Report: Child Care Industry Struggling in Pandemic’s Aftermath

New York, NY, January 30, 2024...Nearly one in five children in families using paid child care services stopped doing so during the pandemic, severely disrupting the child care industry. And despite a strong recovery in the labor force and the broader economy, the number of children in paid care remained nearly 10% below pre-pandemic levels through at least 2022.

A new report from the Committee for Economic Development, the public policy center of The Conference Board (CED), examines the residual effects of the COVID-19 pandemic on the demand for paid child care services.

While the drop in paid child care usage corresponds with a decline in the number of children of child care age, the report reveals that many other traditional economic, demographic, and child care market factors known to influence the use of paid child care do not adequately explain the industry’s weak recovery. Instead, factors such as work-from-home, shifts in parental preferences, and a reduced supply of paid child care may have contributed to the weak rebound.

“Access to high-quality child care is vital for parents’ participation in the workforce,” said Dr. Lori Esposito Murray, President of CED. “The substantial and lasting impact of the pandemic on child care usage highlights the fragility of the industry and underscores the need for further investigation into a restructuring of the child care business model by private and public sector leaders to support its sustainability.”

The report, Child Care in State Economies (2024), is the first in a 3-part series produced with the support of a grant from the W.K. Kellogg Foundation.

Key findings from the report include:

The U.S. experienced a substantial drop in paid child care usage during the pandemic.
- From 2019 to 2020, Census estimates suggest a 19% (2.35 million) decline in the number of children ages 0 to 14 in paid child care while a parent worked.

The subsequent recovery in paid child care usage was sluggish, trailing well behind the overall economic and labor force recovery.
- After two years of recovery, the total number of children in paid care in 2022 remained 9.5% (1.18 million) below the 2019 pre-pandemic level.
- The rebound in the use of paid child care was also highly uneven across the states, with 17 states and the District of Columbia moving well above their pre-pandemic share of children in paid child care by 2022, and 33 states remaining far behind.

There was a decline in the population of child-care age children during the pandemic.
- Census estimates suggest that the population of children ages 0 to 14 declined by a reported 2.38 million (-3.9%) between 2019 and 2022.
Traditional economic, demographic, and child care market factors do not explain the extent of the decline in paid child care usage.

- Currently, all groups of mothers (i.e., with children under age 5, school-age children aged 5-14, and overall with children from birth to age 14) have labor force participation rates that exceed the pre-pandemic level. The labor force participation rates of mothers with children of child care age are now at multi-decade highs.
- Between the onset of the COVID-19 pandemic and July of 2023, child care prices rose 12.5% compared to the overall Consumer Price Index (CPI) at 17.4%, and the index for services at 16%. Nevertheless, child care prices remain a significant expense for families.
- The average income of families with children aged 14 and younger using paid care in 2022 was $163,000, compared to $121,598 for families not using paid care. The average income of families with children under age 5 using paid care was $167,147, compared to $111,107 for families with children under age 5 not using paid care.
- The expansion of public child care assistance programs provided a substantial boost in demand across the pandemic cycle.
- Other factors such as work-from-home, shifts in parental preferences, and a reduced supply of paid child care are plausible contributors to the weak rebound in the use of paid care.
- Another possible factor is a decline in the supply of paid child care services across the pandemic period.

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