



**Date: April 18, 2024**

**To: House Labor Committee**

**Re.: Support for HB 5461 and retirement benefits for child care professionals**

Good morning Chairman Haadsma and committee members. I am Maddie Elliott, a policy and programs associate for Michigan's Children specializing in early childhood issues. We are a nonprofit child policy and advocacy organization that advocates for public policies in the best interest of kids and families. We work with nonprofit organizations and grassroots advocates on behalf of child care educators, providers, families, and those working in early intervention. We also work on issues including foster care, kinship care, homeless youth, adult learners, and young people involved in the juvenile justice system.

Michigan's Children is very supportive of House Bill 5461 because the child care industry would benefit tremendously from being given the opportunity to provide retirement benefit options to their employees. The same goes for direct care organizations who engage with homeless youth, foster children, adult learners, and young people with experience in the juvenile justice system.

Currently, child care educators and direct care workers make poverty wages. The average hourly wage of a child care educator in Michigan is \$12 an hour, and their employers compete for staff with large companies like McDonald's and big box store chains.

Most child care educators do not receive any benefits like health insurance and retirement savings accounts. Giving them easy access to an IRA through payroll deduction is imperative for them to feel more financially secure. It provides an employee-retention benefit that employers can offer at no cost and with low administrative processing.

The tragic reality is that most child care educators, who make lasting impacts on the educational and life trajectory of young children, will not have the funds to ever retire. Much more needs to be done in terms of wages and benefits. I want to be clear that this is not a silver bullet for Michigan's child care system.

**I would be happy to talk with all of you about how we can keep child care businesses open to serve families by increasing child care scholarship rates paid to child care businesses, by supporting the Governor's proposal to give all educators access to the child care scholarship for their own children, by removing the immense barriers families face in accessing the child care scholarship, and by supplementing child care educators' wages.**

But with HB 5461, our state can take a step toward making it easier for child care educators to access IRA accounts – helping to end this cycle of not prioritizing children's first teachers. As child care educators struggle to afford the basics of living, they do not have time or the right guidance to set up an IRA on their own. It can be an intimidating process for those not well versed on retirement options and financial security, and they are not likely to work with a financial consultant to help them navigate the process of choosing the best IRA for their financial situation. On top of that, it is confusing for many

lower wage workers who may have never been given the opportunity to learn about saving for their financial future.

At a time when the child care industry in Michigan and nationwide is looking for additional tools to attract qualified, attentive child care educators, Michigan can boldly support child care businesses and all lower wage workers by passing HB 5461 and giving them an easy option to save for retirement.

Many in-home child care providers are a one-woman show, acting as child care business owner, child care educator, preschool teacher, program improvement specialist, cook, janitor, the whole shebang! If you passed HB 5461 it would give these small business owners, who are institutions of their communities, one tool in their toolbox to offer employees a benefit they otherwise could not afford as a small business with razor-thin profit margins.

Michigan's Children supports HB 5461 and is particularly appreciative of the bill sponsors' approach to ensure flexibility for employees to choose to opt-out at any point, change contribution levels to their level of comfortability, give them an account that they own and that follows them across their working lives, and allow funds to be accessed, penalty free, at any point since financial emergencies can occur. We encourage members of the committee to support this proven policy as well.

Thank you!