

Child Care Investment Is Crucial for Future Economic Growth

High-quality, accessible child care creates a number of economic and socioeconomic benefits on both individual and national levels. Underinvestment in child care and the resulting high prices have prevented the United States from fully realizing those benefits, constraining future economic growth.

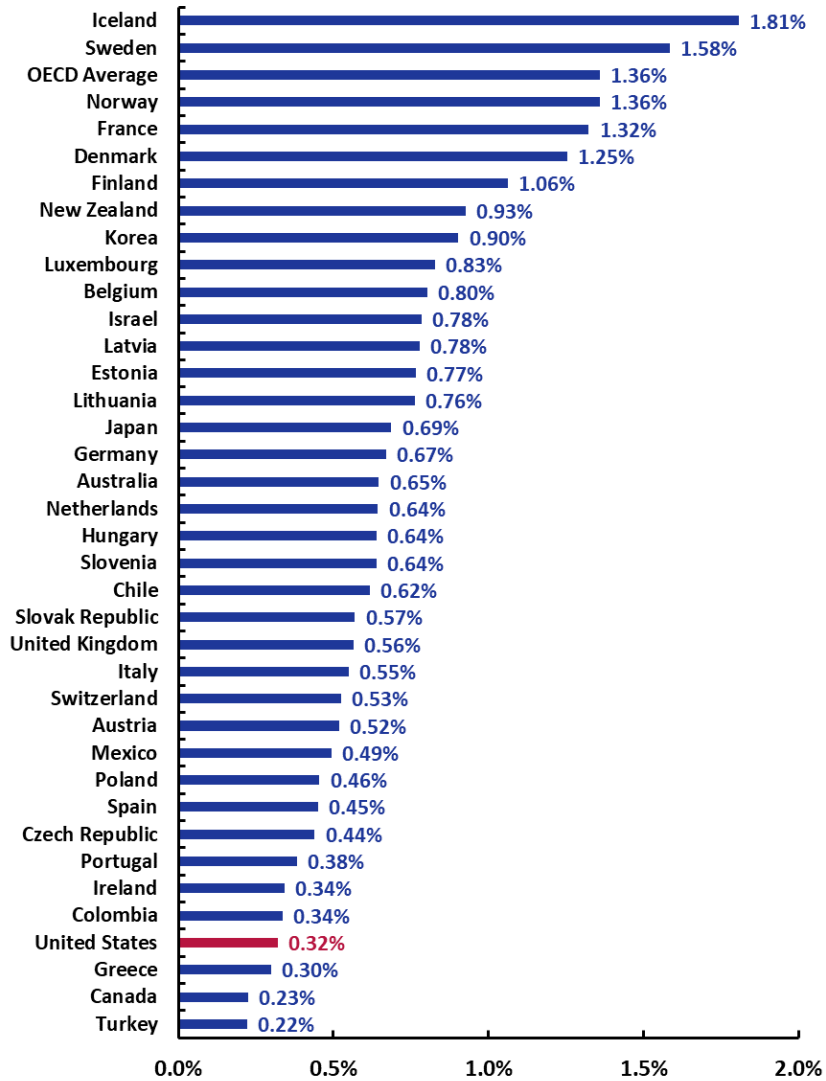
Enacting policies to make child care affordable and accessible is crucial to help children, families and the economy. Proposals to address these issues include universal pre-kindergarten and capping out-of-pocket child care costs for parents. These investments will drive economic growth in both the near- and long-term by making it easier for parents to participate in the labor market and increasing the human capital of future workers. Investment in early childhood education alone is estimated to have large returns, yielding up to \$9 in future gains for every \$1 invested in the current system, creating significant benefits both for participating families and the economy as a whole.

The current child care system in the United States is unaffordable

The current U.S. child care system suffers from inadequate public investment, leaving parents and caregivers to foot the bill for the rising cost of child care. [Data](#) from the Organisation for Economic Co-operation and Development (OECD) show that the United States invests less in early childhood education and care as a percentage of Gross Domestic Product (GDP) than all but three other OECD countries. This chronic underfunding of the child care system has shifted the burden of rising costs onto families, leaving many unable to afford the care that they need and depriving them of the benefits of high-quality child care.

U.S. Public Investment in Children Lags Behind Other OECD Countries

Public spending on early childhood education and care as a percentage of GDP,
2016 or latest year available



Source: OECD Social Expenditure Database, Chart PF3.1.A. "Public spending on early childhood education and care"

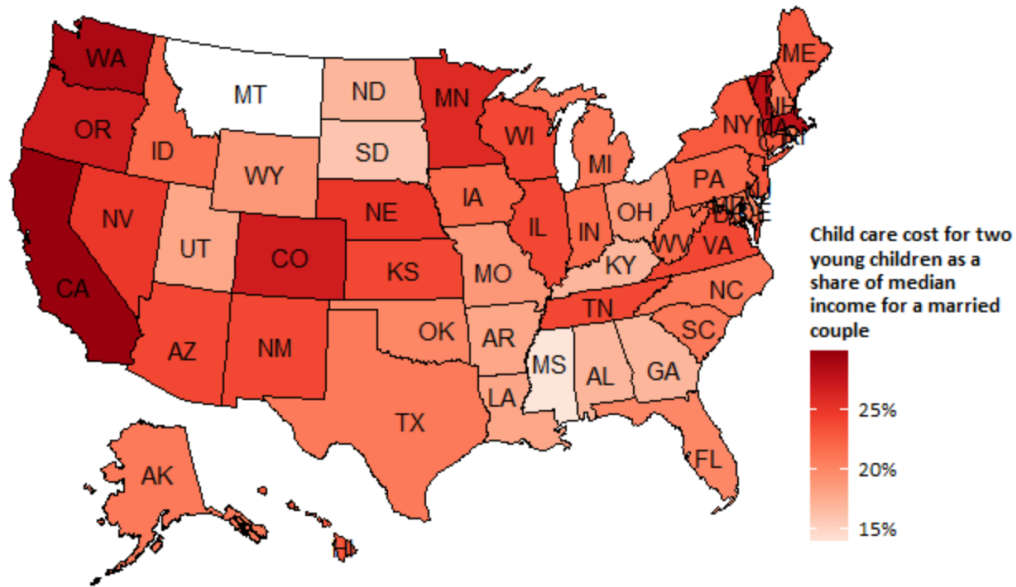
Note: Since 2019, Costa Rica has joined the OECD but is not included above.

Recent national [estimates](#) find that child care costs for a single child average between \$9,200 and \$9,600 per year. These costs can be significantly elevated depending on the state and are usually higher for younger children. For a family with two young children—an infant and a four-year-old—average child care costs [exceed the median cost of rent](#) in every reporting state and the District of Columbia.

The high cost of child care takes up a significant portion of family income. The Department of Health and Human Services (HHS) has determined that child care is unaffordable if it [exceeds 7% of family income](#). However, in 36 states and the District of Columbia, a typical married couple with an infant and a four-year-old spends on average more than 20% of their income on

child care. In eight states, families spend over 25% of their income on child care—more than three times the affordability cap established by HHS. As can be seen in the map below, these affordability issues are found nationwide, with all reporting states and the District of Columbia exceeding the 7% cap.

Across the Country, Child Care Is Unaffordable

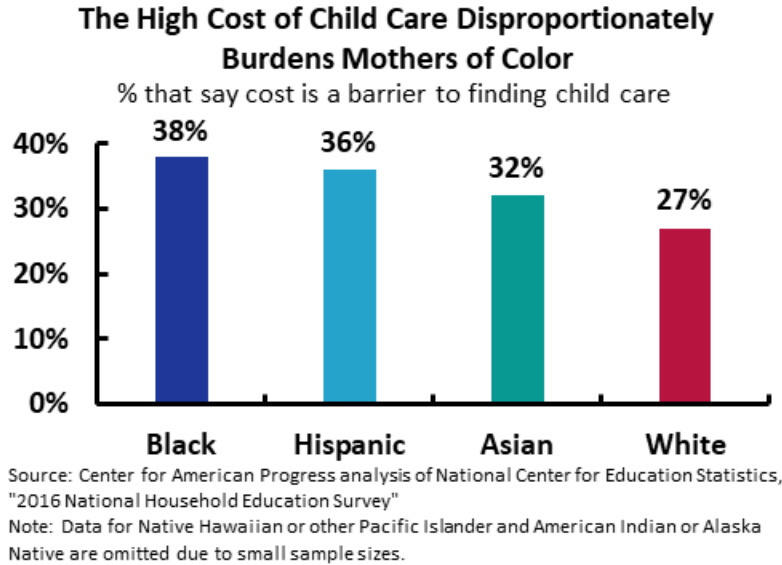


Source: "Picking Up the Pieces" - Appendices by ChildCare Aware of America

Note: Cost of child care for two children refers to the cost for one infant and one four-year-old in a child care center. Median income for a married couple refers to the median income in that state. Data for Montana is not available.

Jessica Lolley of Greensboro, North Carolina, [told](#) the *New York Times* that she and her spouse spent over \$2,000 a month—roughly one-third of their income—on child care for their two sons. Ms. Lolley said that she “had no idea child care was going to cost this much” and “there’s no way we could afford to have another child.”

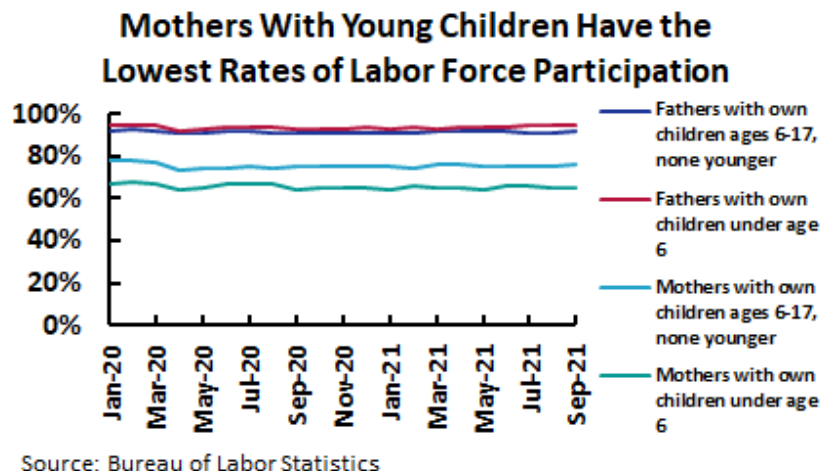
This high cost of child care [disproportionately burdens](#) lower-income households and those with mothers who are Black, American Indian or Alaska Native, Hispanic, Native Hawaiian or other Pacific Islander or Asian. Families earning less than \$100,000 are much more likely to report being unable to access a child care program that meets their needs, and lower income families are increasingly unlikely to be able to access suitable programs at all, citing cost as the biggest barrier. Ability to access suitable care also differs based on the mother’s race and ethnicity. While 6% of families with a white mother reported ultimately being unable to access a care program that meets their needs, this number was double for families with an American Indian or Alaska Native (12%) or Hispanic (13%) mother. Families with Black, Asian and Native Hawaiian or other Pacific Islander mothers also report elevated rates at 8%, 7% and 7%, respectively. For these families, prohibitive costs remain the largest factor preventing them from accessing child care programs that fit their needs.



Limiting out-of-pocket child care costs will increase families' incomes and boost economic growth

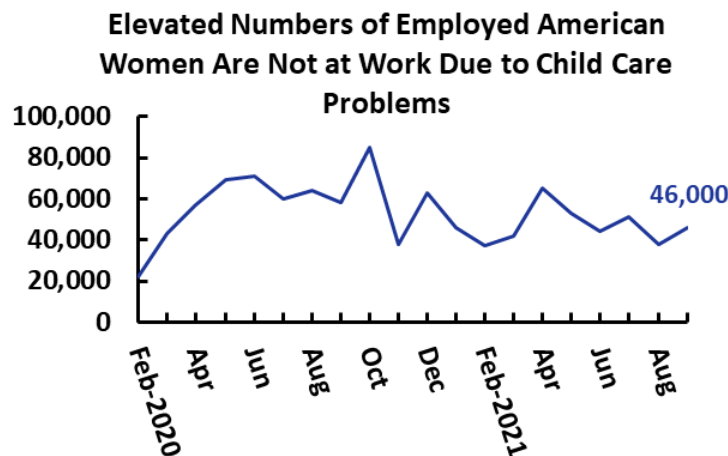
The high and rising cost of child care comes with significant economic consequences. For many families, child care is either entirely unaffordable or so expensive that parents, especially mothers, [drop out of the labor force](#) to provide child care themselves, which negatively affects parents' and caregivers' ability to fully participate in the economy. Over two million parents are estimated to have made [career sacrifices](#) such as quitting a job or not taking a job due to child care issues in 2016 alone, but it has a particularly negative impact on women.

Mothers' labor force participation is [consistently lower](#) than labor force participation among fathers. As shown in the graph below, while child age does not greatly affect fathers' labor force participation, mothers of younger children experience a much larger participation gap. Of all mothers, Hispanic mothers experience the lowest levels of labor force participation. Across race and ethnicity, participation gaps have been linked directly to [lack of structural support](#) for women's full economic participation, and lack of affordable, accessible child care is a major factor.



The high cost of child care is slowing some mothers' return to the labor market after the coronavirus pandemic caused them to lose their jobs. For example, Bahar Cetinsoy was a substitute teacher in New York before the pandemic. She and her husband moved to College Park, Maryland, when he got a new job. Cetinsoy [told The Washington Post](#) that while she wants to return to work, "Child care is a big factor. It's expensive. If I get a part-time teaching job, I would pay more for child care than I would be making," she said. "I have never been unemployed for this long."

Even for women who remain employed, issues with child care can cause them to miss work. Recent data show that in September 2021, 46,000 employed women reported not being at work due to child care problems, more than twice the number of men who reported child care-related absences. These disparate absences, represented in the graph below, show how child care issues are disproportionately harming women's labor force participation, a key input into economic growth. This time away from the labor market can also create long-term scarring effects, [decreasing lifetime earnings](#) and negatively impacting families' economic security as well as overall economic growth and resilience.



Source: Bureau of Labor Statistics
Note: Data are not seasonally adjusted.

In order to help boost labor force participation, it is essential that high-quality child care is made affordable and accessible. Limiting the amount that families have to pay for child care as a percentage of their household income allows families to keep more money in their pockets to use for other necessities. Each year, [labor force exits](#) due to child care needs are estimated to cost parents and caregivers \$30-35 billion in lost income. When [lost productivity and revenue](#) due to decreased labor force participation are included, the economic cost may be as high as \$57 billion per year. Lost income can restrict families' ability to afford necessities like housing and food. It also depresses overall spending, leading to lost businesses revenue that has a broader economic impacts on hiring and wages.

Studies have found that capping the cost of early childhood education at 10% could generate [significant positive economic effects](#), increasing GDP by 1.2% annually—\$210.2 billion each year—by facilitating parents' reentry into the workforce. For mothers and female caregivers in particular, every 1% reduction in out of pocket child care costs is associated with a 0.25% [increase](#) in labor force participation. The recommendation for affordability calculated by HHS

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would put the cap on child care cost even lower, at 7% of household income. By setting the cap under 10%, the benefits to families and the economy would be even greater.

Each \$1 invested in high-quality child care today could yield nearly \$9 in future returns

Research has found that investment in early childhood education has long-lasting positive effects for the children who receive it and the broader economy in the form of better-educated, higher-earning workers. Furthermore, a growing body of research has found that the positive returns on investment are truly intergenerational, with benefits seen in the children of parents who had themselves attended pre-school.

For example, [research](#) conducted by Nobel Prize-winning economist James Heckman into past early childhood education programs has found that these programs generated \$7 to \$12 dollars in returns for every dollar invested. This is because people who participate in high-quality early childhood education grow up to be better educated and have higher earnings, and they are less likely to access income support programs or be involved in crime. Benefits that accrue to individuals directly, as well as to the economy as a whole, include: better educated workers are more productive, higher earnings translate into higher tax revenues, reduced use of income support programs lowers government expenditures and less crime translates to lower government spending on the criminal justice system. Altogether, every dollar invested in early childhood education today generates up to \$8.60 in economic benefits. In other words, investments in early childhood education pay for themselves almost nine times over the long-term.

Furthermore, [new research](#) by the same Nobel Prize-winning economist has found that not only are there long-term economy-wide benefits from the children who attend early childhood education, but there are spillover benefits from improved outcomes of the *children* of the children who attended preschool including decreased suspension rates, improvements in their adult health and likelihood of employment and lower rates of divorce.

Given the [extensive body](#) of [research](#) finding positive returns for the entire economy from investment in early childhood education, focusing on the upfront costs of investments in early childhood education is misguided. There are immediate short-term benefits that balance out the cost of the investment, such as improved parental labor force participation. And in addition to the short-term benefits, the evidence is overwhelming that the long-term, broader economic returns greatly outweigh the initial cost of investing in early childhood education.

Investing in child care will help drive future economic growth

Investing in child care and addressing prohibitively high child care costs will generate immediate short-term benefits that have economy-wide spillover effects, such as providing more parents and caregivers the support they need to return to work. Improving child care affordability will be particularly effective at boosting women's labor force participation, a key contributor to economic growth. It will also have significant long-term benefits for future economic growth through investment in future human capital. These investments will directly benefit the children attending child care and will generate long-term gains for the economy, with early childhood education alone yielding up to nine dollars in economy-wide benefits for every dollar invested.

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Child care is a critical part of the U.S. economy, and increased investment is key to ensuring economic growth that is stronger, stable and more broadly shared.

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Child Care Is Unaffordable in Every State		
State	Cost of Child Care for Two Children (USD)	Share of Median Income for a Married Couple (%)
Alabama	\$14,370	17%
Alaska	\$21,679	21%
Arizona	\$19,898	24%
Arkansas	\$14,170	18%
California	\$29,552	30%
Colorado	\$27,792	27%
Connecticut	\$29,224	23%
Delaware	\$20,557	20%
District of Columbia	\$43,061	23%
Florida	\$16,871	20%
Georgia	\$15,080	17%
Hawaii	\$23,760	23%
Idaho	\$16,594	22%
Illinois	\$24,357	24%
Indiana	\$19,656	22%
Iowa	\$20,343	22%
Kansas	\$21,704	24%
Kentucky	\$14,415	17%
Louisiana	\$16,674	18%
Maine	\$20,505	23%
Maryland	\$26,353	21%
Massachusetts	\$37,010	28%
Michigan	\$19,829	21%
Minnesota	\$28,611	26%
Mississippi	\$11,239	14%
Missouri	\$16,605	19%
Montana	Not Reported	Not Reported
Nebraska	\$23,400	25%
Nevada	\$20,269	25%
New Hampshire	\$24,281	21%
New Jersey	\$29,470	23%
New Mexico	\$17,801	24%
New York	\$24,564	23%
North Carolina	\$17,909	21%
North Dakota	\$17,616	17%
Ohio	\$17,879	19%
Oklahoma	\$15,964	20%
Oregon	\$24,455	27%
Pennsylvania	\$22,466	22%
Rhode Island	\$21,121	20%
South Carolina	\$18,031	21%
South Dakota	\$14,103	16%
Tennessee	\$19,539	24%
Texas	\$19,008	21%
Utah	\$15,936	18%
Vermont	\$26,750	28%
Virginia	\$26,376	24%
Washington	\$29,268	29%
West Virginia	\$17,290	22%
Wisconsin	\$23,408	24%
Wyoming	\$17,624	19%

Source: JEC Democratic staff calculations, "Picking Up the Pieces - Appendices" by ChildCare Aware of America

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