**News Release**

For more information:
Molly.Horak@tcb.org

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**Report: Paid Child Care Strongly Linked to Income**

*New CED Report Outlines Critical Economic Impact of Paid Child Care*

**New York, NY, February 15, 2022**...A new report by the Committee for Economic Development, the public policy center of The Conference Board (CED), provides an analysis of who uses paid child care and the percent of household income spent on child care by families who pay for it. As the pandemic recedes and employers look to both retain mothers in the workforce and bring working mothers back into the labor force, the report provides insights that can be used to inform public policy.

As summarized in the **Solutions Brief** and detailed in the report, *The Economic Role of Paid Child Care in the US*, the cost of child care has long been recognized as a key barrier to access for many working families. The study found, despite declining numbers of children under the age of 15 in recent years, both the number and share of children in paid child care has increased over the past two decades. Growth in paid child care usage as a share of population is taking place, suggesting increased relative demand for paid child care services.

“If families have the disposable income, they are paying staggering sums for daily child care,” said Dr. Lori Esposito Murray, President of CED. “When the average family does not have child care, it is time to explore the underlying causes. In some cases, it could be family preference, but in others, it may be that the cost of care is just unaffordable given other household expenses such as mortgage or rent, food, and other costs related to raising a family. Access to child care makes that possible—the nation’s economic recovery and growth depend on it.”

**Key insights from the new report include:**

**A high price tag:** In 2020, the average income of families using paid child care was $149,926.
- Households with children in paid care reported average incomes of $149,926 in 2020—$39,049 higher than the average income of families with children with no children in paid care.
- For families with children under age five, the $147,230 average income for those families who used paid care was $51,193 higher than the average income of $96,037 for families with children under age five that do not use paid care.
- Child care expenditures per household reached a record high of $7,602 in 2019. In 2020, during the pandemic, expenditures declined by 7.2 percent to $7,058.
- Across all US households reporting children in paid child care, child care costs averaged 5.2 percent of household income between 2009-2020. On a per child basis, costs averaged 3.5 percent of household income over the same period.
COVID-19’s impact on participation: From 2019 to 2020, children in paid child care dropped by nearly 20 percent.

- In 2019, 12.3 million children were reportedly in paid child care. This figure dropped to 10 million at the onset of the COVID-19 pandemic.
- The number of children under age five in paid child care declined from 5.7 million in 2019 to 4.7 million in 2020; simultaneously, the number of school-age children in paid child care dropped from 6.5 million to 5.2 million in the same period.
- The impact of the pandemic was not uniform across the country. In seven states—Alaska, Delaware, Minnesota, Montana, Pennsylvania, Vermont, and West Virginia—the percentage of children in paid child care increased.
Drivers of paid child care usage: Labor force attachment, household income, and educational attainment.

- **Labor force attachment:** One of the primary roles of child care, both paid and unpaid, is its role in facilitating a parent’s participation in the workforce.
  - The states with the highest maternal labor force participation rates have a more than 20 percent higher share of children in paid child care than states with the lowest participation rates.
  - For mothers ages 18-54 with a child ages zero to four, a 1 percent increase in the labor force participation of mothers is linked to a 0.89 percent increase in the share of children in paid child care across the states.

- **Household income:** Households with higher income are far more likely to have a child in paid child care.
  - Across states, each $1,000 of additional real income per capita is associated with a 0.7 percent increase in the share of children in paid child care. An additional $10,000 in real income per capita is associated with a 7 percent increase.
  - Lower income states with real per capita income of about $45,000 annually have about 17 percent of children in paid care. In higher income states, with per capita income of $55,000, this rate jumps to 22 percent of children in paid care.

- **Educational attainment:** Greater use of paid care is typically found where the primary household has a bachelor’s degree or higher.
  - An additional 0.1 years of schooling is associated with a 1.4 percent higher share of children ages zero to four in paid child care.
  - States with the highest education levels tend to have a share of children in paid care that is roughly double the shares in states with the lowest education levels.

### Top 10 States in 2019 and 2020 by Utilization of Paid Child Care for Children Under Age 5

<table>
<thead>
<tr>
<th>Top 10 States in 2019</th>
<th>Top 10 States in 2020</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2019 % Paid Care</td>
</tr>
<tr>
<td>Maine</td>
<td>51.4%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>47.2%</td>
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<tr>
<td>Nebraska</td>
<td>47.0%</td>
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<tr>
<td>New Hampshire</td>
<td>46.5%</td>
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<tr>
<td>District of Columbia</td>
<td>45.7%</td>
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<tr>
<td>Virginia</td>
<td>41.1%</td>
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<tr>
<td>South Dakota</td>
<td>40.5%</td>
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<tr>
<td>Oregon</td>
<td>39.7%</td>
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<tr>
<td>Minnesota</td>
<td>39.5%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>39.3%</td>
</tr>
</tbody>
</table>

Source: IPUMS USA - University of Minnesota, U.S. Census Bureau, and RegionTrack calculations

Multiple factors determine the extent of paid child care usage in states:

- **Child care expenditure share:** High child care costs have long been viewed as the primary obstacle to a broader use of paid child care services.
  - In 2019, the share per child varied widely across states, from 1.9 percent in Arizona to 6.3 percent in Maryland.
• **Child care subsidies and cost offsets:** The net cost of child care to US households is often determined by the receipt of a range of federal and state subsidies.
  
  o In fiscal year 2019, funding from the Child Care and Development Fund, the Temporary Assistance for Needy Families program, and federal Child and Dependent Care tax credits totaled approximately $19.3 billion. That’s equal to 37 percent of total child care expenditures reported in 2019.
  
  o The number of offsets and subsidies per child varies widely by state. In 2019, households in Tennessee received $149, while those in the District of Columbia got $828.

The new Solutions Brief, *The Economic Role of Paid Child Care in the US*, can be accessed [here](#). The report is part of a four-part series produced with the support of the W.K. Kellogg Foundation on the use of paid child care and labor force participation of mothers. The report and more information can be found [here](#).

**Media Contact**
Molly.Horak@tcb.org

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