"Child Care Since the Pandemic: Macroeconomic Impacts of Public Policy Measures"
Senate Subcommittee on Economic Policy, Wednesday, September 20th

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One-Page Summary

The childcare industry is neither robust nor resilient. Federal funds were critical to stabilizing the industry in the wake of the unprecedented drop in demand caused by the start of the pandemic. However, those funds did not fix the industry or fundamentally alter its structural issues. Should federal funds end, the industry will experience some kind of decline in the form of closed centers, closed classes within centers, higher prices, and lower staff pay.

Childcare is necessary to the labor supply of parents. Therefore, a reduction in care access or affordability will reduce the labor supply of parents, typically mothers.

In the immediate term, a reduction in labor supply jeopardizes the current battle with inflation. Cutting childcare is a contractionary labor supply policy that would put upward pressure on wages and prices. The rapid expansion in labor supply over the first 8 months of 2023—an increase of 3 million workers—has helped to enable the soft landing. Reducing care can only undermine it, though to what degree is essentially a gamble.

In the near and medium term, the US is facing labor supply headwinds from the aging of the Baby Boom population. Labor force participation has been falling for nearly two decades. Increasing the labor force participation rate of prime-age workers, including mothers, can help counter that downward trend, but it requires active labor supply policy—like childcare—that in previous eras was not necessary.

In the long term, the US must reverse the 15-year sustained decline in fertility that will reduce labor supply in the future through smaller population. Given that affordability constraints are a key cause of families not meeting their fertility goals, addressing the most expensive cost—childcare—can aid families in having the number of children they want.

In this written testimony, I elaborate on each of these three key points.

1. Childcare in the US is a market failure.
2. Childcare supports the labor supply of parents, which is vital in the current macroeconomic context.
3. Childcare supports the labor supply and fertility of parents, which is vital in the near-, medium-, and long-term macroeconomic context.

This narrative focuses on the labor supply aspects of childcare, in effect ignoring 1) that it is an investment in the education of children, and that 2) when subsidized for families, improves their economic security by reducing childcare outlays. I supplement the labor supply perspective with an appendix that is organized as Frequently Asked Questions (FAQ) and touches on both of these aspects.

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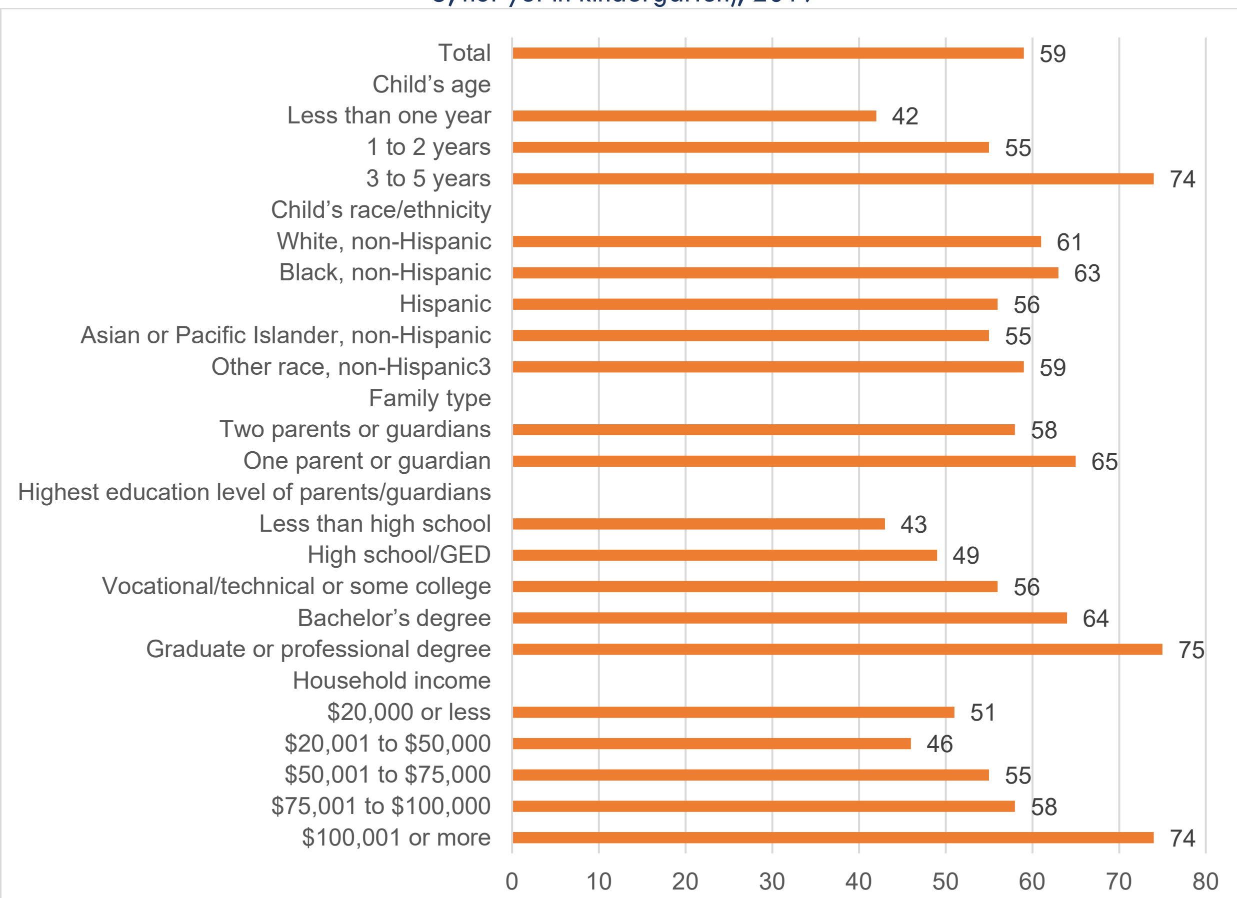
Key Point 1: Childcare is a Market Failure

A Brief Overview of Childcare in the US

The paid, private provision of childcare in the United States comprises center-based and home-based providers who follow local regulation as to staffing and safety (e.g. the ratio of staff to children under care by age). In addition, many children are also cared for in informal arrangements, such as with a nonparental family member or friend.

The National Center for Education Statistics estimates that in 2019, the most recent year of data, 12.5 million children who were i) age five and under and ii) not yet in kindergarten were regularly cared for by a nonparent, representing 59% of children. This share ranged from 42% of children under 1 to 74% of children 3-5. The use of nonparental care increases with parents' education and income.

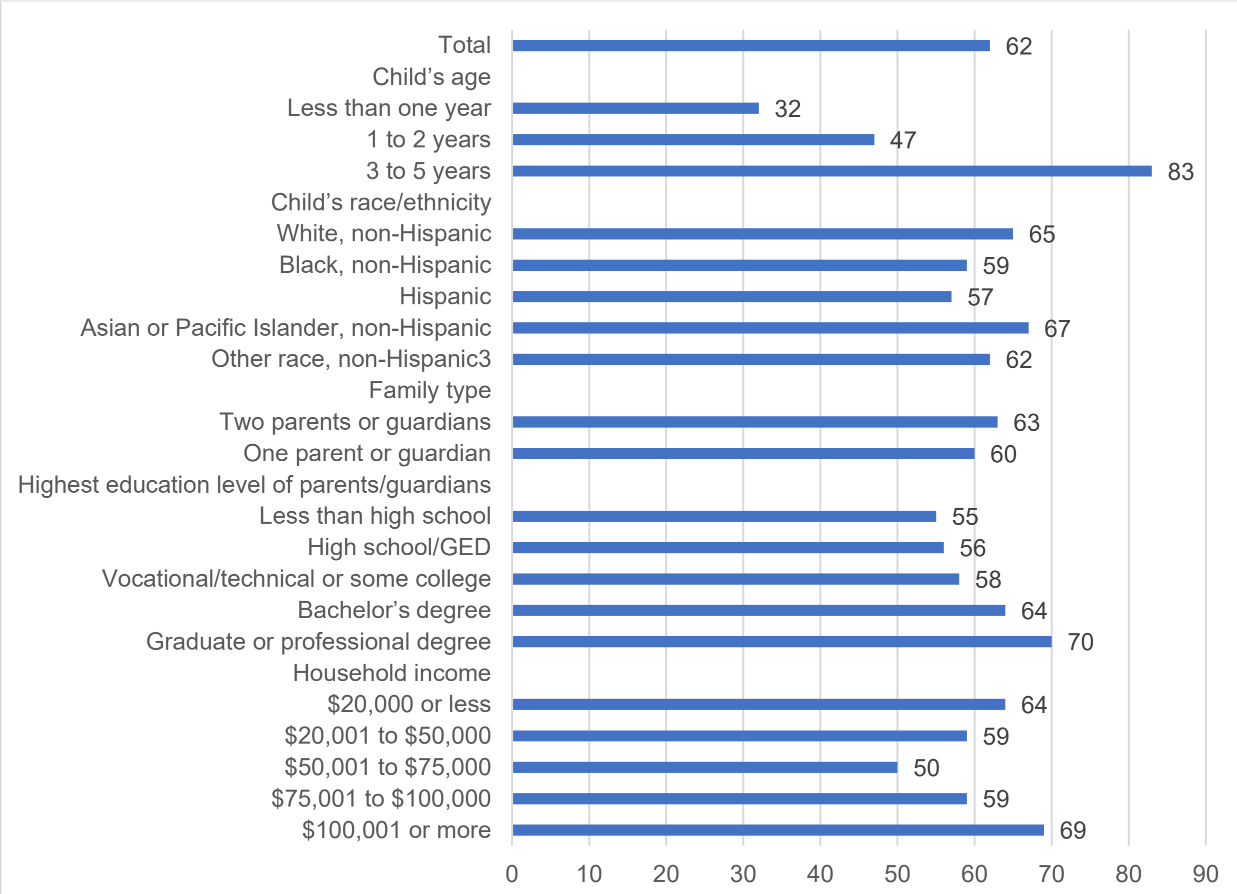
Figure 1. Share of children participating in weekly nonparental care arrangements (from birth through age 5, not yet in kindergarten), 2019



Source: U.S. Department of Education, National Center for Education Statistics. (2021). Early Childhood Program Participation: 2019 (NCES 2020-075REV), Table 1.

Of those in nonparental care arrangements, the majority—62%—are in center-based care. Again, this increases with the age of the child, from 32% of children under 1 to 83% of children 3-5, and increases slightly, though less dramatically, by parents' education. By parents' income, on the other hand, the share of children in center-based care is highest amongst the poorest (64% for parents with $20,000 or less in income) and richest (69% for parents with more than $100,000 in income). This dip for middle-income households likely reflects that they are earning too much money for a subsidy, but not enough to afford care.

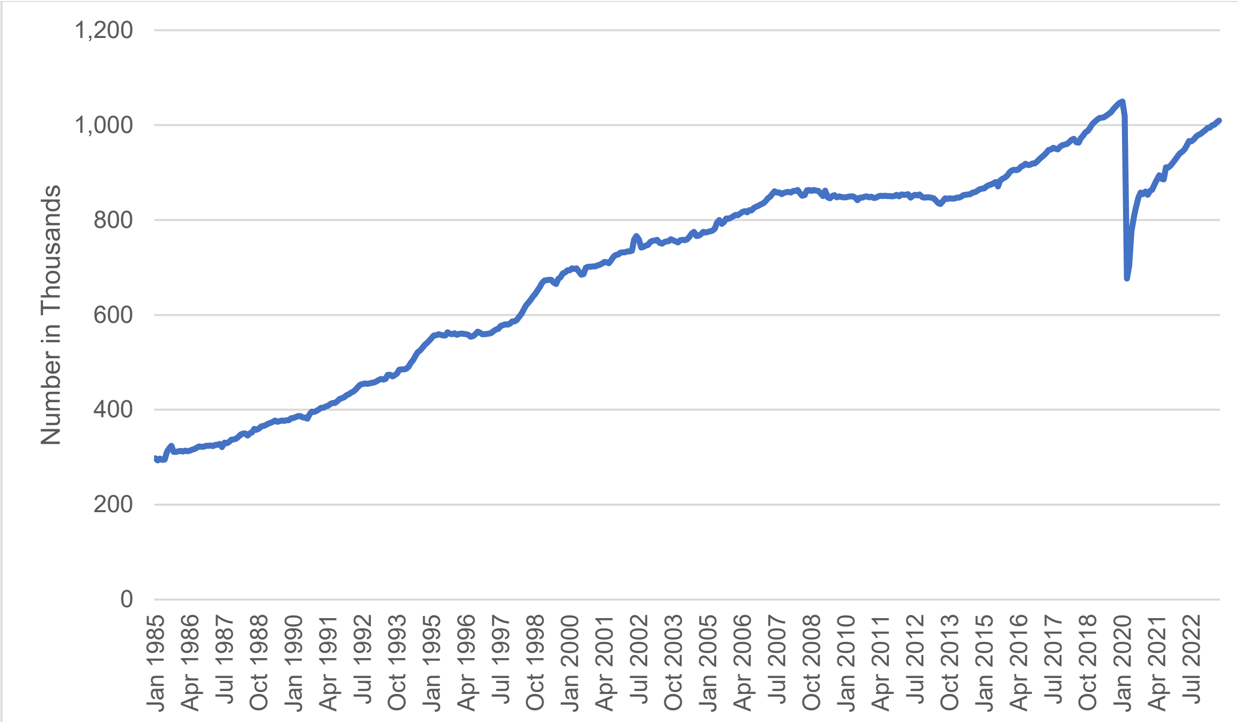
Figure 2. Share of children in weekly nonparental care arrangements in center-based care (from birth through age 5, not yet in kindergarten), 2019



Source: U.S. Department of Education, National Center for Education Statistics. (2021). Early Childhood Program Participation: 2019 (NCES 2020-075REV), Table 1

The childcare sector employed about a million workers as of August 2023, nearly recovering it's prior, pre-pandemic employment peak. The pandemic hit childcare hard. The sector shed 34% of total employment—one in three jobs—in the first month of the pandemic.

Figure 3. Total employment in the childcare sector, 1985-2023



Source: Bureau of Labor Statistics, Current Establishment Survey, series CES6562440001.

Those workers are not well compensated. According to the Bureau of Labor Statistics' Occupational Employment and Wage Statistics, the median childcare worker earned $14.49 an hour in 2022, for an annual income of $30,140. For reference, that is about the median hourly wage and income for:

- waiters and waitresses ($14.00 and $29,120),
- maids and housecleaners ($14.40 and $29,960),
- dishwashers ($13.98 and $29,080), and
- fast food and counter workers ($13.43 and $27,930).

It is about half what a kindergarten teacher makes ($60,490).

What Makes a Market Failure

A market failure has no single definition, marker, or indicator. It describes a situation in which the market fails to efficiently deliver a good or service. Childcare exhibits four features of market failure.

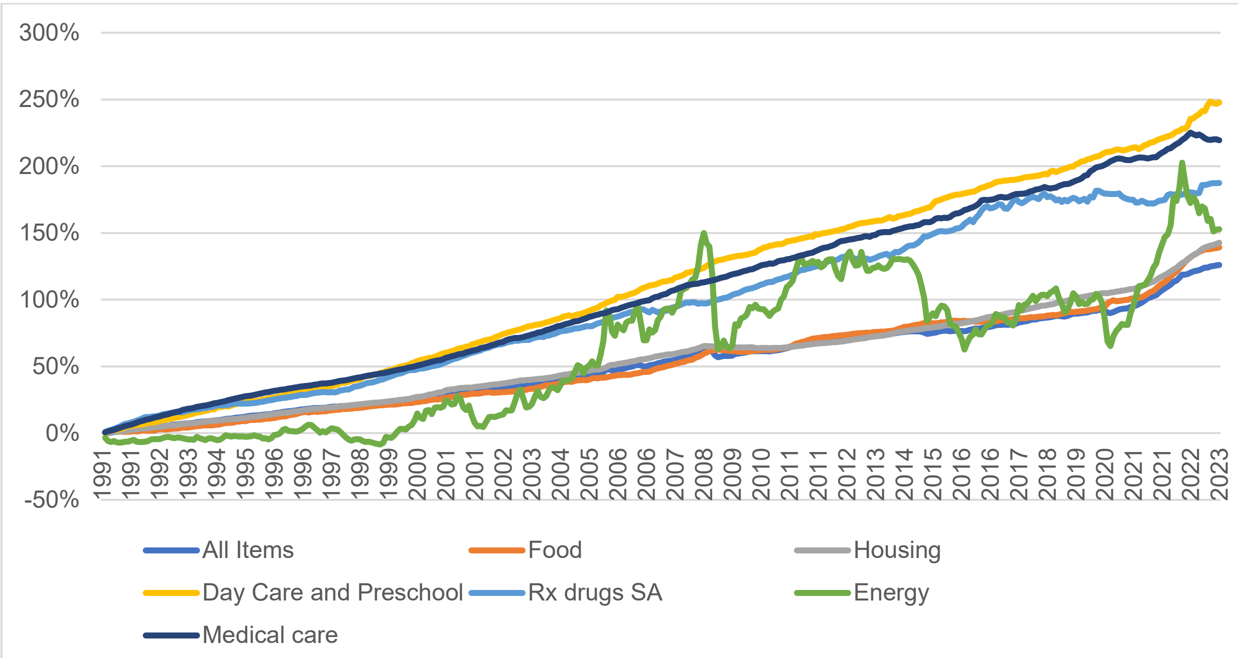
First, it is expensive and has seen unsustainable price increases. According to Child Care Aware of America, the average price of care was $10,853 in 2022. Relative to other household expenses, childcare for two children is higher than:

- Average mortgage payments in 41 states and DC (1-53% higher),
- Average rent payments in all 50 states and DC (24-100% higher),
- In-state university tuition in 32 states and DC (0-100% higher).

Care.com, in their annual Cost of Care report in which they survey parents about care spending and pricing, report that families spend on average 27% of their income on childcare expenses. 59% of families report that they spend at least $18,000 a year on care per child. Further, they report childcare costs have increased 80% in the ten years they've been tracking the data.

Indeed, childcare is notable not only for its high cost but also its variable cost based on the age of the children and the city in which care is sought. The Department of Labor's National Database for Childcare Prices notes that the median cost for infant care is $5,800 for a home-based provider in a small city of fewer than 100,000 people, but $15,500 for center-based provider in a city of more than 1,000,000.

Figure 4. Percent change in price index of Day Care and Preschool and select goods and service since 1991



Source: Bureau of Labor Statistics, Consumer Price Index, series CUSR0000SA0 CUSR0000SAF1 CUSR0000SAH CUSR0000SEEB03 CUSR0000SEMF01 CUSR0000SA0E CUSR0000SAM.

The Bureau of Labor Statistics, which tracks prices in the economy through its Consumer Price Index, has produced an index for "day care and preschool" since 1991. By their measure, the price of day care and preschool has increased faster than food, housing, energy, medical care, and prescription drugs in that time. On average, the price of day care and preschool increased 3.9% a year and in total increased 248%, compared to 2.5% a year for prices overall and a 126% total increase.

The second feature of market failure exhibited by childcare is that it is inadequately supplied.

The supply of care relative to demand is very difficult to estimate. Care comes in many forms, from center-based case and licensed home-based care (often grouped together as paid care), to informal friend and family care that is unpaid. Families that cannot afford or find one can switch to another. Families that cannot find either paid or unpaid may have a worker leave the labor force. Hence, there is no constant or measurable pool of unmet demand.

Before the pandemic, the Center for American Progress estimated that half the country lives in a 'childcare desert' where there are too few licensed providers relative to the number of children in a geographic area: more than three children for every available licensed spot. A separate research group at the University of Minnesota employed a different methodology, where they used driving distance to a childcare provider rather than geographic distance, and found families have even fewer care options than the 'desert' estimate suggests, though their work was limited to Minnesota.

The pandemic saw the closure of many paid providers. The number of center-based providers has recovered, but the number of home-based providers has not, declining 11% since 2019. However, for neither type of paid provider are there consistent estimates of the totally number of spots they offer.

An effective measure for estimating unmet demand would be an analysis of waiting lists—providers who are full and no longer accepting new enrollment add waiting children to a ranked list that are offered spots as they open. However, there is no centralized record keeping of the size of lists. A survey from the National Association of Educators of Young Children (NAEYC) reported that 38% of waiting lists have gotten longer in the pandemic. A company that makes waiting list software told a news outlet that the lists they manage have grown from 185 kids on average before the pandemic to 236 in early 2023.

Yet, there is little prospect for the industry to generate sufficient supply. Over the long term, the childcare services industry (NAICS code 6244) has evinced troubling signs. Its establishment entry rate, which measures the number of new firms as a share of existing firms, used to be higher than its parent industry, health care and social assistance (NAICS code 62). They are now on par. At the same time, the exit rate, which is exiting establishments as a share of existing firms, in child care services is and has consistently been higher than its parent industry. This suggests that was once an industry of churn is now tending towards decline. These trends are based on the latest data available, which has not been updated in the pandemic.

Figure 5a. Entry rate of establishments into Health Care and Social Assistance industry (NAICS 62) and Child Care services subindustry (NAICS 6244), 1978-2020

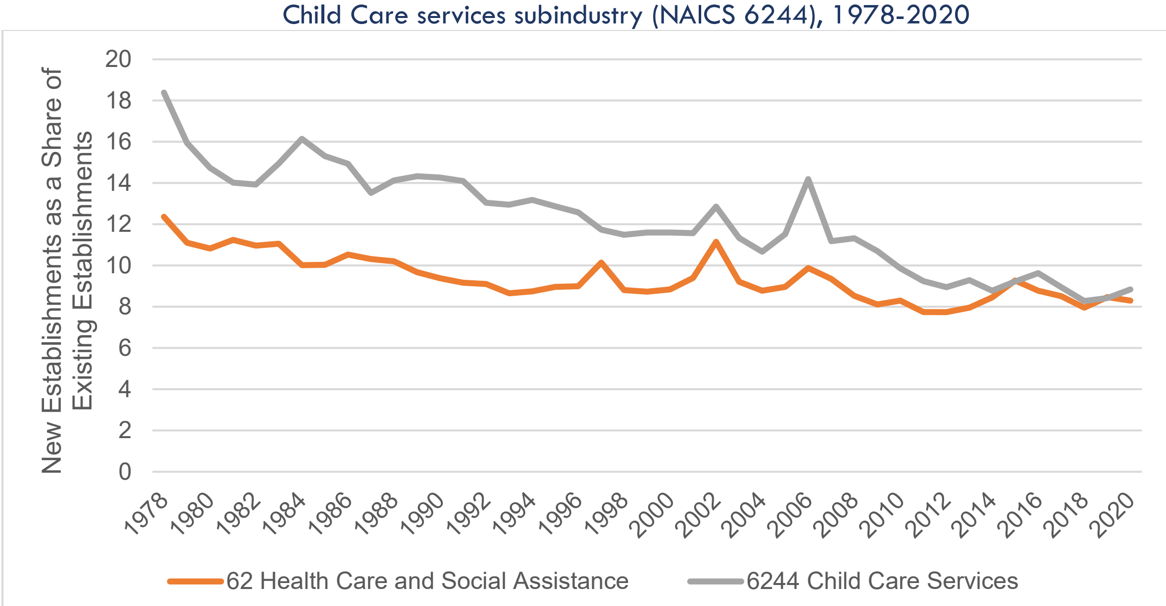
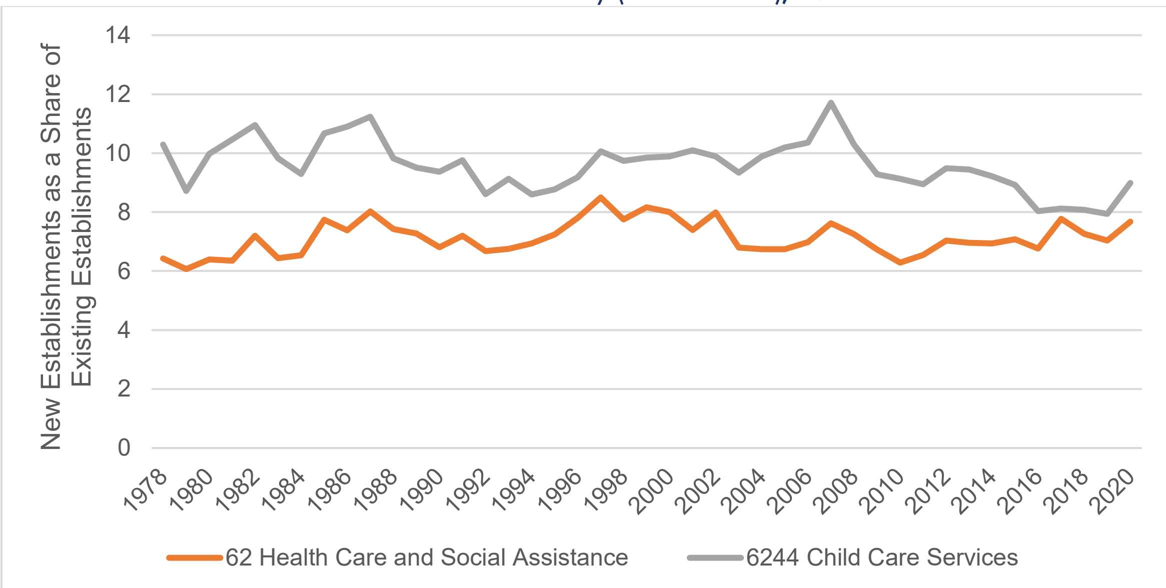


Figure 5b. Exit rate of establishments into Health Care and Social Assistance industry (NAICS 62) and Child Care services subindustry (NAICS 6244), 1978-2020



Source: U.S. Census Bureau, Business Dynamics Statistics.

Childcare is not a lucrative business; profit margins are small and the largest and majority expense is staff salary. Most establishments in the industry are small. Of the for-profit chains, the largest ten serve just 6% of the total childcare market.

The third feature of market failure exhibited by childcare is that it has almost no capacity for market-based improvement.

The delivery of goods and services mostly evolves over time through market innovations. These can come in the form of technology, in production efficiency, in a return to scaling, or a combination of the three. Classic examples are the invention of the steam engine, the assembly line, or the rapid expansion of fast-food chains.

Those solutions are not applicable to childcare, which has seen little market evolution. Very young children require the eyes, hands, and attention of a capable adult. They can share that adult attention, but only up to a point. There is no technological substitute, no process malleable to efficiency gains, and no room to scale without dramatic reductions in quality or safety.

There is no innovation coming that will suddenly increase supply or decrease cost. The implication of which is that the childcare market can only deteriorate further.

The fourth feature of market failure exhibited by childcare is that its provision does not reflect its immediate economic value: it enables the labor supply of parents. Nor does it reflect its long-term value: high-quality early childhood education is enormously beneficial to children in both childhood and well into adulthood.

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Key Point 2: Childcare Supports the Labor Supply of Parents, Which is Vital in the Current Macroeconomic Context

The Landing…

In 2022, inflation reached 9% when a series price pressures came together as the US emerged from the pandemic, including:

- Disrupted supply chains,
- Disrupted demand patterns, and
- Rising oil prices resulting from Russia's invasion of Ukraine.

An increase in prices is a result of a mismatch between supply and demand. The primary policy tool to reduce inflation is interest rate setting by the Federal Reserve, which aims to decrease demand. As interest rates increase and the cost of borrowing gets higher, consumers must slow their spending elsewhere, reducing demand and easing the pressure on prices.

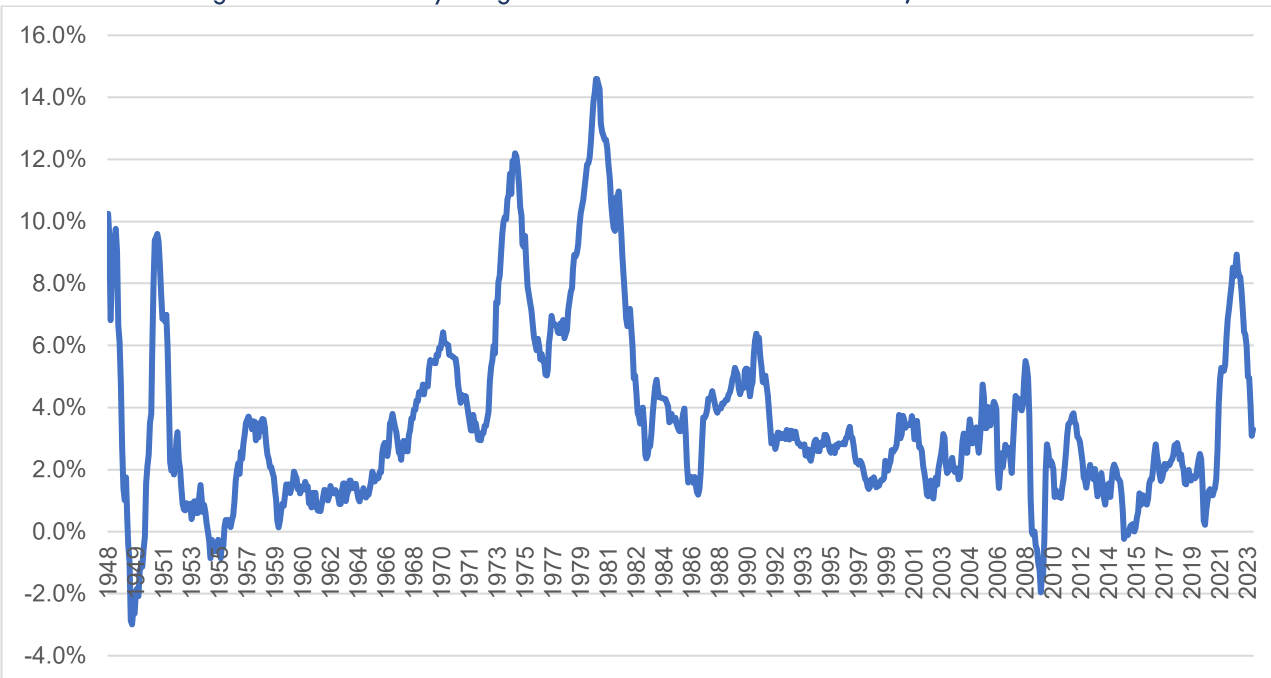
The risk is recession. Too sharp a drop in demand can shrink the economy, bringing layoffs and high unemployment with it. A recession would very likely accomplish what interest rate increases on their own are attempting to do, but at great cost to the economy and workers affected directly by job loss. Hence, the goal of the Federal Reserve is a "soft landing," a reduction in demand that is large enough to reduce prices without a significant increase in unemployment.

As of August data, it appears the soft landing is working. The year-over-year change in the Consumer Price Index has fallen from its peak and declined steadily in the 14 months since, without reaching the all-time highs set in the 1980s.

The forecasts that the US economy would fall into recession have fallen considerably as well. Surveys of economists gauging the likelihood of recession in the next 12 months were grim at the end of 2022, with predictions as high as 60-75%, depending on the outlet. Nine months later, those predictions have dropped.

Similarly, the Survey of Consumers at the University of Michigan has seen an increase in consumer sentiment over the past 12 month after reaching a fifty-year nadir in the summer of last year, meaning consumer sentiment was lower during the contemporary inflation spike than it was at any point in the pandemic, the Great Recession, and even the 1970s stagflation, but has since increased.

Figure 6. Year-over-year growth in the Consumer Price Index, 1948-2023



Source: Bureau of Labor Statistics, Consumer Price Index, Series CUSR0000SA0.

Rather than a contraction in demand, the pressure on prices was eased through expanding supply. This was appropriate. Researchers at the Federal Reserve Bank of San Francisco created a method to decompose inflation as measured by Personal Consumption Expenditures—an index that is based on the real time tracking of goods purchased as opposed to a real time tracking of posted prices—attributed to supply issues, demand issues, or ambiguous. About half of the run up in inflation coming out of the pandemic was attributed to supply issues, and a third to demand. Researchers have since found supply is expanding for many goods and services.

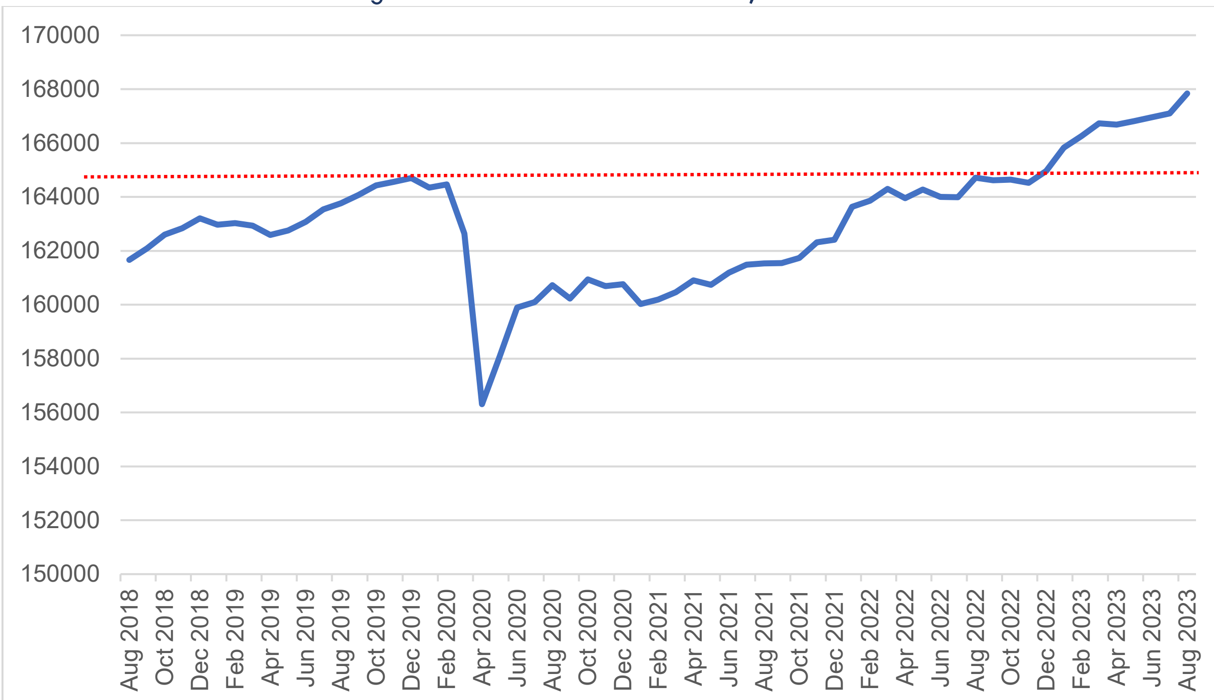
But it not a one-and-done battle. Prices are easing. As Grep Ip of the Wall Street Journal notes,

> "Headline inflation—the published increase in prices—shot from under 2% in early 2021 to 9.1% in June 2022 because of snarled supply chains; stimulus- and lockdown-fueled goods purchases; and rising oil prices following Russia's invasion of Ukraine. It then fell below 4% this year thanks to falling oil prices and airfares, slowing rent increases and cheaper health insurance.
>
> The question is: Where is underlying inflation (i.e., the rate that prevails once all these idiosyncratic influences wash out)? This depends heavily on the balance between total supply and demand, of which the labor market is the best barometer. Simply put, even if inflation falls to 2%, it won't stay there if the labor market is so tight that wages rise faster than is compatible with inflation of 2%."

Just as the expansion of the supply of goods and services has helped tackle inflation, so has the expansion in the supply of labor.

In February of 2020, the US labor market boasted 164.5 million workers. Two months later, it had 156.3 million, a dramatic and unprecedented shock to labor supply that took over two years and a half years to recover.

Figure 7. Civilian labor force level, 2018-2023



Source: Bureau of Labor Statistics, Current Population Survey, Series LNS11000000.

But 2023 has been a banner year of labor force participation, with total supply increasing by roughly 3 million workers in the first eight months. The group with the largest increase in participation is women age 25-54, what economists refer to as the "prime age." Of those prime-age women, it is women with children under 5 who have seen the biggest jump in participation rates. That is not to say that women with children of childcare age have accounted for all or even the majority of the increase seen this year. Instead, it illustrates that 1) they are a group with malleable labor supply and 2) women are a key part of the labor supply expansion, a leading and not lagging group.

The expansion to labor supply has been critical to the inflation fight, loosening the labor market through more workers, rather than mass job loss. A reduction in workers can only undermine the soft landing, and not support it.

...At Risk

Funds through the American Rescue Plan Act have supported 80% of all center-based providers in the US and reached 9.6 million children, according to the Administration of Children and Families. The National Association for the Education of Young Children (NAEYC) surveyed paid providers to ask them how they will adjust to the expiration of ARPA funds. The most common response was that they would raise tuition and cut staff wages or benefits.

Table 1. How providers will respond to the expiration of APRA support, share of owners or directors answering:

	Centers	Home-based
Have to Raise Tuition	43	37
Have to Cut Wages	27	29
Lose Staff	22	17
Serve Fewer Children	18	19
Have to Cut Staff Benefits	16	27

Source: “Uncertainty Ahead Means Instability Now,” November 2022, The National Association for the Education of Young Children.

Many providers in the survey also indicated that they did not have a clear sense of when funds will end. Some states may have already allocated all of their funds, other may have funds still in support, and still others may have supplemented federal funds with their own. Hence, the funding expiration on September 30 will not result in dramatic changes on October 1, but will be felt throughout the latter half of 2023.

The Century Foundation estimated that 3.2 million childcare spots could be lost. Their methodology is based on data from the Administration of Children and Families on where the funds went and surveys from NAEYC of providers who indicated they would have closed without the funds. For reference, 3.2 million is about a fourth of all children currently in paid care.

It's possible that 3.2 million is an overestimate. The funds could have stabilized the centers during a period of lower demand that, now returned, centers can continue to operate. As noted previously, women with children under 5 are working more.

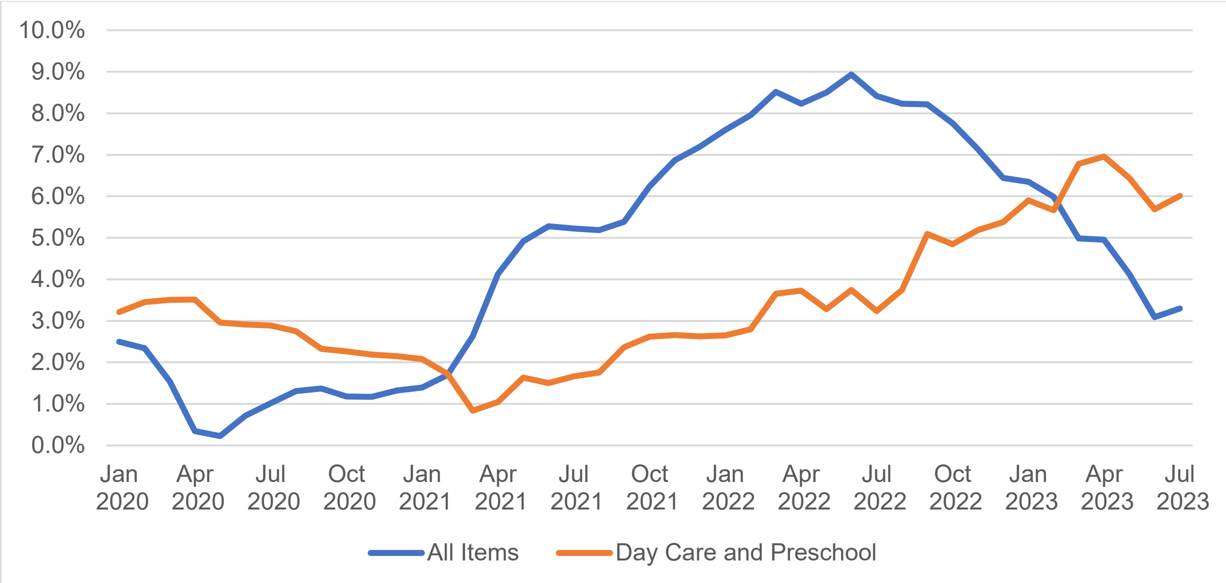
Or an underestimate. 3.2 million is solely estimating the effect of center closure, not:

- Intentionally reduced services (such as shutting down a classroom or serving fewer children) in centers that remain open,
- Unintentionally reduced services (such as losing staff after reducing their wages and benefits and having difficulty replacing them) in centers that remain open, or
- Price increases.

And it is further not exact how the loss of 3.2 million childcare spots works out for the labor supply of parents. After a loss of center-based or home-based care, richer parents may be able to maintain their labor supply by hiring a nanny, and working-class parents may be able to maintain their labor supply by finding unpaid care through a friend or relative. Nor is it clear how large the effects of reduced services and price increases would be on labor supply.

Two things to note. One, prices for childcare have already started increasing. While overall inflation rose from March of 2021 to June of 2022 before falling for the subsequent 14 months, childcare prices have been rising steadily over that time period.

Figure 7. Year-over-year growth in the Consumer Price Index for All Items and Day Care and Preschool, 2020-2023



Source: Bureau of Labor Statistics, Consumer Price Index, Series CUSR0000SA0 CUSR0000SEEB03.

Two. None of the possibilities of what will happen when funding expires work in coherence with a soft landing. Rather, the reduction in care and increase in price both threaten it. There's no good outcome for labor supply.

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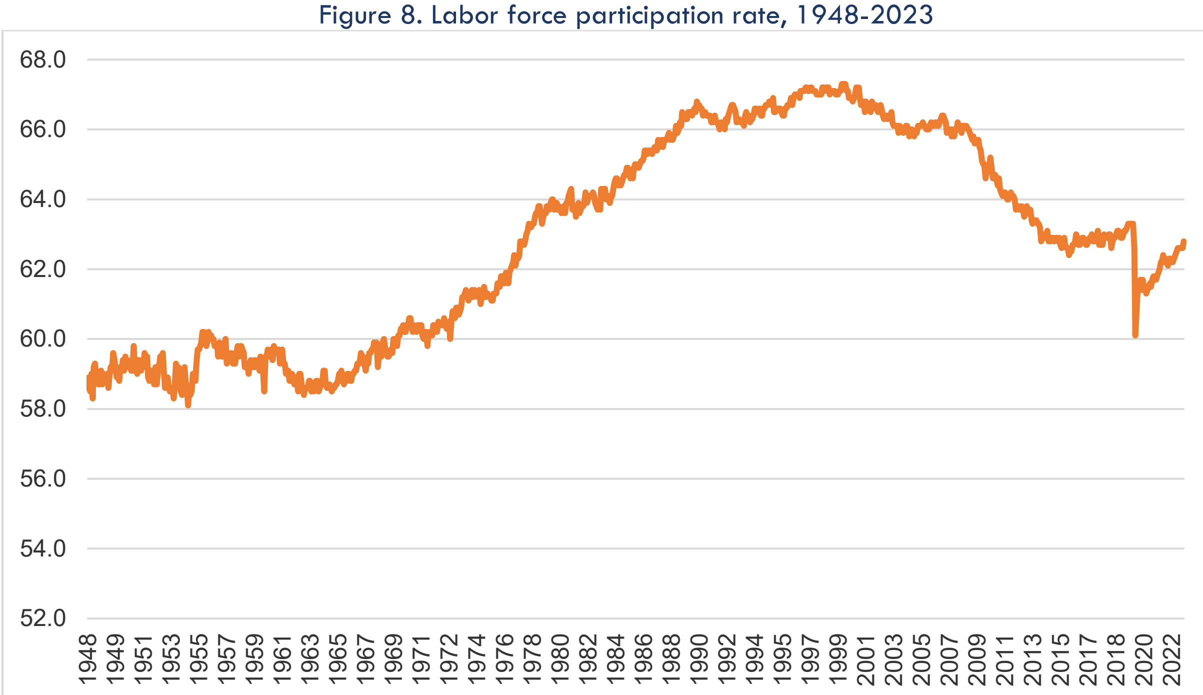
Key Point 3: Childcare Supports the Labor Supply and Fertility of Parents, Which is Vital in the Near-, Medium-, and Long-term Macroeconomic Context

The Historic Decline In Labor Force Participation

The United States is entering its third decade of declining labor force participation. Since 2000, the overall civilian labor force participation rate fell from a peak of 67.3 to its current level of 62.8. Even though participation has nearly recovered the pandemic-related decline, it is still well below prior levels.

Figure 8. Labor force participation rate, 1948-2023



Source: Bureau of Labor Statistics, Current Population Survey, Series LNS11300000

Rest assured, the civilian labor force *level* is growing, from 142 million in 2000 to 167 million as of last month. The problem isn't fewer workers, but fewer people working as a share of the (growing) population.

The reason for this is demographic. The trend in labor force participation has three periods.

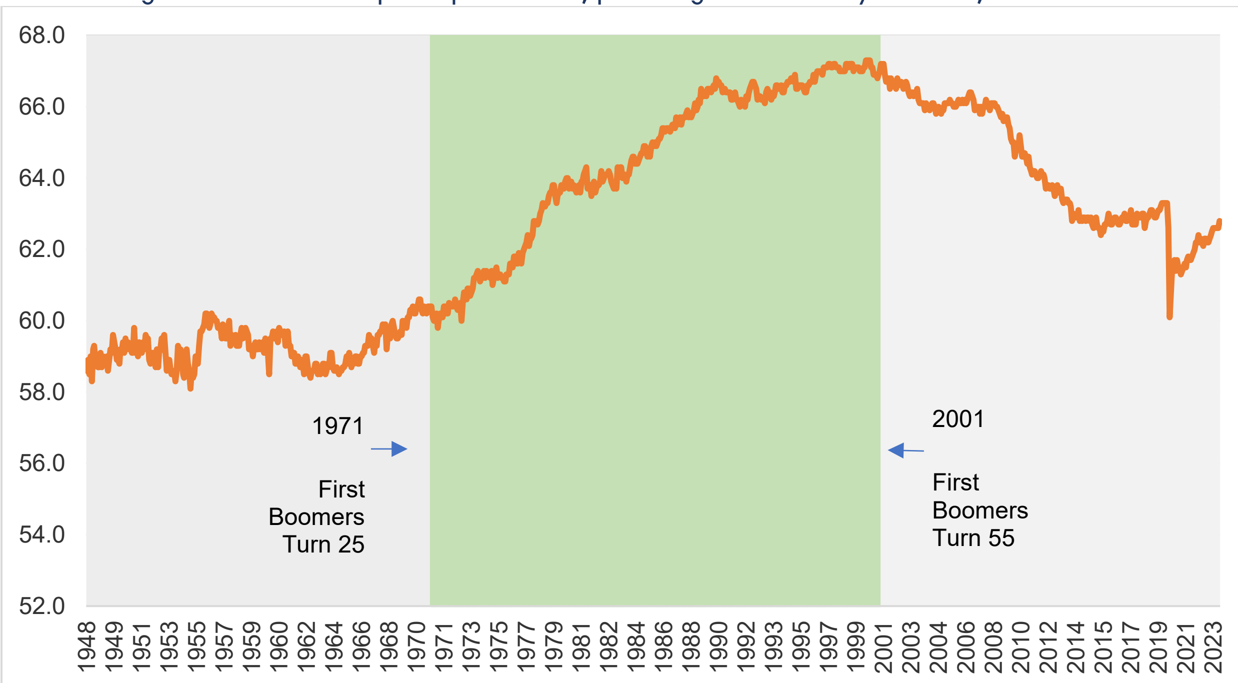
- 1948 - 1970 (flat)
- 1971 - 2000 (rising)
- 2001 - 2022 (falling)

These periods correspond to specific ages of the Baby Boom population. The Baby Boom was an 18-year period in which the US experienced elevated birth rates. Individuals born during this time are known as Baby Boomers. They are disproportionately large relative to younger and older birth cohorts. Their size and age influenced the overall labor force participation rate.

Economists refer to ages 25-54 as the "prime-age," the period in which an individual is most likely to be working—schooling is complete and retirements have not begun. When labor force participation was flat, the Baby Boomers were young. In 1971, the oldest Baby Boomer turned 25 and was followed by nearly 30 years of rising participation as successive years of Baby Boomers entered and stayed in prime age. But in 2001, the oldest Baby Boomer turned 55, leaving the prime age, and successive years of Baby Boomers did as well, pulling down overall labor force participation as they slowly aged out of working.

The decline in labor force participation is predicted by a disproportionately large group within the population leaving the prime age.

Figure 9. Labor force participation rate, prime-age era of Baby Boomers, 1948-2023

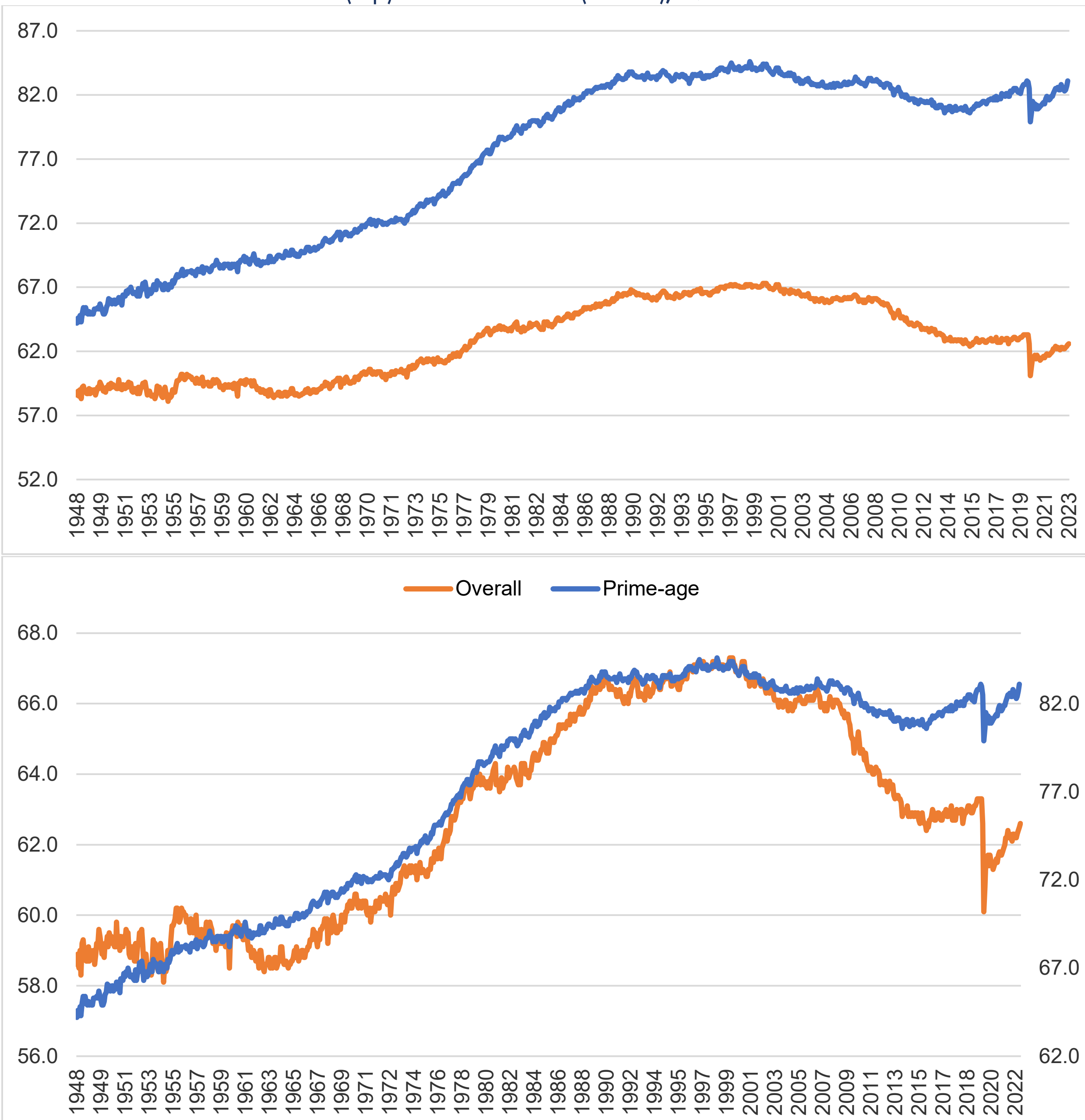


Source: Bureau of Labor Statistics, Current Population Survey, Series LNS11300000

The age composition of workers is not the only influence on labor force participation. It tends to fall during and after recessions and rise when the labor market recovers, for example. And specific demographic groups have their own trends in participation. Women's labor force participation doubled between 1950-2000, from around 30% to around 60%. Amongst prime-age workers, it was even more dramatic: from 33% to 77%. Men's participation, on the other hand, has steadily declined over the same time, from 96% amongst prime-age men to 88%.

However, the overall decline in labor force participation cannot be explained by prime-age trends. Prime-age participation has grown steadily, largely due to women, since 1948. It fell after the 2007 recession but since recovered. Prime-age workers are working as much as they ever did, there just aren't as large of a share of the population as they used to be.

Figure 10. Overall (16+) and prime-age (25-54) labor force participation, 1948-2023, shown on single axis (top) and double axes (bottom), 1948-2023



Source: Bureau of Labor Statistics, Current Population Survey, Series LNS11300000 LNS11300060

These labor force trends have numerous implications for policy.

First, it explains why the necessity of labor supply policy is a recent phenomenon. Between 1971-2001, the Baby Boomers size and age and the increase in women working led a strong trend in participation that obviated (at least on a macro level) the need for a supply policy.

Second, it explains why the necessity of labor supply policy has been delayed. The need began in 2001, but with a weak business cycle followed by a terrible recession, the structural headwinds to labor supply were dominated by the cyclical ones. However, as the labor market has now made two recoveries that have tended to full employment—the period just before the pandemic and the recovery from the pandemic recession—the structural trend is more apparent.

Third, it makes clear that increases in participation need to come from prime-age workers. Age discrimination against older workers is a problem, and workers who want to work for additional years should be able to do so. But adding a few years of participation to an aging population is not sufficient to buck the trend they leave in their wake.

In the near and medium term, the US needs to pursue a labor supply policy directed to the prime-age population that will generate a permanent increase in participation. In general, one method to design labor supply policy is to identify groups who:

1. Are a sizable share of the population,
2. Have lower-than-expected participation, and
3. Have barriers to work.

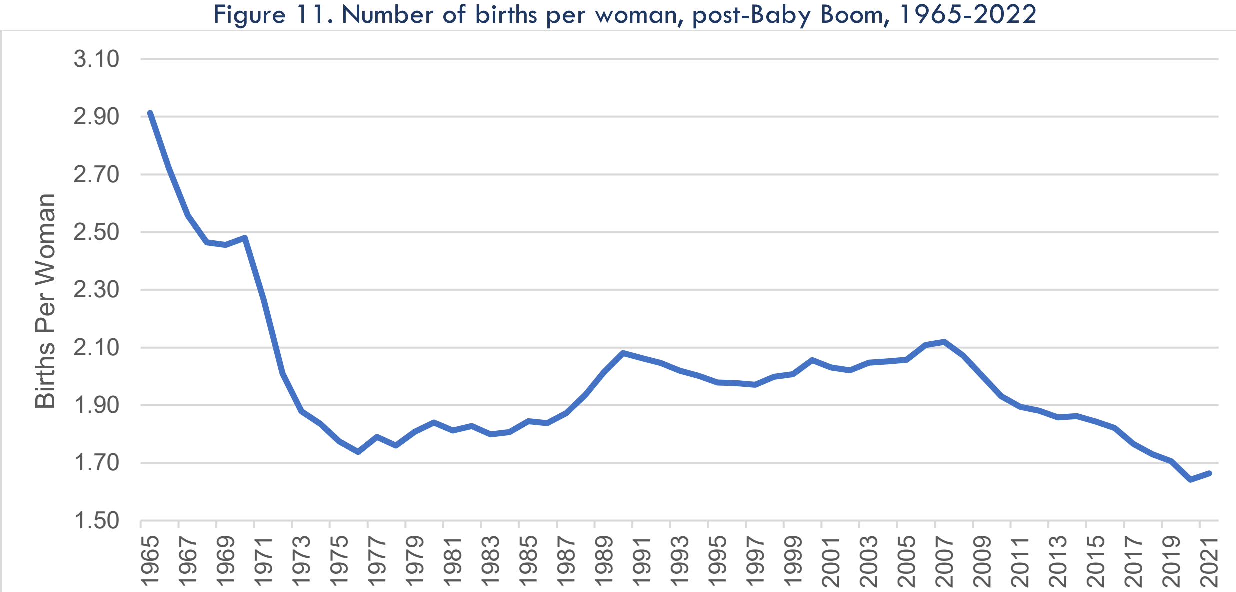
Childcare is a reasonable policy because it targets a very large population (all mothers) and could potentially increase participation rates by 3-7 percentage points. Though it should be noted that it would work best in conjunction with paid family leave and regulation of the labor market that establishes the right to work part-time and request flexible arrangements.

The Historic Decline in Fertility

Fertility in the United States is not constant. Whether measuring the number of births in a year as a population rate (such as births per 1000 people) or the total number per woman, fertility rises and falls with events such as wars as well as periods of economic growth and decline.

Following the Baby Boom of 1946-1964, fertility in the US fluctuated from 1.7 to 2.1 children per woman. However, after 2007, the fertility rate has been on a 15-year sustained decline. Part of this is due to the Great Recession, as fertility often falls when the economy is weak, but even as the labor market recovered, fertility did not. 2021 recorded the lowest fertility rate in over 80 years, at 1.64 births per woman.

Figure 11. Number of births per woman, post-Baby Boom, 1965-2022



Source: World Bank

The decline in fertility since 1965 is attributed to numerous causes, and the decline since 2007 to those causes and others. No one cause explains changes in fertility on its own, and many causes can explain part of the story, at least part of the time. For example, a big reason for the drop in fertility through the 1970s and 1980s was a falling teen birth rate. But by 2007, the teen birth rate was already low and would not explain the subsequent decline as much.

Evidence is emerging that over the past 15 years, the decline in fertility is partly driven by constraints—families would like more children, but cannot have them. The most frequently cited reason is cost. Parents report very consistently in surveys that they cannot afford to have more children, even though they would like to.

For its 2021 annual report, for example, American Compass found that roughly half of American families did not meet their desired fertility and, for lower-, working-, and middle-class respondents, a third stated the reason was cost. A separate poll in *The New York Times* broke out the reasons for not having additional children into more detail, allowing parents to select multiple reasons. By far, the reason most cited for not having more children: "child care is too expensive," selected by 64% of parents.

The labor force participation rate is a function of two things: the share of people choosing to work and the total number of people. Fertility is the source of long-run labor supply. The current decline in fertility has deep and extremely concerning implications for the economy and labor market decades if not a century into the future. Consider that the Baby Boom ended 59 years ago and yet that generation, its size, its habit, its age still holds enormous influence over numerous aspects of economic policy and will continue to do so.

Expansions in the affordability and availability of childcare are associated with increases in fertility. In addition, countries with generous childcare policies have higher fertility on average.

Put differently, the price of childcare is a known constraint. It is not the only thing that contributes to parents feeling that they cannot afford more children, but it is an identified component. Hence, investments in childcare can only have positive effects on fertility.

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FAQ 1 Does childcare actually increase labor supply?

Throughout the narrative, I state as fact that childcare reductions would reduce labor supply. This is a logical conclusion—a person cannot work and care at the same time. Therefore, care enables work.

However, it is also a consistent finding from studies of childcare policy and markets. In general, the introduction of any program or school that provides children a safe and affordable environment between 8:30am-5:30pm has been shown to increase maternal labor force participation and long-run earnings. Logically, care enables a parent to work. In practice, care enables mothers to work.

Since the US does not have substantive childcare investments, evidence on maternal labor supply often comes from other countries, where the provision of care has expanded while the cost to families has fallen. However, within the US there are instances of expanded care, such as the introduction of kindergarten and current childcare subsidies for very low-income families.

Results are consistent, care increases maternal labor supply while the lack of care reduces it. Additionally, research confirms that mothers leaving the labor force experience long-term consequences. Any absence from the labor force reduces the probably of participation in the future. Even if mothers return to work, they likely have lower earnings than they would have if they never left and are unlikely to recover them. The longer the gap, the less likely future participation and the bigger the earnings effect.

The topic of debate is less *if* maternal labor supply would increase if childcare was affordable and accessible in the US, but more *how much* it would increase by. Looking at the suite of childcare and labor policies in other countries and mapping them on to the US context, one prediction is for women's overall labor force participation to be 6-7 percentage points higher. Predictively modeling of a fully subsidized childcare system found maternal labor supply to increase by a similar degree.

Studies that rely less on theory or prediction are those that relate the observed decline of maternal labor supply to the observed increase in childcare prices in an elasticity. They suggest at 10% decrease in childcare prices would result in a 2.5% increase in maternal employment.

Together, this puts the range of mothers who would be working if care were affordable or accessible at several million.

There are select cases in which care or schooling has expanded and maternal labor supply did not expand, and cases where care or schooling expanded and maternal labor supply did not expand by the degree predicted. However, there has never been a decline in care coupled with an increase in supply. Circumstances—such as the timing, quality, reach, or generosity of the childcare expansion—may make the labor supply increase smaller or negligible. But a reduction in care would reduce labor supply.

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FAQ 2 Is maternal labor supply important?

Yes, for four reasons.

1 Mothers contribute to the economy.

A very consistent predictor of the size of the economy is the number of people working, or per worker GDP. The more people work, the larger the economy. Even if there were nothing special about mothers as workers—if we simply valued them as warm bodies taking a job—that's nonetheless a critical value in an economy with an aging and disproportionately retired population.

2 Mothers contribute to their household income.

In the year before the pandemic, mothers were the equal, primary, or sole earner in 41% of households with children. Further, according to the Brookings Institute, between 1979 and 2018, 91% of the increase to "middle-class income" over that time period came from women's earnings.

3 Mothers disproportionately work in jobs where there are shortages.

Men and women do not hold the same jobs, but can be concentrated in certain occupations. Construction workers, for example, are 95% male. By extension, fathers and mothers do not hold the same jobs.

The occupations with the highest number of mothers of children under 18 are registered nurses and elementary and middle school teachers, each with over a million mothers working. Related occupations, such as nursing assistants, teaching assistants, secondary school teachers, and preschool and kindergarten teachers are also in the top 15 occupations in terms of number of mothers working.

The occupations with the highest share of mothers is again nurses—63% of nurse practitioners and nurse midwives—with many nursing and teaching professions in the top 15, including nursing assistants, secondary school teachers, preschool and kindergarten teachers, registered nurses, licensed practical and vocational nurses, and special education teachers.

Figure 11a. Top 15 occupations with the highest number of mothers, 2021

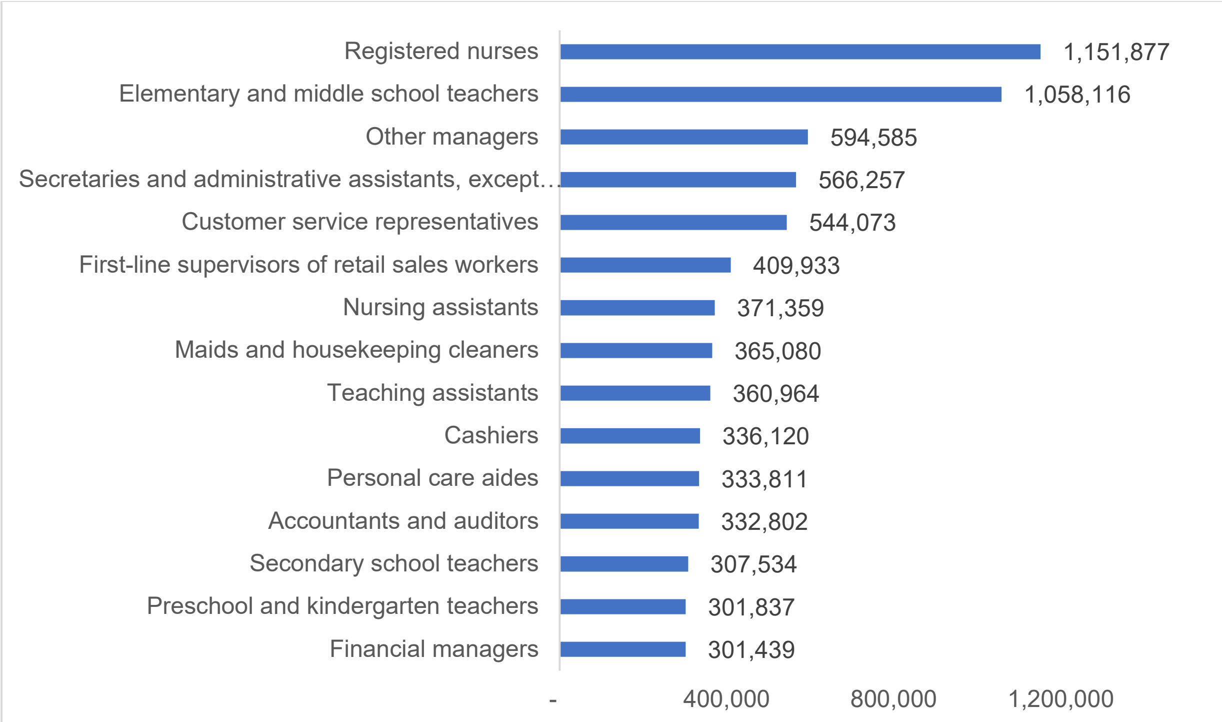
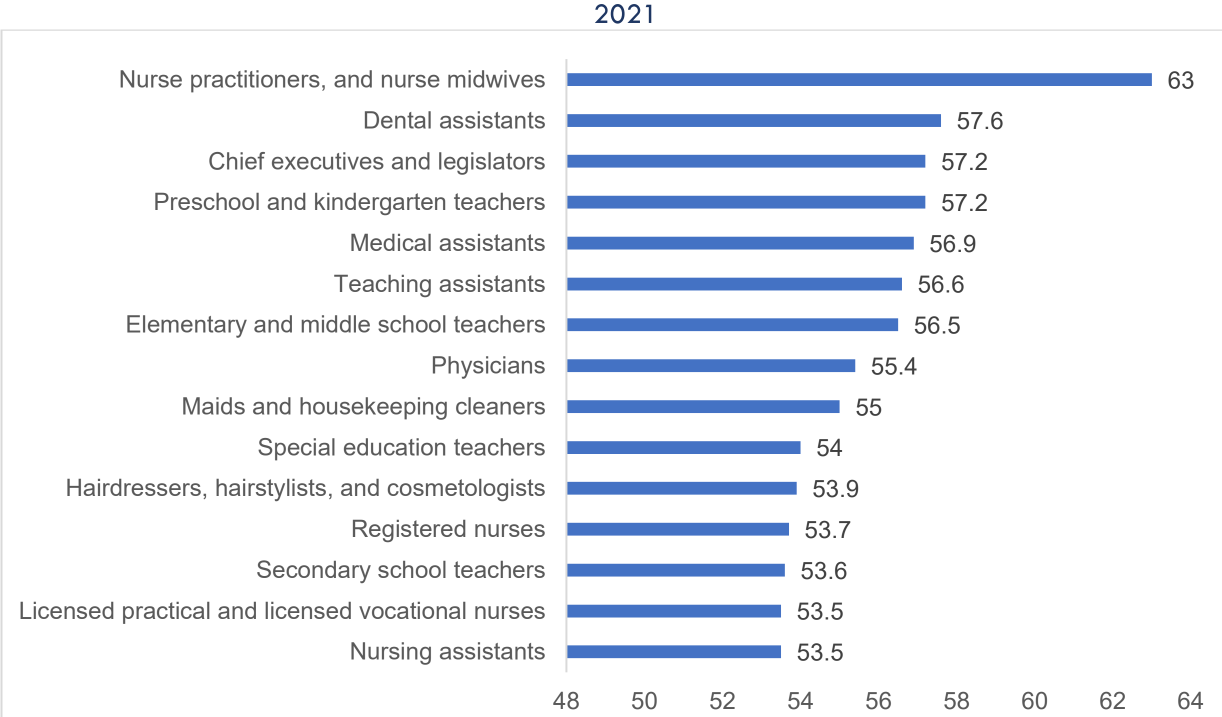


Figure 11b. Top 15 occupations with the highest share of mothers among workers, and mothers' whare, 2021



Source: Department of Labor, Women's Bureau, "Occupations Employing the Largest Number of Mothers."

Both nurses and teachers are critical occupations facing deep shortages.

Post-pandemic estimates of the nursing shortage are a total of 200,000 to 450,000 nurses available for direct patient care, equating to a 10 to 20% gap in the workforce. Even after the pandemic, in 2023, a third of nurses reported they were intending to leave their jobs.

The teacher shortage is measured by both the number of unfilled teacher positions and the number of filled positions in which the teacher is underqualified. Most recent estimates suggest that totals 55,000 vacancies and 270,000 underqualified positions. These shortages are pervasive. Three-quarters of school superintendents have indicated that do not have the staff they need.

4 Mothers have chosen to work

The vast majority of mothers work. In 2022,

- 77% of women with children 6-17 worked,
- 68% of women with children under 6 worked, and
- 66% of women with children under 3 worked.

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FAQ 3 Is childcare good for children?

High quality early childhood education (ECE) is enormously beneficial for children and has shown to improve a variety of short- and long-term outcomes, including:

- Cognitive development,
- Test scores through high school,
- Need for remedial education,
- Need for grade retention,
- High school graduation rates,
- Earnings and employment in adulthood.

The results tend to be largest for those from middle- and low-income families. Investments in ECE that are universal or near universal have been shown to increase earnings at the bottom and middle of the income distribution when those children become wage earning adults, so critical is the early childhood period and so large the gaps between high- and low- income families.

Hence, the key questions are:

1 Is childcare high quality ECE?

It can be, but is not necessarily. With few subsidies and institutional investments in the US currently, the range of childcare type and quality is large.

Researchers assessing the current distribution in the US have found that the five types of care have varying average quality:

- Highest – in home care provided by a nanny,
- Next – public center care operated by Head Start,
- Next – private center care
- Next – in provider's home care (home-based care),
- Lowest – relative care.

Center-based care, whether Head Start or private, are both assessed as average quality, and home-based care as just below average. The outliers are in-home nanny care, which is much higher quality on average, and relative care, which is must lower quality on average (this low-quality is sometime attributed to extensive television watching).

In practice, however, quality is dictated more by the mothers' education (a proxy for income and socioeconomic status) rather that the type of care itself. Children of highly educated mothers have better quality care whatever the type, whether they are in a center or home with a relative. No "type" of care consistently predicts quality as strongly as the "buyer" does. High income children will receive high quality care.

Related back to the question, much of the care currently provided in the US would probably not be regarded as ECE.

2 Do public interventions work to improve childcare and make it ECE?

To the extent that they can create affordable and high-quality care, yes. Mothers offered subsidies mostly take them and use them to find higher quality care than they would have otherwise.

Mixed evidence is mostly the result of mixed success in creating the quality.

3 But I've heard that childcare causes behavioral issues in children?

Childcare itself—that children below the age of kindergarten spend most of their day outside the care of their parents—does not harm children. There is no default state in which some "bad" emerges from nonparental care.

Indeed, there is no evidence of high-quality ECE childcare harming or stunting children. Sadly, the US has many other examples of low-quality situations in which evidence of poor outcomes can be found.

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FAQ 4 Is childcare good for families?

In 1971, President Richard Nixon vetoed Comprehensive Child Development which would have created a system of federally provided and supported childcare. In his veto message, he wrote:

> “Though Title V's stated purpose, "to provide every child with a full and fair opportunity to reach his full potential" is certainly laudable, the intent of Title V is overshadowed by the fiscal irresponsibility, administrative unworkability, and family-weakening implications of the system it envisions. We owe our children something more than good intentions.
>
> We cannot and will not ignore the challenge to do more for America's children in their all-important early years. But our response to this challenge must be a measured, evolutionary, painstakingly considered one, consciously designed to cement the family in its rightful position as the keystone of our civilization.”

Nixon’s assertion is that care of young children by a nonparent weakens the family as an institution. It presupposes that there are two states possible: children at home with a parent or children in care supported and funded by the government. It does not consider what became the most common case in the years following his veto: children in care paid for by the family at significant expense.

Were the federal government to start supporting and broadly subsidizing childcare, the effect on families would not be what comes from switching kids from parental care to childcare, but rather, what comes from switching the payer from parents to the government.

Reducing the childcare costs to families decreases the amount of income they must direct to care. This would likely have enormously beneficial effects on families; the “freed up” income would be like getting an extra amount of cash each month.

Prior research on introduced childcare subsidies have found this to be the case, noting that children are helped both from the early childhood education but also the increases spending power and economic security of their parents.

In the US, we’ve have no such broad subsidy to care. But, in 2021, families did get an extra amount of cash each month through the temporary expansion to the Child Tax Credit. Researchers assiduously studied households receiving the CTC monthly payments to understand how they used the money.

Families mostly spent the money on food, though spending was also directed to housing, necessities, and child-related goods and services. Food insecurity decreased. Financial stress and hardship decreased. Research continues to emerge about the beneficial effect the 2021 CTC in particular, however there is a large body of evidence of the deleterious effects of financial hardship and uncertainty in childhood that the CTC-specific findings join.

The benefit of reduced hardship for families, it important to note who has agency in this decision. The question of whether childcare is good for families forgets that most families have decided that childcare is good for them. In 2022,

- 77% of women with children 6-17 worked,
- 68% of women with children under 6 worked, and
- 66% of women with children under 3 worked.

Further, according to the Brookings Institute, between 1979 and 2018, 91% of the increase to “middle-class income” over that time period came from women’s earnings.

If you simply take families as acting in their own best interest and trusting their decision making, childcare is good for families.

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