

\$122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis

Impact on families, businesses, and taxpayers has more than doubled since 2018



Acknowledgements

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Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

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\$122 billion the annual cost of the infant-toddler child care crisis

Summary

ReadyNation's updated study finds that the nation's infant-toddler child care crisis now costs \$122 billion in lost earnings, productivity, and revenue every year. This staggering economic toll impacts working parents, their employers, and the nation's taxpayers. Our 2018 study found that the crisis was already severely damaging the pre-pandemic economy, exacting a cost of \$57 billion annually. A combination of COVID-19 and insufficient policy action have now significantly worsened the crisis.

Productivity challenges affect both employers and employees. Almost two-thirds of parents of infants and toddlers facing child care struggles reported being late for work or leaving work early, and more than half reported being distracted at work or missing full days of work. An overwhelming 85 percent of primary caregivers said problems with child care hurt

their efforts or time commitment at work. These challenges had predictable impacts: more than one quarter of caregivers said they've been reprimanded at work, and nearly one quarter have been fired. As a result, families lose \$78 billion per year in forgone earnings and job search expenses. Meanwhile, productivity problems cause employers to lose \$23 billion annually due to child care challenges faced by their workforce. Taxpayers, in turn, lose \$21 billion each year in lower federal and state/local tax revenue.

Beyond its impact on the workforce and economy today, the infant-toddler child care crisis damages the future workforce by depriving children of nurturing, stimulating environments that support healthy brain development while their parents work. Almost three-quarters of working parents reported that access to child care is a challenge. And more than half said it is a



significant challenge to find child care that is either affordable or high quality.

As our data from the past four years shows, a failure to strengthen the country's fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers. Federal and state policymakers must support evidence-based policies and programs that enhance the availability and affordability of high-quality child care. With wise investments, policymakers can improve life outcomes for millions of children today and strengthen the workforce and economy both now and in the years to come.

Parents of infants and toddlers are in the workforce and need child care

The majority of American parents with very young children are now in the workforce. There are approximately 11.4 million children under the age of 3 across the nation, with 14.1 million working parents.¹

Parents need child care so that they can work, be productive, and build successful careers to support their families. Child care settings are also a key environment for children's development, particularly given the importance of the early years for brain development.

The current child care system does not meet the needs of families or employers

Interrelated challenges combine to build a crisis for children, families, and businesses:

- **Access:** More than half of U.S. residents (51 percent) live in a child care “desert,” where there are more than three children under age 5 for every licensed child care slot.² Availability is especially limited for families who have infants and toddlers, have low incomes, work non-traditional hours, or live in rural areas. For example, 60 percent of rural residents live in a child care desert.³
- **Affordability:** The average cost of center-based child care for infants is more than in-state, public college tuition in 34 states and the District of Columbia.⁴ This high cost makes child care unaffordable for many families, particularly those with low incomes.
- **Quality:** Among the shortcomings in quality are high rates of provider turnover, due in large part to inadequate compensation. As a result, young children face a lack of stable, consistent caregiving.

The economic impacts of insufficient child care on parents, employers, and taxpayers

When families do not have the child care they need, parents' work productivity falls, resulting in costs to parents, their employers, and, ultimately, taxpayers. In December 2022, ReadyNation commissioned a national survey of working parents of children under age 3, repeating a survey previously conducted in 2018.⁵ The 2022 survey yielded a nationally representative sample of 806 parents—both mothers (55

percent) and fathers (45 percent)—of children under age 3.

Almost three-quarters of working parents surveyed reported that access to child care is a challenge. And more than half said it is a significant challenge to find child care that is either affordable or high quality.

The survey provided evidence of the various ways in which parents' time and effort at work, productivity, and career opportunities are diminished by problems with child care. Merging the survey evidence with labor market data, we modeled how child care problems affect the economy.⁶

Overall, the costs of insufficient child care are immense. Each year a child is under age 3 without sufficient child care:

- **Families lose an average of \$5,520 per working parent** in lost earnings and in more time looking for work. Across the 14.1 million parents of children under age 3, this burden is **\$78 billion** per year.
- **Businesses lose an average of \$1,640 per working parent** in reduced revenue and in extra hiring costs. In aggregate, the annual burden on business is **\$23 billion**.
- **Taxpayers lose an average of \$1,470 per working parent** in lower income tax and sales tax revenue. In aggregate, this amounts to **\$21 billion** each year.

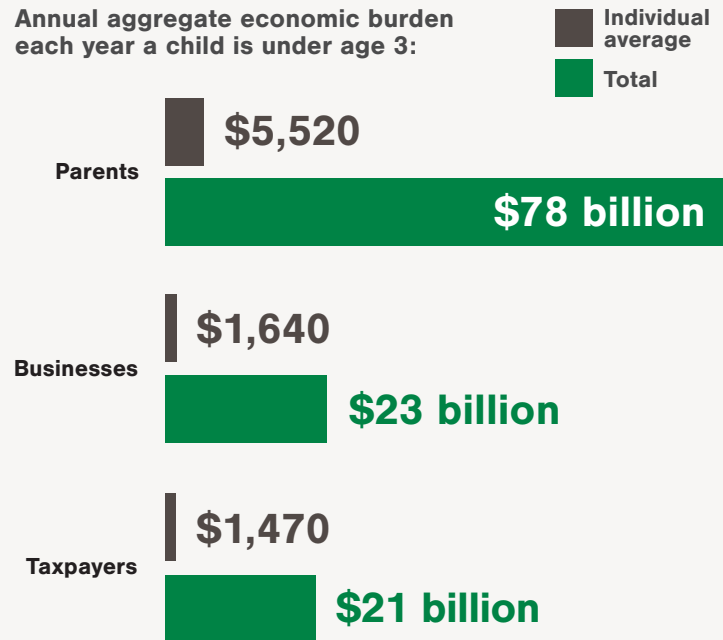
These losses experienced by families, businesses, and taxpayers sum to a total cost of \$122 billion each year due to the infant-toddler child care crisis. (See Appendix for estimates of costs for each state.)

The impact of insufficient child care on families

The survey results provide a window on how the above economic impacts occur.

The economic impacts of insufficient child care on parents, employers, and taxpayers

Insufficient care for children under the age of 3 costs individuals, businesses, and the country billions of dollars each year.



More than half of respondents reported challenges in finding care that was affordable or high quality, while more than 30 percent had difficulty finding care that was in a convenient location, available outside Monday-Friday daytime hours, had flexible hours, had open slots, or was available on an emergency/sick child basis. Parents were asked how child care problems affected their work. They reported that these problems affected their time at work and their work productivity, as well as diminishing their career opportunities.

Less effort at work and being distracted: Child care problems decreased parents' effort and productivity at work, undermining

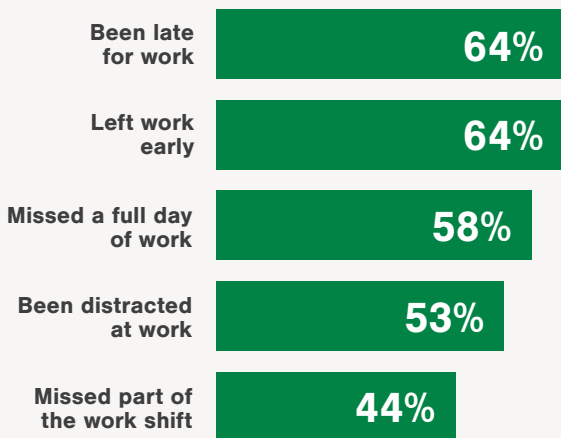


their job stability. Almost two-thirds of parents reported being late for work or leaving work early, and more than half reported missing days of work or being distracted at work. Nearly half of parents missed part of a work shift.

Cuts to hours and pay: Problems with child care significantly reduce how much time parents spend at work. Nearly half of parents reported having to reduce their work hours and more than one-third had their hours or pay reduced. One third of parents changed from full-time to part-time work.

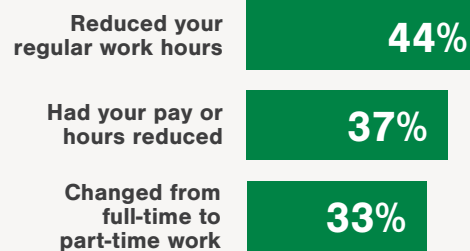
Lower effort and productivity at work

As a result of child care problems, in the past three months, have you:



Less time at work

As a result of child care problems have you ever:



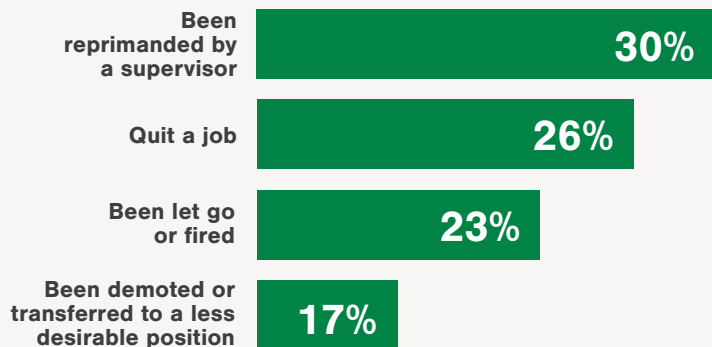
Getting scolded, demoted, fired, or quitting:

Most seriously, 26 percent of parents reported quitting a job due to child care problems and 23 percent reported being fired. Thirty percent of parents reported being reprimanded by their supervisor and one-in-six reported being demoted or transferred to a less desirable position.

Diminished career pathways: Problems with child care also impacted parents' long-term career prospects. One third or more reported having to turn down job offers or further education and training, or

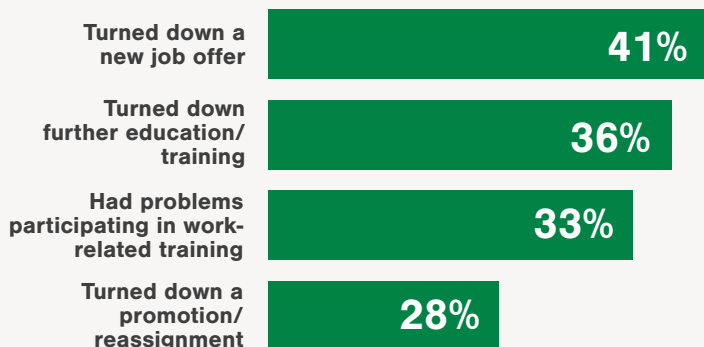
Work disruptions

As a result of child care problems have you ever:



Diminished career pathways

As a result of child care problems have you ever:



having problems participating in work-related training. More than one quarter reported rejecting a promotion due to insufficient child care.

In sum, for parents, the primary short-term result of insufficient child care is reduced income. Challenges add up over time: with less training and less experience, these parents face narrower career prospects, reducing their future earning potential. And

less parent income, along with parental stress, can have harmful short- and long-term impacts on children.

The impact of insufficient child care on employers

For employers, insufficient child care results in reductions in revenue and increased hiring costs. A workforce with lower productivity and shorter tenure has major economic consequences. If an employer's workforce keeps changing, worker morale can fall, product quality can diminish, and clients can be lost. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience.

The impact of insufficient child care on taxpayers

The economic impact of child care problems on parents and employers subsequently causes lower tax revenues, increasing pressure on all taxpayers. Lower parental earnings impact federal income tax revenues, while state and local tax revenues are impacted by lower parental earnings and families' decreased consumption of taxed goods. These effects are also long-term, due to parents' decreased earning potential.

The negative impacts of insufficient child care have increased over time

Comparing our current results to those obtained in our 2018 survey, percentages of parents reporting each negative impact of insufficient child care are higher now, for virtually all impacts, with some substantially higher. For example, parents reported that

How child care problems hurt the economy

Individual Parents	Businesses	Taxpayers
<p>Lost earnings now from lower productivity, quitting/firing, and less time in the workforce</p> <p>Extra costs of job search to match work with child care</p> <p>Lost earnings in the future from less work experience and fewer skills</p>	<p>Lost revenues now from lower output</p> <p>Extra costs due to absenteeism, disruptions, rehiring</p> <p>Lost revenue in the future due to lower workforce capital</p>	<p>Lost revenue now from lower incomes</p> <p>Smaller federal, state and local tax base and revenue</p> <p>Lost revenue in the future due to weaker economic growth</p>

the infant-toddler child care crisis had caused them to be fired or to have pay or hours reduced nearly three times more often in 2022 than in 2018. The crisis caused parents to be demoted or transferred to a less desirable job, or change from full-time to part-time work, more than twice as often. Rates of parents reporting quitting a job due to child care problems doubled. Overall, disruptions to parents’ work lives due to child care challenges are much worse and more widespread now, compared with 2018.

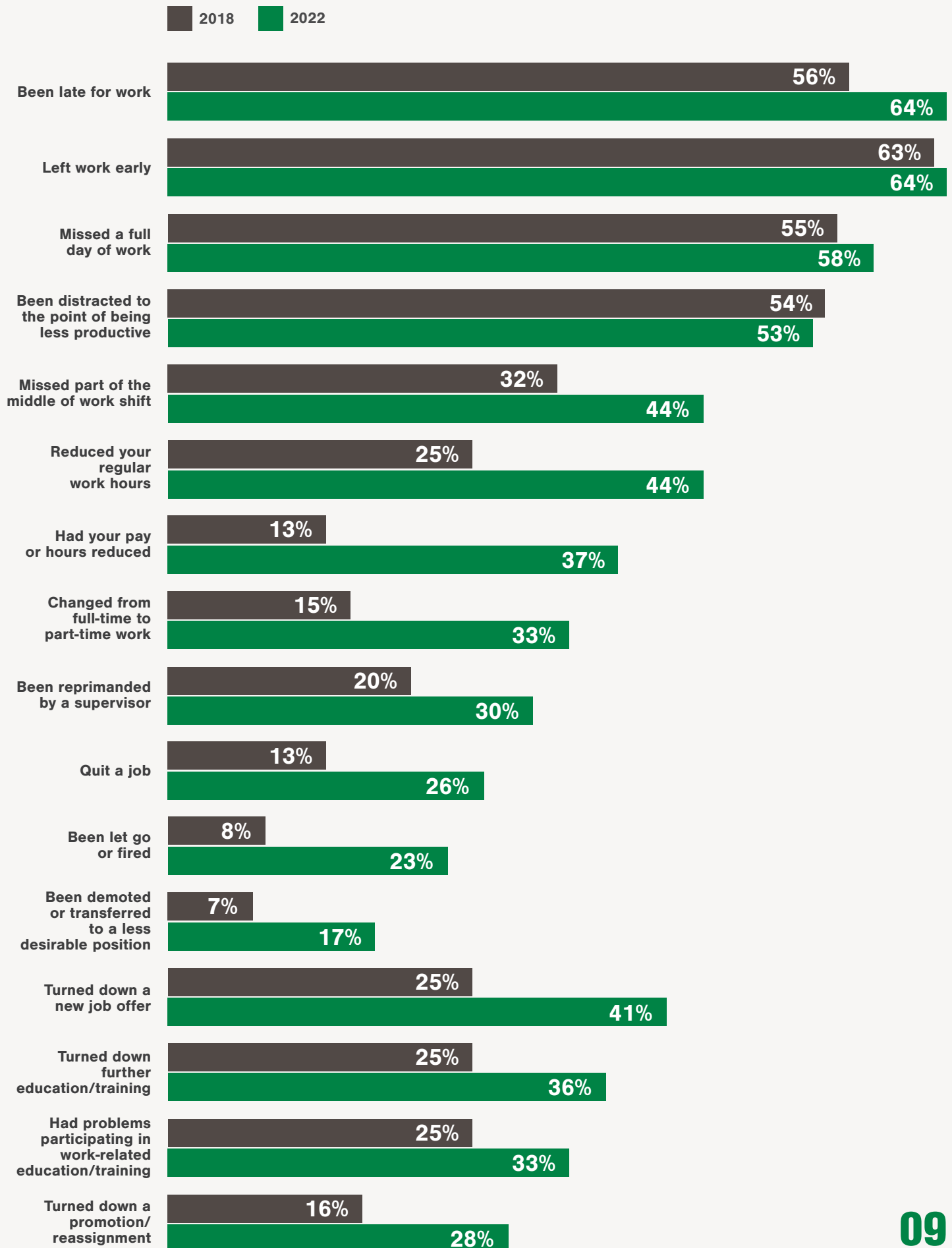
These findings suggest that a combination of COVID-19 and insufficient policy action have now significantly worsened the infant-toddler child care crisis.

Conclusion

Parents, particularly those with infants and toddlers, often have difficulty finding affordable, high-quality child care so they can build successful careers. The practical and economic consequences of insufficient infant-toddler child care are enormous, impacting parents, employers, and taxpayers. Losses total \$122 billion every year, more than double the \$57 billion found in 2018. As our data from the past four years shows, a failure to strengthen the country’s fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers.

The business leaders of ReadyNation call on federal and state policymakers to support families’ access to affordable, high-quality infant and toddler care. Congress provides bipartisan support to families’ need for child care through grants (i.e. the Child Care and Development Block Grant and other programs), and through the tax code. State governments support child care through efforts such as state subsidies and quality rating systems. Businesses play a role as well, through on-site child care, funding for employees or to child care providers, and advocating for sound child care policies. Effective, well-funded policy initiatives, as well as continuing innovations at the federal, state, and local levels, will yield a child care system that will improve life outcomes for millions of children today and strengthen the workforce and economy both now and in the years to come.

Impacts of insufficient child care, pre- vs. post-COVID-19



Endnotes

1 The population of working parents depends on the number of children in the family, number of parents in the family, and labor force participation rates. These parameters fluctuate over time depending on demographics and labor market conditions. This estimate of 11.4 million children 0-3 is weighted from the population aged 0-4 from <http://www2.census.gov/programs-surveys/cps/techdocs/cpsmar21.pdf>. Source: U.S. Census Bureau, Current Population Survey, 2021 Annual Social and Economic Supplement at www.census.gov/quickfacts/fact/table/US/PST045222 (release date: November 2021). Adjusting for household composition (twins, siblings, non-parent families) and labor force participation, there are 12.1 million full-time working parents and 2.0 part-time working parents of children ages 0-3.

2 Center for American Progress (2019). Early learning in the United States: 2019. <https://www.americanprogress.org/article/early-learning-united-states-2019/>

3 Center for American Progress (2018). Do you live in a child care desert? [https://childcaresdeserts.org/2018/#:~:text=51%20percent%20of%20people%20in,as%20licensed%20child%20care%20slots.](https://childcaresdeserts.org/2018/#:~:text=51%20percent%20of%20people%20in,as%20licensed%20child%20care%20slots.;); Howe, S. & Oncken, L. (n.d.) The third pillar of care: Availability. New America. <https://www.newamerica.org/in-depth/care-report/third-pillar-care-availability/>

4 Child Care Aware (2022). Price of Care: 2021 child care affordability analysis. <https://info.childcareaware.org/hubfs/Child%20Care%20Affordability%20Analysis%202021.pdf>

5 ReadyNation (2019). Want to grow the economy? Fix the child care crisis. <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis>

6 For details on the survey and economic analyses, see the accompanying technical report at: <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>

7 Estimates were calculated by examining the proportion of the US Gross Domestic Product (GDP) each state represents. Due to the method of deriving the cost estimates (i.e., multiplying each state's percentage of the national GDP by the total national \$122B impact) the estimated costs for each state are relative to its GDP.

Appendix

Estimated annual economic impact of the infant-and-toddler child care crisis⁷

State	Economic Impact	State	Economic Impact
Alabama	\$1.3B	Montana	\$317M
Alaska	\$305M	Nebraska	\$781M
Arizona	\$2.2B	Nevada	\$1.0B
Arkansas	\$793M	New Hampshire	\$500M
California	\$17B	New Jersey	\$3.6B
Colorado	\$2.3B	New Mexico	\$586M
Connecticut	\$1.5B	New York	\$9.8B
Delaware	\$415M	North Carolina	\$3.5B
District of Columbia	\$769M	North Dakota	\$354M
Florida	\$6.6B	Ohio	\$3.9B
Georgia	\$3.6B	Oklahoma	\$1.2B
Hawaii	\$476M	Oregon	\$1.4B
Idaho	\$525M	Pennsylvania	\$4.4B
Illinois	\$4.9B	Rhode Island	\$342M
Indiana	\$2.2B	South Carolina	\$1.4B
Iowa	\$1.1B	South Dakota	\$329M
Kansas	\$1.0B	Tennessee	\$2.3B
Kentucky	\$1.2B	Texas	\$11.4B
Louisiana	\$1.3B	Utah	\$1.2B
Maine	\$403M	Vermont	\$195M
Maryland	\$2.2B	Virginia	\$3.1B
Massachusetts	\$3.3B	Washington	\$3.5B
Michigan	\$3.0B	West Virginia	\$464M
Minnesota	\$2.1B	Wisconsin	\$1.9B
Mississippi	\$659M	Wyoming	\$232M
Missouri	\$1.9B	TOTAL, US	\$122B

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