

Paid Child Care Use and U.S. Economic Growth

Factors that drive Paid Child Care use

Economic and Demographic Factors



Labor force attachment
particularly for mothers



Household income
paid care rises as income rises



Educational attainment
paid care rises with more education

Child Care Market Factors



Child care costs
as a share of income



Federal and state subsidies and offsets
(such as tax credits) as a share of income



Availability of publicly provided care
(primarily public preschool)

For details on the economic growth model used in the analysis, see CED's full report, "The Economic Role of Paid Child Care Usage in the U.S. – A Report Series, Part 3: Economic Modeling Over Time".

Key Findings

In the short run

Changes in Paid Child Care are associated with



- **Labor force participation**
 - overall (male & female)
 - of mothers
 - of mothers of children under 5
- **Actual hiring** (rather than increased job search)
- **Increased income**

In the long run

Use of Paid Child Care across states is related to

- **Maternal labor force participation**
- **Real income**
- **Education**



Use of Paid Child Care for **children of all ages** (use for younger children is higher) is related to

- **Maternal labor force participation**

A Long-Run Economic Growth Model

explains expected change in real personal income per capita using 4 growth factors:

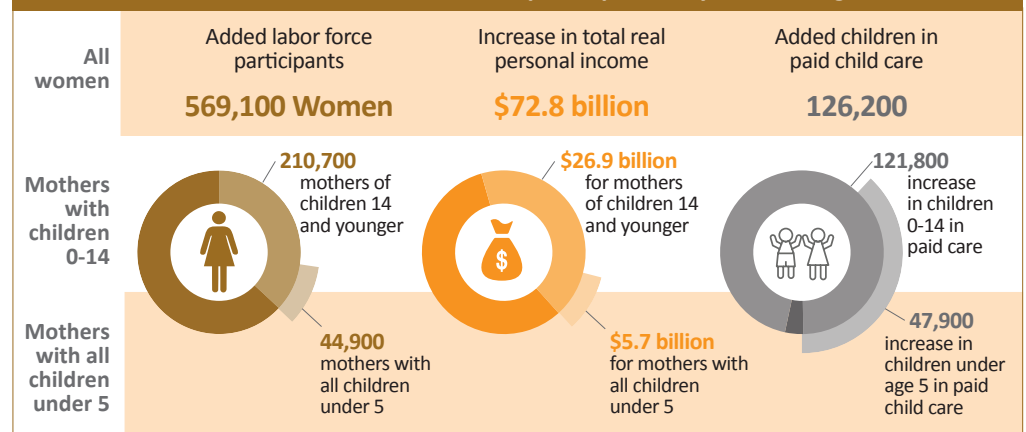
Labor force participation rates

Education levels

Capital investment

Traded activity

Effects of a 1% increase in labor force participation by women, ages 18-54



Economic opportunities and growth are needed for a strong future

Factors in the Impact on the Labor Force of Mothers, ages 18-54



Single moms are in the labor force at a higher rate than married moms.



But Two-thirds of moms are married.

So

For moms with kids of any age, the biggest impact is likely from **married mothers**.

And

A large impact is possible from moms **with kids 0-14** because it is a sizeable group.

Education

Among all working moms, the share of:



those with a BA has steadily increased

those with some college/ an AA has stayed about the same

all others with less than a BA has steadily declined

