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Child Care: Critical to the Economy but Difficult to Access and Afford

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Child care is critical to the nation's workforce. Yet access to high-quality care is inequitable, and the cost, especially for licensed child care, is steep for many families. Additionally, many parents simply cannot find child care that meets their needs, limiting their ability to work. When the child care sector does not fully meet the demand for care, it limits parents' ability to work, which in turn affects the broader economy.

This blog post explores the importance of child care to the workforce and the access and affordability barriers that parents face. These problems are especially prevalent for parents with nontraditional hours (work that falls outside of the 9-to-5 schedule) or unstable schedules. In this post, we also share parental perspectives on accessibility and affordability.[1]

Child Care Can Strengthen the Workforce

Child care provides an essential service for parent workers and their families. Two-thirds of mothers and 94% of fathers with children under age 6 work or are actively looking for work, according to the St. Louis Fed webpage "The Economic Impact of Child Care by State." Child care (whether formal or informal) is necessary for them to participate in the labor force. Further, since most people become parents, the advantages and challenges related to child care are widespread. When the child care system doesn't fully meet parents' needs, one parent (typically the mother) leaves or does not enter the labor market.

Several parents who worked nontraditional hours shared their difficulties in finding child care. When a job sometimes requires 8 p.m. meetings, obtaining child care is not possible, said one parent with a child under 5. "The (child care) hours… just don't fit for the type of work that I do," the parent noted.

There are numerous benefits to supporting parents who want or need employment. Employed parents improve their family's financial security, contribute to companies' productivity by addressing labor shortages and provide a broader tax base for states. In other words, when parents—particularly mothers—can work, the economy is stronger and more productive.

There are also negative consequences when child care availability is restricted. For example, during the COVID-19 pandemic, shutdowns, closures, reduced hours and staff shortages were prevalent, which severely impacted parents and providers. Women, particularly mothers, disproportionately left the labor force, and the nation lost more than 98,000 child care workers—a substantial drop of 11% between February 2020 and December 2021. Challenges with supply, access and affordability predate the pandemic but were exacerbated by it. Moreover, these challenges are inequitably distributed.

Issues with Access and Affordability Are Extensive, but They Affect Some Groups More

In the U.S., the average annual cost of child care was an estimated $10,900 per child per year in 2021. This is 15% of median household income—more than double the 7% the U.S. Department of Health and Human Services considers affordable. Starting in 2022, inflation has further strained the sector and parents' ability to pay. For example, much of the increased operational costs (e.g., food, rent, utilities) for providers have been passed on to parents in the form of tuition increases, making it more difficult for them to afford care. At the same time, providers need to improve and maintain quality, and attract and retain credentialed workers by offering competitive wages and benefits, which is not always possible. These burdens contribute to a vicious cycle of unaffordability, which in turn affects access.

In addition to affordability, availability is also quite problematic. About half of Americans live in child care deserts, which are areas with too few licensed slots relative to the number of children. These low-access areas are more likely to be rural and low-income neighborhoods. In addition, there are "time deserts"; licensed child care is relatively nonexistent during nontraditional hours (PDF), such as evenings and weekends. In these areas, parents working nontraditional or unstable work hours are likely to lack access to child care regardless of geography, affordability or quality. Thus, nonstandard work schedules further complicate child care access.

Parents with Unstable or Nontraditional Work Hours Face Greater Difficulties

Imagine receiving a call at 7 p.m., asking you to show up for work in 30 minutes. This is just one example of "on-call scheduling," which is a common type of unstable work schedule. In 2018, 41% of workers (PDF) reported some form of unstable scheduling practices. Hourly and part-time workers were more likely to report unstable scheduling practices. Because they are also more likely to have lower wages than full-time workers, their paying for care is an incredible challenge.

Working parents who have unstable work schedules are more likely than those with stable work schedules to have to piece together care arrangements on an ad hoc basis (or "on-call family support"). These parents generally need to have a larger number of child care arrangements (PDF) and are pushed to rely on friends, family (including older children in the household) and neighbors for care. At worst, they must leave young children alone without adult supervision. In a study with 818 retail workers in Los Angeles, over half of working parents regularly relied on informal networks for child care because their unstable work schedules locked them out of more-formal school and center-based care. Overall, unstable work schedules and a reliance on informal, "just-in-time" care could lead to consequences for children's safety and development.

Apart from the numerous challenges that arise from access to child care in the private market, those with unstable work schedules face challenges accessing public child care resources. Though the Child Care and Development Block Grant serves only 15% of eligible families, it is the primary public child care program in the U.S. Yet, the grants are not large enough to fully meet the needs of low-income families.

Oftentimes, families are either wait-listed to receive vouchers (which cover part or all of the cost) or disqualified altogether because the cutoff set by a state covers a limited portion of the low-income population. Yet, of those eligible for subsidies, mothers with unstable schedules and those with nonstandard hours are less likely to receive child care vouchers than those with stable work schedules.

One parent with three young children talked about how financial aid was insufficient to cover the entire cost of child care. While the child care subsidies were helpful, “we still have to pay the other half of it,” the parent said.

Strategies to Address Child Care Sector Challenges

In the U.S., the mostly private child care market exhibits low profitability and low affordability simultaneously. Increased private and public support informed by research-backed solutions could help resolve the child care market’s affordability and low-margin issues, and yield high public returns.

Several states have launched new programs to support the sector through higher reimbursement rates, grants and workforce development, or have investigated the best practices for systematic reforms, such as in Texas and Missouri.[2] The importance of early care and education is being broadly realized. Addressing issues with affordability and accessibility could help support parents and the economy.

Notes

1. Quotations in this blog post are from parents of young children who were interviewed in 2022 in focus groups hosted by the Federal Reserve System.
2. The Missouri report is scheduled to be released in June.

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