

Child care in America

Joseph Chamie | December 9, 2024



America is facing a child care crisis: care services are costly and scarce and fail to meet the needs of families. The majority of U.S. voters, Joseph Chamie opines, feel a sense of urgency concerning the need for affordable, quality child care.

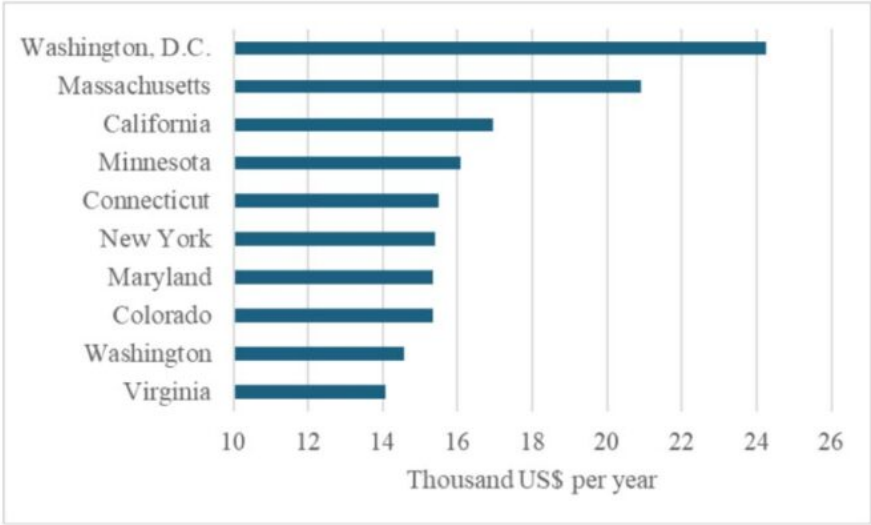
Child care in the the U.S. is both costly and scarce, and fails to meet the needs of children and parents. The country's child care system is dominated by the private sector which receives very limited financial support: as a result, child care costs across America are untenable for most families (Landivar 2024). The U.S. Treasury Secretary has described child care in America as "a broken market".

Costs

While the U.S. Department of Health considers that 7% of household income as an affordable benchmark for child care, in 2023, two-thirds of U.S. parents with young children spent 20% or more of their household income on child care, up from about half in 2022 (Solá 2023). The average cost of child care for two children is higher than the average rent in all 50 states and the average mortgage payment in 45 states (Luhby 2024). Likewise, in about 40 states, the average annual price of infant care in a child care center exceeds annual, in-state university tuition costs.

Child care expenses for parents are often more than \$1,000 per month. In 2021, for example, preschool, infant care and day care cost between \$14,000 and \$24,000 annually for couples in the ten U.S. states with the highest annual child care expense (Figure 1). In addition to their high cost, child care services are often difficult to find. Approximately 75% of families report difficulties, and about 32% of children under the age of five cannot access a child care slot (Editorial Staff 2024). Moreover, since 2019, there has been a 12% decline in licensed family child care homes.

Figure 1. Top ten U.S. states with highest annual child care expense for preschool, infant care and day care (2021)



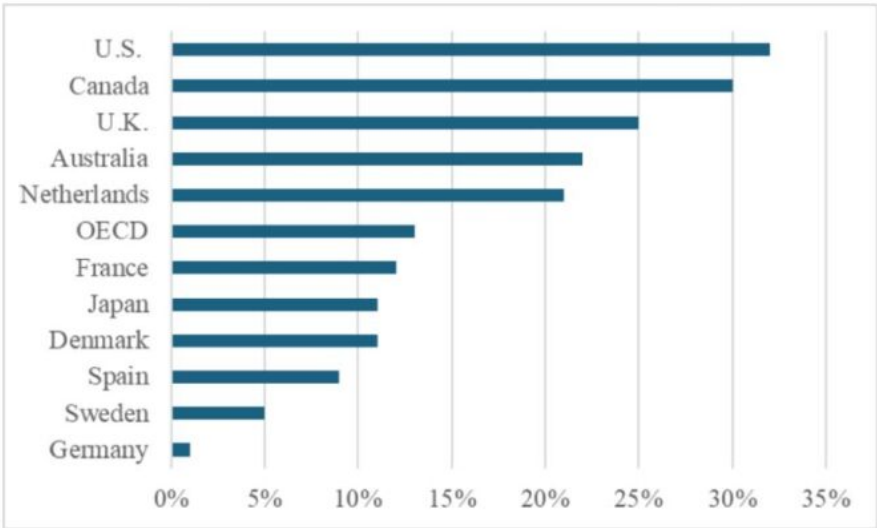
Source: Grundy (2024).

Child care providers are also struggling with limited space and staffing shortages, in part because wages in this sector are low, with a median hourly wage of \$14.60 in May 2023 (US Bureau of Labor Statistics 2024). Due to the national shortage of workers and facilities, the costs of day care and preschool are rising at nearly twice the pace of inflation: the national average annual price of child care increased by 23% between 2017 and 2023 (Luhby 2024).

Consequences

The price tag for having two children in child care while working full-time is significantly higher in the U.S. than in most OECD countries (Figure 2).

Figure 2. Net child care cost as a percentage of average wage for couples with two children using child care facilities for selected countries (2022)



Source: Shine 2023.

Many parents with young children in America are thus forced to choose between spending a significant portion of their income on child care, finding a cheaper, less desirable option, or leaving the workforce altogether to become full-time caregivers. Child care issues are more likely to impact a mother's than a father's career. About half of mothers with young children are considering leaving the workforce due to inadequate childcare. The US has gone from leading its peers in women's workforce participation rates in the 1990s to lagging dramatically behind them today. About one-fifth of mothers who do not currently work would look for a job if they had better access to quality child care, and about one-third of mothers unable to find affordable child care have already dropped out of the labor force. In 2023, 25% of mothers were economically inactive, up from just 15% in 2022. Subsidized child care and preschool increase the likelihood that mothers will remain in work and pursue a career. Besides, child care helps children develop physically, mentally, socially and emotionally, thereby increasing their chances for lifelong success. Numerous studies about child care in the U.S. have indicated the benefits of early-childhood education (Wise 2024).

Policies

One of the major reasons why child care is more expensive in the US than in the rest of the developed world is that other countries devote a larger share of government spending to child care provision (Buchholz 2024). America's two major political parties have different views on the role of the federal government in this area. While Democratic elected officials have proposed more federal spending on child care, many Congressional Republicans argue against federal intervention and are opposed to federal tax increases for this purpose. The vast majority of U.S. voters feel a sense of urgency concerning the need for affordable, quality child care. Nearly 80% of voters support increased federal funding for states to expand their child care and early learning programs. That view among voters is evident across party lines and is felt strongly by parents and non-parents alike (Patrick 2024).

Conclusions

Those opposed to subsidized child care tend to ignore the economic realities of modern America. In many households both parents want to work, and for a growing share of parents, being employed is simply not a choice. The U.S. Department of Labor has highlighted the need for greater federal investments in child care services. Businesses and policymakers are also paying close attention to America's child care crisis because a good child care system that accommodates the needs of working parents contributes to a healthy workforce and economy. In sum, child care in America is in crisis largely because it is costly and scarce. Increased federal support and funding would contribute significantly to improving child care affordability and availability .

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