Factors that drive Paid Child Care use

Economic and Demographic Factors
- Labor force attachment particularly for mothers
- Household income paid care rises as income rises
- Educational attainment paid care rises with more education

Child Care Market Factors
- Child care costs as a share of income
- Federal and state subsidies and offsets (such as tax credits) as a share of income
- Availability of publicly provided care (primarily public preschool)

Key Findings

In the short run
Changes in Paid Child Care are associated with
- Labor force participation - overall (male & female)
- of mothers
- of mothers of children under 5
- Actual hiring (rather than increased job search)
- Increased income

In the long run
Use of Paid Child Care across states is related to
- Maternal labor force participation
- Real income
- Education
Use of Paid Child Care for children of all ages (use for younger children is higher) is related to
- Maternal labor force participation

A Long-Run Economic Growth Model
explains expected change in real personal income per capita using 4 growth factors:
- Labor force participation rates
- Education levels
- Capital investment
- Traded activity

Effects of a 1% increase in labor force participation by women, ages 18-54

<table>
<thead>
<tr>
<th></th>
<th>Added labor force participants</th>
<th>Increase in total real personal income</th>
<th>Added children in paid child care</th>
</tr>
</thead>
<tbody>
<tr>
<td>All women</td>
<td>569,100 Women</td>
<td>$72.8 billion</td>
<td>126,200</td>
</tr>
<tr>
<td>Mothers with children 0-14</td>
<td>210,700 mothers of children 14 and younger</td>
<td>$26.9 billion for mothers of children 14 and younger</td>
<td>121,800 increase in children 0-14 in paid care</td>
</tr>
<tr>
<td>Mothers with all children under 5</td>
<td>44,900 mothers with all children under 5</td>
<td>$5.7 billion for mothers with all children under 5</td>
<td>47,900 increase in children under age 5 in paid child care</td>
</tr>
</tbody>
</table>

Economic opportunities and growth are needed for a strong future

Factors in the Impact on the Labor Force of Mothers, ages 18-54

- Single moms are in the labor force at a higher rate than married moms.
- Two-thirds of moms are married.
- For moms with kids of any age, the biggest impact is likely from married mothers.
- A large impact is possible from moms with kids 0-14 because it is a sizeable group.

Education
- Among all working moms, the share of:
  - those with some college/ an AA has stayed about the same
  - those with a BA has steadily increased
  - all others with less than a BA has steadily declined

For details on the economic growth model used in the analysis, see CED’s full report, “The Economic Role of Paid Child Care Usage in the U.S. – A Report Series, Part 3: Economic Modeling Over Time".