishing to attract and support families with caregiving responsibilities have a number of policy options at their disposal. Extending assistance to caregivers is a win-win for localities that wish to increase growth while improving caregivers' well-being.

Policy Recommendations

- Expand CCDBG subsidies to reach more families while offering provider payment rates that are sufficient to cover costs. Alternatively, offer state- or local-level child-care scholarships or subsidy programs targeting moderate-income families who do not qualify for federal subsidies. Tying subsidy amounts and provider payment rates to quality ratings would promote high-quality care.
- Offer state-funded universal full-day preschool with high-quality standards.
- Mandate paid family and sick leave with job protection. Extending eligibility to part-time workers would increase access among low-wage workers, who currently are the least likely to have access to paid leave.
- Increase funding for direct-care workers. For example, Michigan recently increased wages for Medicaid-funded home-care workers by $2 per hour.
- Offer state- or local-level refundable Child and Dependent Care Credits. If funds are limited, restrict eligibility to low- and moderate-income taxpayers who are most likely to benefit. Tying credit generosity to provider quality ratings would promote high-quality care.
- State and local governments can provide tax credits designed specifically for adult caregivers. These tax credits may not demand working or living together, because adult caregivers often depend on institutional care and typically have lower potential earnings in the future.