UNITED STATES
DEPARTMENT OF LABOR

CHILD CARE IS INFRASTRUCTURE

High-quality early care and education are critical to our Nation's economic growth and economic security. Early care and education give young children a strong start in life, and access to affordable, high-quality care benefits families, businesses, and the overall economy. Access to care is an important determinant of parental employment, and women's labor force participation is particularly sensitive to access to child care.[1] For example, states and cities that introduced Universal Pre-K experienced higher employment rates among mothers of young children, more labor force growth, and larger increases in new business applications and the number of establishments compared to places that did not.[2]

Parents make up a meaningful share of all workers, comprising 31.3% of all employees in 2023 with 13.0% being parents of children under age 6.[3] Mothers in 75.3% of families with minor children are employed outside the home, including 70.8% of families with a child under age six.[4] Working parents are especially likely to rely on paid professional caregivers like child care workers and preschool teachers, alongside informal care from friends and other family members, many of whom are also paid for providing care.[5]

- There were **at least 13.6 million parents who relied on paid caregivers to care for their children while they worked, attended school, or were otherwise unavailable** in 2022, the last year with available data.[6]
- Paid child care providers directly enable working parents' employment, and in 2022 **child care workers' labor supported more than $804 billion in earnings for working parents**.[7]

When child care becomes inaccessible, labor force participation drops, with mothers experiencing the most negative effects.[8] Given the high percentage of mothers who work outside the home, lack of access to reliable child care can have serious consequences for families' economic security and can hamper economic stability and growth.

> If every working parent who relies on child care to stay employed lost that support, the **loss to gross domestic product (GDP) could total as much as $2.1 trillion** with women's labor force participation decreasing by 9.3 percentage points.[9]

Valuing and Funding Child Care

To make child care available to the working families who need it, there must be a stable, qualified workforce ready and able to provide that care. This means ensuring that care jobs are *good* jobs. At present, child care workers are among the lowest paid across all sectors of the economy and are less likely to have access to workplace benefits like health insurance, paid leave, or retirement plans.[10] Child care workers have experienced recent wage gains, in part due to Child Care Stabilization Funds included in the American Rescue Plan, and median hourly pay increased by 10.4% from 2021 to 2023.[11] But hourly wages remain low at just $14.60 on average, which is less per hour than the pay of 94.4% of all workers in the United States. Employers in the child care sector often struggle to raise wages, even when they would like to do so. The care industry's main expense is typically labor, but increasing productivity is not usually possible, since it is often neither safe nor feasible for child care providers to increase the number of children they care for. Profit margins are slim and prices for child care already exceed what most families can easily afford, making it difficult for providers to increase prices in order to raise wages.

Paid care is invaluable to families and the economy, and public investments in care should match its worth. The United States takes a market-based approach to child care, meaning that families pay for the majority of care for non-school-aged children. In contrast, most advanced economies devote more public funding to early care and education. The difference in public funding is reflected in women's labor force participation, which is lower in the United States than in most other comparable economies.[12]

The Biden-Harris Administration has made historic investments in early childhood education and care, including $24 billion in American Rescue Plan Child Care Stabilization Funds, which initial analysis estimated to have led to the labor force participation of nearly 325,000 mothers of young children and added $26 billion in earnings by slowing child care price growth for families while stabilizing employment for child care workers and increasing their wages.[13] The Administration also awarded $15 billion in one-time American Rescue Plan funding for the Child Care and Development Block Grant, which, along with Child Care Stabilization Funds, allowed states to create over 385,000 new child care slots, increase workforce compensation for more than 710,000 child care workers, and lower child care costs for the parents of more than 1 million children.[14] President Biden and Vice President Harris have also worked with Congress to secure a nearly 50% increase in annual Child Care and Development Block Grant program funding since 2021. And, recognizing that more public investments are needed, the President's FY2025 budget proposes $600 billion in investments to expand access to affordable child care and early learning.[15] The proposal would guarantee child care from birth until kindergarten for families with incomes up of to $200,000 per year at no more than $10 per day for most families and free for the lowest income families, helping 16 million children.

Recognizing and valuing care as infrastructure and the vital labor of child care workers will benefit the U.S. economy and support future economic growth.

Endnotes

[1] Council of Economic Advisors. "Seven Facts About the Economics of Child Care." *The White House*. 17 April 2024. **https://www.whitehouse.gov/cea/written-materials/2024/04/17/seven-facts-about-the-economics-of-child-care/#:~:text=On%20the%20anniversary%20of%20the,employment%20prospects%20of%20care%20workers**.

[2] Council of Economic Advisors. "Child Care is Infrastructure: Evidence from Universal Pre-K." The White House. 27 September 2024. **https://www.whitehouse.gov/wp-content/uploads/2024/09/Child-Care-is-Infrastructure-Issue-Brief-9.27.24.pdf**.

[3] U.S. Bureau of Labor Statistics. "Table 5. Employment status of the population by sex, marital status, and presence and age of own children under 18, 2022-2023 annual averages – 2023." **https://www.bls.gov/news.release/famee.t05.htm**. Accessed Sept. 22, 2024.

[4] U.S. Bureau of Labor Statistics. "Table 4. Families with own children: Employment status of parents by age of youngest child and family type, 2022-2023 annual averages." **https://www.bls.gov/news.release/famee.t04.htm**. Accessed Sept. 22, 2024.

[5] Analysis of U.S. Census Bureau, Survey of Income and Program Participation (SIPP). **https://www.census.gov/programs-surveys/sipp.html**. Accessed 26 July 2024. Among families with children in care arrangements other than child care centers, home-based daycare, or other formal programs, parents were most likely to report paying for care from non-relatives (63.5%) and least likely to pay older siblings (17.8%).

[6] Analysis of U.S. Census Bureau, Survey of Income and Program Participation (SIPP). This estimate is likely to significantly undercount the number of working parents who rely on the paid child care workforce because data on child care usage and earnings from work are only collected from one parent - the "reference parent" - in the SIPP. In households where both parents are present, the mother is the reference parent, in single-parent families, the resident parent is the reference parent, and if neither parent is in the household, the reference parent is the guardian. In SIPP data pertaining to 2022, 90.61% of all reference parents were women, as were 92.87% of all reference parents who relied on paid caregivers while they attended work or school. While married fathers also benefit from access to child care, they are not included in the estimates included here. Paid caregivers include any child care providers that parents or their families pay regardless of pre-existing personal relationships, as well as all those providing care in daycares, child care centers, nursery or preschools, Head Start programs, and before- or after-school programs.

[7] Analysis of U.S. Census Bureau, Survey of Income and Program Participation (SIPP). This estimate is based on the 2022 aggregate earnings of reference parents who reported their child was cared for by a paid caregiver "while reference parent worked/went to school." Across all parents included in the estimate, 5.04% are enrolled in college or a vocational program. While it is technically possible that some or all of these parents use child care while at school or in training and not while they are working, other datapoints indicate this is unlikely for most. For example, student parents included in the estimate report full-time median work hours, and less than 1% are self-employed. Because there is no way to determine when student parents use child care solely to attend school or training, it is possible that actual aggregate wages are lower than the estimate presented here.

[8] U.S. Department of Labor. "Bearing the Cost: How Overrepresentation in Undervalued Jobs Disadvantaged Women During the Pandemic." **https://www.dol.gov/sites/dolgov/files/WB/media/BearingTheCostReport.pdf**.

[9] Analysis of U.S. Census Bureau, Survey of Income and Program Participation (SIPP). If 13.6 million working parents left the labor force in 2022, the total labor force would have declined by 8.25%. GDP is equal to the size of the labor force times productivity times average hours worked per worker times one minus the unemployment rate. Applying a standard approximation implies that the percent change in the size of the labor force (in this scenario 8.25) plus the percent change in productivity (in this scenario zero) plus the percent change in average hours worked (zero) plus the percent change in one minus the unemployment rate (zero) is equal to the percent change in GDP. Thus, all else equal, an 8.25% decrease in the labor force would translate into a 8.25% decrease in GDP, or well over $2.1 trillion dollars in 2022. Of course, if 13.6 million workers left the workforce, it is likely that not all else would be equal; productivity, average hours worked, or the unemployment rate would almost certainly also change. Nevertheless, this hypothetical provides a sense of the enormous impact child care provision has on the national economy.

[10] Gould, Elise, Marokey Sawo, and Asha Banerjee. “Care workers are deeply undervalued and underpaid: Estimating fair and equitable wages in the care sectors.” *Working Economics Blog, Economic Policy Institute*. July 16, 2021. **https://www.epi.org/blog/care-workers-are-deeply-undervalued-and-underpaid-estimating-fair-and-equitable-wages-in-the-care-sectors/** ; Coffey, Maureen. “Still Underpaid and Unequal: Early Childhood Educators Face Low Pay and a Worsening Wage Gap.” *Center for American Progress*. 19 July 2022. **https://www.americanprogress.org/article/still-underpaid-and-unequal/**.

[11] Council of Economic Advisors. “American Rescue Plan’s Child Care Stabilization Funds Stabilized the Industry While Helping Mothers Return to Work.” *The White House*. 7 November 2023. **https://www.whitehouse.gov/cea/written-materials/2023/11/07/child-care-stabilization/#:~:text=ARP%20Child%20Care%20Stabilization%20Funds%20Were%20Very%20Cost,representing%20an%20additional%20%2426%20billion%20in%20earned%20wages**.

[12] Glynn, Sarah Jane. “The Cost of Doing Nothing, 2023 Update: The Price We STILL Pay without Policies to Support Working Families.” *U.S. Department of Labor.* November 2023. **https://www.dol.gov/sites/dolgov/files/WB/paid-leave/CostofDoingNothing2023.pdf**. In 2019, the last year with available data, the United States ranked 34th out of 35 Organization for Economic Cooperation and Development countries when comparing total public spending on child care and early childhood education as a percentage of GDP. Dougherty, Sean and Christian Morabito. “Financing and delivering early childhood education and childcare across levels of government.” *OECD Journal on Budgeting*, vol. 23/2 (2023) **https://doi.org/10.1787/7bd38503-en**.

[13] Council of Economic Advisors. “American Rescue Plan’s Child Care Stabilization Funds Stabilized the Industry While Helping Mothers Return to Work.” ; Council of Economic Advisors. “Seven Facts About the Economics of Child Care.”.

[14] Office of Child Care, Administration for Children and Families. “COVID Investments in Child Care: Supporting Children, Families, and Providers.” *U.S. Department of Health and Human Services*. 28 June 2024. **https://www.acf.hhs.gov/occ/infographic/covid-investments-child-care-supporting-children-families-and-providers**.

[15] U.S. Office of Management and Budget. “Budget of the U.S. Government, Fiscal Year 2025.” **https://www.whitehouse.gov/wp-content/uploads/2024/03/budget_fy2025.pdf**.