

Understanding America's Labor Shortage: The Impact of Scarce and Costly Childcare

There is a shortage of accessible and affordable childcare in the U.S., leaving many working parents without the support system they need to thrive in the workforce.



Stephanie Ferguson

The struggle to find childcare that many parents face is also a top concern for the business community. Businesses and policymakers are paying close attention to our nation's childcare situation because a robust childcare system supports a healthy workforce and economy.

The COVID-19 pandemic brought childcare as a workforce issue into the national spotlight, but the high cost and scarcity of childcare options existed before the pandemic and continue to be a persistent barrier for parents to fully participate in the workforce.

The Childcare Economy

The childcare sector is critical to the American economy. Not only does childcare generate its own economic output, but since it ensures working parents can go to work, childcare also supports every other industry. In other words, when the childcare systems are strong, it boosts other sectors, too. However, childcare in this country needs attention as there is an opportunity for meaningful improvements.

There has long been a shortage of accessible and affordable childcare centers in the U.S. The pandemic magnified this issue when 16,000 childcare centers were [forced to close](#) their doors, and many providers had to operate at limited capacity. Although pandemic restrictions have lifted, a shortage of affordable and accessible childcare remains.

Breakdowns in childcare are impacting families, business, and the economy in many ways:

- Parents are having difficulty finding quality childcare and balancing caring for children at home with work
- Children are missing educational opportunities and social interactions
- Childcare providers are fighting to stay open
- National, state, and local economies are hemorrhaging millions, if not billions of dollars, as the industry struggles to fully support the labor force.

The nationwide [worker shortage crisis](#) has also taken a toll on the childcare sector. In 2019, there were 920,000 childcare [workers](#). Childcare employment plummeted by more than 30% in the following years, largely due to the pandemic. Plus, the employment challenges that have plagued childcare in all settings in recent years have [disproportionately affected women](#), who make up a super-majority of the childcare workforce, and of whom 40% are women of color.

Although employment in the sector has rebounded, with more than 940,000 [workers employed](#) in childcare establishments, finding and keeping employees amid a persistent labor shortage remains a challenge.

The Impact on Working Parents—Especially Women

According to a 2020 U.S. Chamber of Commerce Foundation [study](#), 58% of working parents reported leaving work because they were unable to find childcare solutions that met their needs. Furthermore, 32% of women cited the need to be home to care for family members as a barrier to returning to [work](#).

Nearly four years later, taking care of the home and family continues to be the [leading reason](#) mothers don't participate in the labor force. However, this number has been trending down. In 1989, 86% of mothers cited home and family care as the leading reason for exiting the workforce, while 79% reported the same reason in 2021.

The share of fathers reentering from the labor force to care for the home and family has dramatically increased from just 4% in 1989 to 23% in 2021. Still, women overwhelmingly represent spouses who do not participate in the labor force to provide care—a necessary decision that many families make when considering the high cost of childcare.

Women with children are returning to the labor force



Change in labor force participation rate for women with children 5 and older

Source: The Washington Post Analysis,
U.S. Bureau of Labor Statistics,
January 2023



The childcare barrier is among the reasons why the U.S. currently has over six million unemployed workers and an additional [1.6 million marginally attached workers](#), as it prevents many parents from participating in the workforce. And studies show that leaving the workforce to care for children penalizes women, often in the form of lower wages and missed promotions.

A Costly Problem

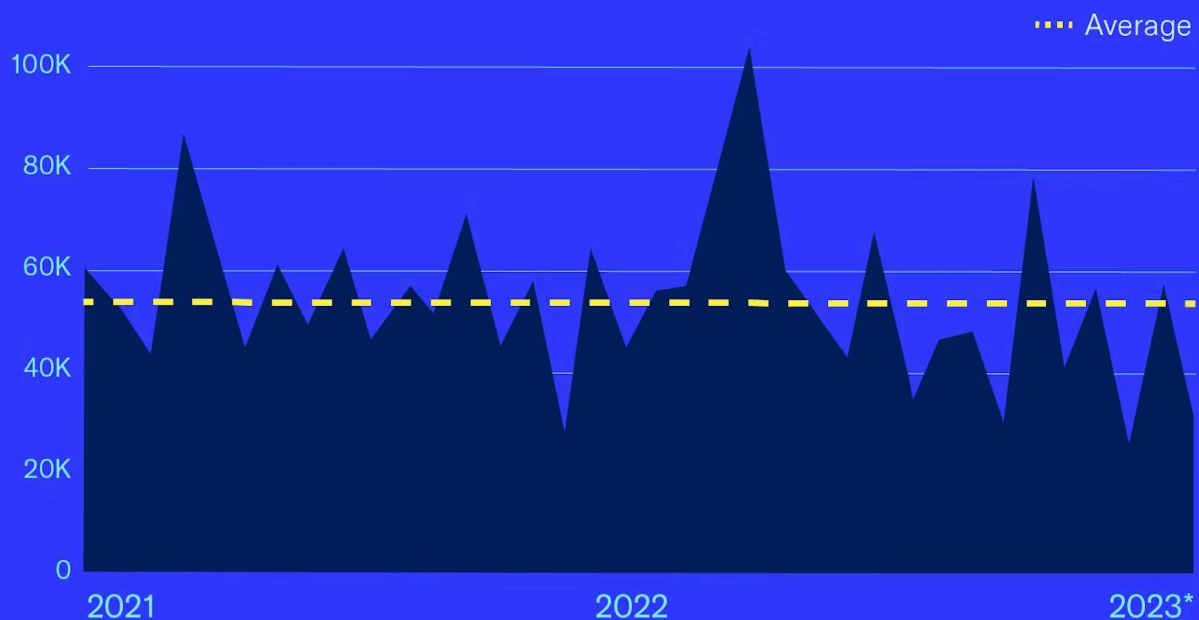
In 2019, childcare accounted for 0.3% of U.S. GDP with a [gross output of \\$63 billion](#)—and that number could be even higher if the system worked as it should. On top of that, a U.S. Chamber of Commerce Foundation [study](#) found that breakdowns in childcare cause states to lose an average of \$1 billion in economic activity annually. Part of the lost revenue stems from the cost of parents missing work because quality childcare was not available—or unaffordable.

Child care problems cause thousands to miss work every month



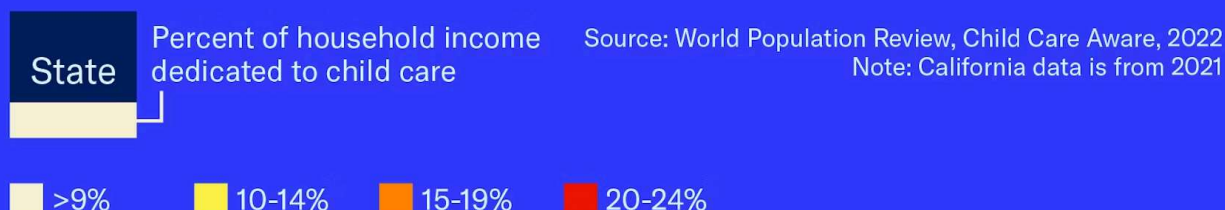
Number of workers citing child care as the reason for not showing up

Source: U.S. Chamber of Commerce Analysis, U.S. Bureau of Labor Statistics, December 2023



Even when parents can find a childcare provider, high costs prevent many children from being enrolled. The national average cost of childcare is \$10,500 annually for one child. Averages in high-cost areas like Washington D.C. can reach north of \$15,000 a year. In some instances, it is more cost-effective for a parent to stay home than to pay for childcare.

Child care costs remain sky high



The lack of childcare affects more than just parents. Because of gaps in the childcare system, businesses may be unable to fully staff their operations, leading to facility closures or reduced hours of operation across all industries. Absences and employee turnover cost employers anywhere from \$400 million to \$3 billion a year, according to a U.S. Chamber Foundation [study](#).

The lack of accessible, affordable childcare is unsustainable for everyone. The U.S. Chamber of Commerce Foundation has been working on educating business leaders and policymakers on childcare as a workforce issue for many years and has developed research, resources, and solutions for businesses and working parents. The Foundation's [Employer Roadmap: Childcare Solutions for Working Parents](#) proposes ways in which businesses can lead in solving this crisis.

Businesses can improve their childcare offerings by creating clear pathways of communication with employees. Surveying employees' needs provides the opportunity for employers to learn more about

the most immediate issues working parents are facing and to create solutions that will address those challenges. [Internal changes and investments](#) can support working parents, too, including flexible scheduling, onsite childcare, and vouchers or subsidies.

Public advocacy also remains an important tool in encouraging state and local governments to invest in community-based programs that will support childcare.

The U.S. Chamber and U.S. Chamber Foundation are helping employers discover and develop talent through the [America Works Initiative](#). For more information, contact Stephanie Ferguson at sferguson@uschamber.com

America Works Initiative

The U.S. Chamber and U.S. Chamber Foundation's America Works initiative is mobilizing industry and government to swiftly address America's deepening worker shortage crisis by providing research on underlying workforce issues, policy recommendations, and practical workforce solutions for businesses.

- [Learn More](#)

About the authors

**Stephanie Ferguson**

Stephanie Ferguson is the Director of Global Employment Policy & Special Initiatives. Her work on the labor shortage has been cited in the Wall Street Journal, Washington Post, and Associated Press.

[Read more](#)