EXECUTIVE SUMMARY

Child Care in State Economies

2024 Update

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Part 3: Child Care and Regional Economic Growth

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Child Care in State Economies 2024

Executive Summary - Economic Role of Child Care

This report, the third and final installment in the Child Care in State Economies (2024) series by the Committee for Economic Development of The Conference Board (CED), evaluates the critical role of organized child care as an economic sector, a workforce enabler, and a driver of regional economic growth. This summary integrates the most relevant findings from the report.

Key Findings

The organized child care sector continues to make a significant economic contribution at the national level and in all states:

- The child care sector continues to be a significant contributor to the U.S. economy, producing extensive spillover effects across various industries. Through both direct and spillover effects, the child care sector supported a total economic impact of $152 billion in output, $57 billion in household earnings, and 2.2 million jobs in 2022.
- The U.S. child care industry generated $68.5 billion in revenue in 2022.
- In 2022, over 1.5 million proprietors and wage and salary workers were employed directly by the child care sector. These workers collectively earned $32.7 billion in total earnings (including wage, salary, and self-employment income).
- The industry also generated $24.1 billion in purchases of goods and services, further supporting economic activity across most major industry sectors.
- The direct economic contribution of the child care sector at the state level is influenced by many factors, including the share of children in paid care, the cost of care, mix of care providers, average wages paid per child care worker, and the average revenue produced per child.
- State-level spillover effects depend upon the distribution of the child care industry's spending on other goods and services and the degree to which that spending remains in the state or region.

This report was produced by RegionTrack, Inc., an economic research firm, and commissioned by Committee for Economic Development, the public policy center of The Conference Board (CED), with funding from the W.K. Kellogg Foundation. It provides a broad overview of the child care industry from the perspective of allowing parents to participate in the labor force (or to further education and training), and as an industry that employs workers and is an integral part of state economies.

The primary role of child care remains enabling greater labor force participation and improving the overall efficiency and productivity of the workforce:

- Access to affordable child care remains crucial for workforce participation, particularly for mothers with younger children. In 2022, about 12.2% of young children lived in a household where a parent faced a significant job disruption due to child care issues, emphasizing the ongoing need for accessible and affordable child care options.
- Child care enables higher labor force participation rates, which are associated with lower poverty rates and higher median household incomes. In states with higher labor force participation rates, the poverty rate is typically lower, highlighting the importance of child care in improving economic outcomes for low-income and low-skilled workers.
- There is a strong tendency for states with the highest labor force participation rates to have the highest cost of living-adjusted median household incomes. Residents living in the highest-participation rate states tend to earn on average $30,000 more in annual household income than the lowest-participation states after adjusting for differences in cost of living.
- States with higher levels of educational attainment also have the highest levels of personal income per capita. State-level analysis indicates that one additional year of schooling on average is associated with an additional $23,212 in personal income per capita across the states.
- States with higher labor force participation and educational attainment also tend to have a higher share of children in paid child care, further reinforcing the link between child care accessibility and economic prosperity.

Increased labor force participation plays a direct role in spurring regional economic growth:

- Increased labor force attachment contributes to economic growth in two primary ways. First is the direct increase in total employment, household earnings, and total economic output in a region as child care assists new workers to enter the labor force or existing workers to work more hours. Second, business activity increases in the market-based child care industry as a portion of parents entering the labor force choose to use organized child care services.
- In 2022, the states with the highest economic impact from the child care sector included California, Texas, and Illinois, where the combination of large populations and high demand for child care services drove significant economic activity.
- Child care subsidies continue to play a critical role in supporting low-income families and enabling their participation in the workforce. The report highlights that these subsidies can generate net economic gains even after accounting for their costs, particularly when they enable low-skilled workers to join the labor force.

Key findings in the report underscore several policy implications for child care policymakers:

- The wide variation in labor force participation, educational attainment, and poverty rates across the states suggests the potential for significant increases in income in many states.
- Child care is a critical component of any effort to use increased labor force participation and educational attainment to boost economic growth.
- Empirical research suggests that significant income gains are associated with increased labor force participation, particularly for mothers of young children.
- The economic benefits of child care extend beyond individual households to the broader economy. Enabling more parents, especially mothers, to participate in the workforce supports overall economic growth and helps reduce poverty rates.
- The U.S. child care system is increasingly recognized as essential economic infrastructure, vital to supporting the workforce and driving regional and national economic development.

Conclusions

The organized child care sector remains a significant contributor to overall U.S. economic activity. Most importantly, child care remains a key driver of workforce participation through its role in enabling parents to work. For policymakers, research continues to suggest that efforts to make child care more accessible as part of a broader economic development strategy can produce broad income gains. The updated data and analysis in this report reinforce the critical role of child care in supporting economic growth, reducing poverty, and enabling greater workforce participation, particularly for low-income families. The findings also illustrate the importance of ongoing monitoring of the child care sector to ensure that policy responses remain aligned with the evolving needs of working parents and shifts in the broader economy. Understanding and responding to the dynamics of the child care sector will be essential for ensuring its continued contribution to the economy.

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