



Bipartisan Policy Center

The Economic Impact of America's Child Care Gap

The cost of the child care gap to parents,
businesses, and taxpayers.

November 2021

Executive Summary

What we knew. In 2020, the Bipartisan Policy Center provided a long overdue answer to a critical question: “How much additional child care does the country need?” Using the most comprehensive child care supply data set to date, BPC calculated that 31.7% of children below six with all parents in the labor force come from families without access to formal child care facilities—America’s child care gap.

What we needed to know. This data offered, for the first time, clear insight about the scale of the country’s gap in child care supply. But as policymakers decide whether to dedicate scarce resources to address these child care supply gaps, they need data that quantifies the economic benefit of filling them by estimating the economic cost of failing to do so. The present economic impact analysis is the first to produce this information.

What we found. By applying methodological components from previous economic impact research to BPC’s original child care gap data, BPC estimated the economic burden of America’s child care gaps on households, businesses, and tax revenues in 35 states including Washington, D.C. The results capture:

- the immediate one-year impact of these gaps
- the residual burden they produce over the next 10 years
- the impacts under more and less conservative assumptions (high and low estimates)

Economic Impact of Gaps in 35 States Including DC: High-Level Findings		
Impact	Low Estimate (\$B)	High Estimate (\$B)
Total	\$142.51	\$217.02
On Households	\$97.14	\$147.92
On Businesses	\$20.27	\$30.87
On Tax Revenues	\$25.10	\$38.22
On Rural Communities	\$32.79	\$49.93
Per Missing Child Care Slot	\$41,168	\$62,693

Note: All estimates in this table represent the initial year’s economic loss plus the residual burden over the next 10 years produced by the initial year. See Appendix A for noncumulative data.

How the findings compare to those from other studies. Studies in Maryland,¹ Louisiana,² Nebraska,³ and a national study by Ready Nation,⁴ have estimated the lump sum economic burden imposed by child care issues of any kind, including unaffordability and the lack of paid family leave. These studies are unable to disaggregate the impact of each individual issue to offer information on the economic benefits of addressing a specific facet of the child care problem. BPC's findings represent strictly the economic impact of deficiencies in the child care supply, separate from affordability issues or other family issues.

How the findings can be applied. With data quantifying the cost to the economy of each individual gap in the child care supply and an [interactive map](#) that provides such findings by state, congressional district, and county, policymakers finally have a starting point from which they can begin to estimate the return on investment of building our country's child care supply.

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We are also thankful to Anubhav Bagley at Arth Analytics and economist Dan Jerrett for their invaluable contributions to this project, including their development of the methodology, execution of the data analysis, and coordination with researchers who have previously done work on this topic. And we thank Ben Wolters for his authorship of this paper.

Previous analyses of child care's economic impact conducted by researchers at the University of Nebraska-Lincoln for First Five Nebraska and by Clive Belfield for Ready Nation greatly informed this analysis. We are grateful for these prior studies as they set forth empirical frameworks for ongoing research into this pressing issue.

DISCLAIMER

The findings and conclusions expressed herein do not necessarily reflect the views or opinions of BPC, its founders, its funders, or its board of directors.

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Project Overview

To quantify the economic impact of shortages in America's child care supply, this analysis estimated the economic burden on the three entities most directly affected by the lack of child care: households, businesses, and tax revenues. The analysis did so in a way that captured both the immediate one-year impact of these gaps as well as any residual burden they create over the next 10 years.

The study's design was significantly driven by the design set forth by Ready Nation and Clive Belfield in their 2018 study, *The Economic Impacts of Insufficient Child Care on Working Families*.⁵ The goal was not to develop a new methodological approach, but rather to harness accepted existing methodologies to translate the economic meaning of original child care data.

The purpose of this overview is to explain the methodology in a transparent manner so that readers may understand specifically what the findings represent, and what they do not. The findings represent:

The economic impact of potential gaps in the child care supply, NOT the impact of other child care issues like unaffordability

Unlike all prior studies that derived their impact estimates from survey data on the proportions of parents facing child care issues of any kind, the analysis based all economic impact calculations on the underlying gaps in child care identified in BPC's 2020 analysis *Child Care in 25 States: What We Know and Don't Know*. In this sense, the study is distinct from previous ones. All economic impact findings from the following analysis represent strictly the economic impact of deficiencies in the child care supply, separate from affordability issues or other family issues.

The economic impact of potential gaps in 35 states including Washington, D.C., NOT all 50 states

Because BPC's economic impact analysis was based on original child care gap data, its impact findings represent those from 35 of the 50 states. BPC originally set out to map child care access in all 50 states. However, when the coronavirus pandemic prompted stay-at-home orders, BPC halted and concluded the analysis at 25 states. Since releasing the gap data, 10 additional states asked BPC to include their supply data in the analysis, meaning that the impact data is from a group of 35 politically and geographically diverse states. These states are outlined on BPC's interactive map at www.childcaregap.org.

The economic impact of *potential* gaps in child care, **NOT** the impact of gaps based on *actual* demand

The analysis estimated national child care gaps using the potential need for child care in each state—all children under 6 with all available parents in the labor force—rather than the demand for child care—the rate at which families actually use or look for formal child care. The use of actual demand for child care would have provided estimates more representative of actual gaps in formal child care by accounting for the parents who prefer to use informal care from relatives or friends and neighbors. However, there is little data available on the actual demand for formal child care by geographic area. Thus, the economic impact estimates outlined in this report provide informative starting points that can center the country around the potential magnitude of the economic impact, but some estimated gaps may have less serious real-life implications for families and, as a result, economic impact estimates that are overstated. To provide estimates more specific to actual demand in a given area, states and localities can use BPC’s framework to conduct their own gap analyses incorporating local data on the rates at which parents use informal child care options.

An estimated range for the impact, **NOT** one single estimate

BPC’s analysis, along with any economic impact analysis of child care access, is subject to a number of assumptions that, if changed, would alter the findings. Thus, the analysis calculated both high and low estimates of the impact, providing policymakers a range of what the economic impact might be when using more and less conservative assumptions.

But while BPC’s estimates account for some variation in these assumptions, there are infinite additions and adaptations one could make to the study, with completely different assumptions serving different research goals. Therefore, rather than attempting to justify any assumptions, BPC aims to be as transparent as possible in explaining the assumptions the analysis used, with the goal of enabling other researchers to replace BPC’s assumptions with their own to estimate the impact under alternate scenarios.

The following methodological outline explains the calculations and assumptions the analysis used to produce its estimates. This study aims to serve as a starting point for understanding the economic consequences of gaps in child care. BPC encourages readers to contact the authors with any questions they do not find answered below.

Rather than attempt to justify any assumptions, BPC aims to be as transparent as possible in explaining the assumptions it made, with the goal of enabling researchers to replicate the study with their own assumptions.

IMPACT ON HOUSEHOLDS

The analysis estimated the economic costs of limited child care access by following the chain of impacts that result from limited access to child care. First and foremost, deficient child care access affects working parents. A robust body of parent survey findings indicates that the lack of access to child care imposes a number of constraints on parents' ability to work. Specifically, in 2019, 66% of parents said finding child care impacts the number of hours they can work, 50% said it affects whether they can search for a job, and 68% said it impacts whether they can stay in the workforce.⁶

To calculate the income losses that result from these constraints, the analysis had to start by determining the combined income of parents who might be affected by these gaps in child care. To do so, the gap in each state—the number of children from families without access to child care—was first multiplied by the ratio of working parents to children in each census block group.^a

This calculation enabled BPC to estimate the number of parents affected by child care gaps.

Then, to estimate the aggregate income earned by these parents annually, the number of parents associated with the gap was multiplied by both the average annual number of hours worked and the average hourly wage in their respective states.^{b,c} The calculation is as follows:

$$\begin{aligned} & \text{CALCULATED GAP} * \text{WORKING PARENT/CHILD RATIO} * \\ & \text{AVERAGE HOURS WORKED} * \text{AVERAGE ANNUAL WAGES} \\ & = \text{TOTAL PARENT INCOME ASSOCIATED WITH THE GAP} \end{aligned}$$

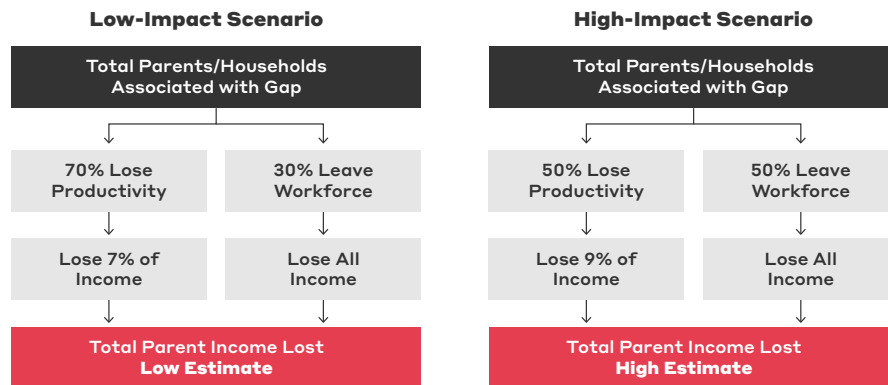
Based on the survey literature, BPC assumed that these gaps in child care would, for some parents, only reduce productivity, and for other parents, result in leaving the workforce entirely. Therefore, the direct economic impact on households was calculated as the sum of these two effects on parents as follows.

a Standard five-year estimates from the census' 2014-2018 American Community Survey (ACS) are ambiguous with respect to the number of working parents associated with each child. Thus, BPC used tabulations generated from the Public Use Microdata Sample (PUMS) to produce the ratio of working parents to children for each state. These ratios were applied to each census block group in the state because PUMS data does not specifically locate households to block groups. Reference: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Public Use Microdata Samples, December 17, 2019. Available at: <https://www.census.gov/programs-surveys/acs/microdata/access.html>

b The Bureau of Labor Statistics provides state-level data on the average number of hours worked annually per worker for each year from 2007 through 2019. In the present study, BPC used 2019 data. Reference: U.S. Bureau of Labor Statistics, "State Productivity," U.S. Department of Labor, June 2019. Data available at: <https://www.bls.gov/lpc/state-productivity.htm>

c The Bureau of Labor Statistics also provides data on the average hourly wage for workers in metropolitan statistical areas (MSAs) and for workers in nonmetropolitan regions in each state. BPC applied this 2019 data to census block groups using a number of joins and operations because non-metropolitan BLS wage data does not easily map onto block groups. Reference: U.S. Bureau of Labor Statistics, "May 2019 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates," U.S. Department of Labor, May 2019. Data available at: <https://www.bls.gov/oes/2019/may/oesrcma.htm>

BPC assumed—based on findings from its 2019 parent survey⁷—that in the low-impact scenario, 30% of the parents of the 3.4 million children affected by child care gaps would stop working altogether, whereas in the high-impact scenario, 50% would do so. Therefore, the analysis considered these proportions of the total parent income in each block group to be lost. For the other 50-70% of working parents assumed to remain in the workforce, BPC assumed that gaps in child care access constrained productivity by 7% in the low-impact scenario and 9% in the high-impact scenario. The analysis considered these proportions of the remaining aggregate income to be lost. The annual parent income loss from constrained productivity and the annual parent income loss from leaving the labor force together make up the total annual economic loss households incur in one initial year. The use of the working-parent-to-child ratio ensures that there is no double counting between households with parents who decide to leave the workforce and those who only experience productivity losses. The following flow chart depicts the calculations used in each scenario.



IMPACT ON BUSINESSES

When child care deficiencies constrain parents’ ability to work, households are not the only group impacted. The businesses that rely on working parents as employees are also burdened. In the chain of economic impacts that result from an inadequate child care supply, business losses are thus a function of the work losses incurred by parents. The analysis derived its estimates of the economic impact on businesses from its estimates of the economic impact on households.

To specifically calculate these losses, BPC assumed that businesses face two general sources of loss from child care constraints on their workers: 1) direct productivity losses such as hours of forgone productivity; and 2) continual pay and benefit losses associated with continuing to pay employees—via wages and benefits—when they are not working.

Productivity losses capture the productivity parents would have contributed to their employer if child care constraints did not force them to reduce their hours of work. They also include intangible sources of productivity

loss beyond just reduced work hours, such as lowered work performance due to the psychological and physical stresses associated with having to string together ad hoc child care arrangements. And when child care gaps force parents to leave their jobs altogether, businesses incur turnover costs related to recruiting, vetting, and onboarding new employees to fill vacant roles. These costs are considered productivity losses as well.

Deriving an assumption from Belfield's 2018 study, BPC assumed that, in total, businesses incur productivity losses equal to 10% of household losses, for both the low- and high-impact scenarios. Because the household loss calculations accounted for the differing losses incurred by parents who reduce their hours and parents who leave the labor force entirely, calculating business productivity losses as a function of household losses automatically accounts for these differing costs to business.

Continual pay and benefit losses are the costs associated with continuing to pay employees when they are not working. Not only do businesses passively lose gains from forgone productivity when parents do not work, they also lose money on the benefits and wages they continue to pay when parents take leave.

Adopting three assumptions Belfield made by analyzing Bureau of Labor Statistics data on employer costs for employee compensation,⁸ BPC assumed that businesses, on average, pay an amount of paid leave equal to 7.1% of household losses. BPC further assumed that supplemental pay offered to employees once they exhaust their paid leave, as well as payments businesses make to their state to fund state unemployment programs, are equal to 3.3% of household losses. And finally, the health care benefits and other insurance benefits businesses continue to provide to their employees while they do not work were assumed to cost an amount equal to 8.8% of household losses.

The analysis applied these rates to both the high- and low-impact estimates of the household loss to produce high and low estimates of the business loss.

IMPACT ON TAX REVENUES

Both household income losses and business income losses detract from the tax revenues the government is able to collect. And decreased government revenues result in the government's weakened ability to invest in the infrastructure and education needed to keep our country competitive in the global economy.

To estimate the tax losses that result from the country's gaps in child care access, the proportion of income individuals and businesses pay in taxes were averaged across the 35 states. This calculation resulted in a 20% average national tax rate. Thus, the sum of the household and business losses associated with child care gaps was multiplied by 20%

to estimate the proportion of lost income that would have contributed to government revenues. This calculation did not account for variations in state and local taxes or the variation in tax rates for individuals and businesses with differing incomes. However, this calculation leaves flexibility for testing different and more complicated tax scenarios.

CUMULATIVE IMPACTS

The calculations outlined above estimate the economic impact of child care gaps in a single year. However, the work and business constraints that result from child care gaps in a given year do not only impact that one year. Just as returns on work experience and education compound over time, so do losses of work experience and business productivity. Thus, any realistic estimate of the economic impact of child care gaps must include the losses that accumulate over time as a result of individuals' and businesses' initial reductions in competitiveness.

To incorporate these losses in its estimates, the analysis applied a discounting method to the three components of initial economic loss calculated above. In doing so, the analysis estimated what is known as the economic impact's future value.

Economic Impact's Future Value

The value of an initial year's economic loss plus the losses accumulated over the next 10 years due to the compounding nature of work and business deficits incurred in that initial year

The future value does not include new economic losses from the gaps existing in future years—only the cumulative effects from the initial year. The analysis calculated the future value of each component of economic loss in the following ways.

The future value of the household loss captures the cumulative impact over 10 years of the initial loss of work experience that makes a parent less competitive in the labor force. A body of literature indicates that the resulting lack of competitiveness may delay opportunities for raises or promotions, which then reduce the level of income a parent makes each year in the future. For parents forced to leave the workforce entirely, this calculation may capture the reduced income associated with reentering the workforce at a lower or equal station. The analysis calculated this cumulative burden by discounting the single-year economic loss to a household at a 6% rate for 10 years into the future—a rate based on the average historical growth in wages since the 1960s according to data from the Bureau of Labor Statistics. In other words, the calculation

assumed that, in each subsequent year, parents experience a compounding income loss equal to 6% of their losses since the initial year.

The future value of the business loss captures the cumulative loss over 10 years of the initial loss of work productivity or loss of employees that inhibit a business's growth. Small businesses with limited capacity to fill shifts likely experience significant productivity losses when their employees reduce their hours or miss work. And these losses may significantly delay their ability to capitalize on growth opportunities. Larger businesses with more management structure and more employees may be more robust in weathering these effects, but they too experience cumulative effects from spending more on turnover costs and losing good employees. The analysis calculated the cumulative business burden in the same manner as it did the household cumulative burden. Instead, BPC assumed a discount rate of 2.5% for businesses, reflecting the average corporate bond rate.

The future value of the tax revenue loss captures the cumulative impact on tax revenues resulting from cumulative household and business losses. The analysis used a discount rate of 6% to estimate the future impact of these cumulative lost earnings on government revenues.

DIRECT IMPACT ONLY

BPC's analysis estimated the economic impact of only the "direct effects" of child care gaps—the effects on components of the economy immediately related to child care, i.e., reduced work hours, increased turnover costs, and reduced taxable income. However, through these direct effects, child care gaps also produce what are known as "indirect" and "induced" effects. Indirect effects are resulting business-to-business changes that, in the case of child care gaps, might take the form of businesses purchasing fewer goods from other businesses due to reduced revenues. Induced effects are changes in how workers re-spend

their labor income at other businesses and in other sectors of the economy. If parents earn less, they spend less, which ultimately reduces income for businesses and produces fewer jobs.

A study conducted by researchers at the University of Nebraska-Lincoln for First Five Nebraska⁹ incorporated these effects using "multipliers"—empirically determined factors used to simulate how direct effects multiply to produce indirect and induced effects in different sectors of the economy. The decision not to use multipliers means BPC's estimates do not include macroeconomic effects.

The decision not to use multipliers means BPC's estimates do not include macroeconomic effects

Economic Impact Findings

This analysis provides the first known estimates of the burden imposed on the U.S. economy by the country's gaps in child care. Accounting for both the initial impact of child care gaps in a single year and the cumulative losses incurred over the next 10 years from that initial impact, the country's lack of access to formal child care for 3.4 million children in 35 states including D.C. costs the United States an estimated \$142 billion to \$217 billion in economic productivity. Such losses from one year of child care constraints nearly equate to losing all of Oregon's \$218 billion in annual gross domestic product.¹⁰

These findings serve as a starting point from which policymakers can begin to weigh the costs and potential benefits of dedicating resources to build an adequate child care supply. And with the finding that each missing child care slot costs the economy on average \$41,168 to \$62,693, federal, state, and local policymakers can use this data to calculate the potential return on their investments in closing the country's child care gaps.

Economic Impact of Child Care Gaps in 35 States Including D.C.

Cumulative Economic Impact	Low Estimate	\$142,508,000,000
	High Estimate	\$217,022,000,000
Cumulative Economic Impact Per Missing Slot	Low Estimate	\$41,168
	High Estimate	\$62,693

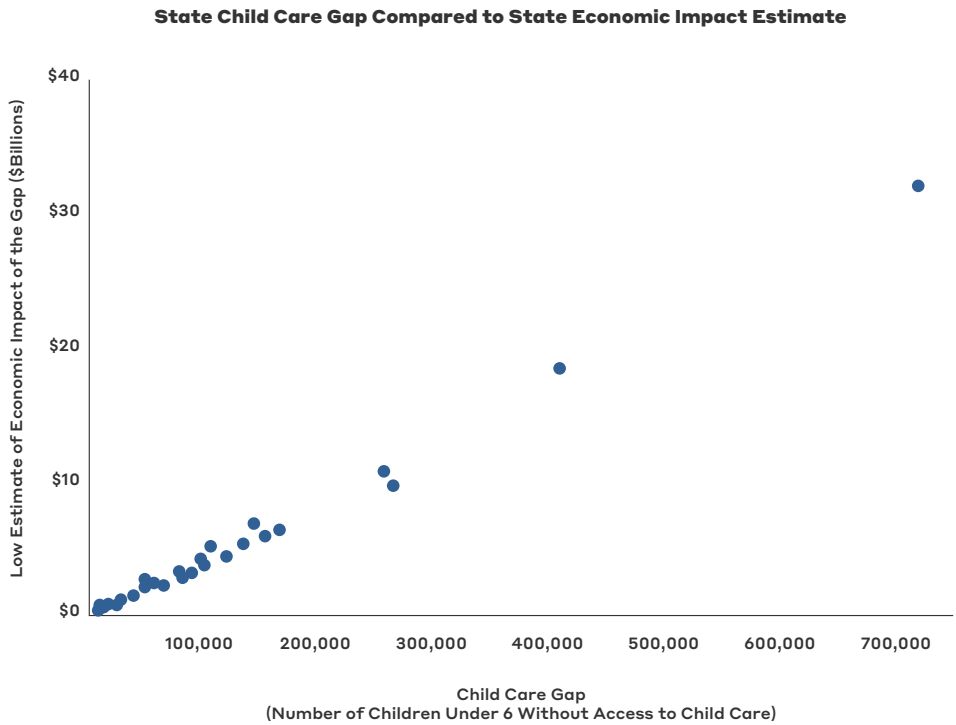
Note: All estimates in this table represent the initial year's economic loss plus the residual burden over the next 10 years produced by the initial year. See the Appendix for noncumulative data.

A FEW NOTES ON INTERPRETING THE DATA

Before further analyzing the data by different geographies and by different components of the economic impact, it is important to remember that the estimates are shaped by a number of assumptions. Any policymaker, advocate, or researcher interpreting this data must remember two points.

1. **All findings are based on the potential need for child care, not the actual demand for child care.** Thus, in areas with a greater emphasis on informal child care arrangements, such as care by relatives or friends and neighbors, estimated gaps may have less serious real-life implications for families, and therefore economic impact estimates may be overstated. Any interpretations of the findings must include a careful consideration of the cultural factors that determine the extent to which potential gaps translate to actual gaps.

2. **Differences in economic impact estimates between states and other geographies are primarily due to differences in the size of child care gaps in those states or geographies**—not differences in how salient the impacts of those child care gaps are. This is not to say that, in reality, some gaps are not more impactful than others. Rather, it is a result of the fact that, in BPC’s calculations, the gap was the input that varied by the greatest degree. The following figure illustrates this feature of the data: As the child care gap in each state increases, estimates of the economic impact in those states increases in an almost perfectly linear manner.



However, as can be seen in this graph, there were slight variations in the relationship between gap size and economic impact size. These variations can also be seen in differences between states’ economic impact per individual gap (shown as the minimum and maximum estimates in the table below).

Economic Impact Per Gap					
Low Estimates			High Estimates		
Min	Average	Max	Min	Average	Max
\$33,257	\$41,168	\$58,346	\$50,721	\$62,693	\$88,462

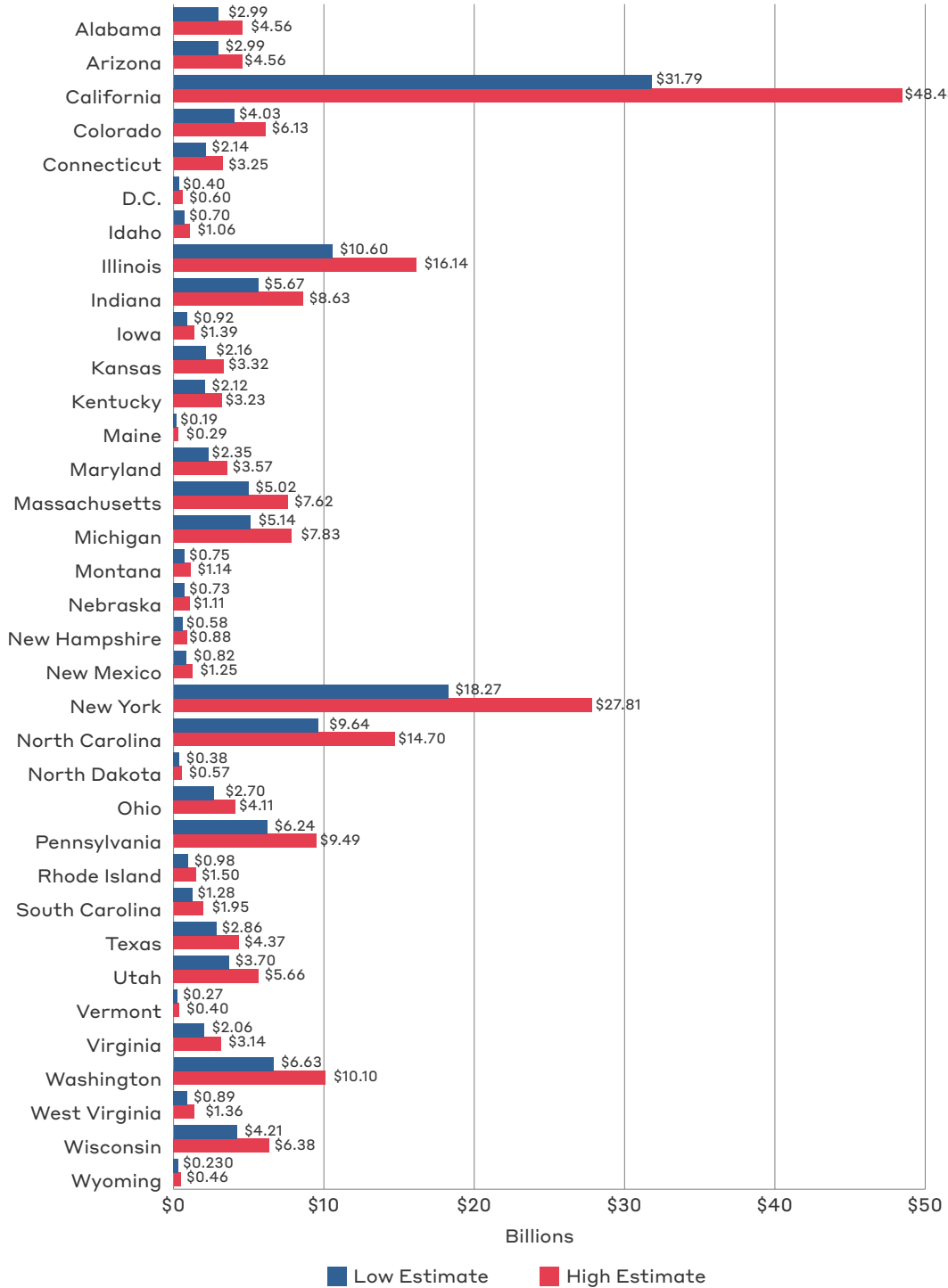
Such differences were due to the three calculation inputs that varied by state or block group: working-parent-child ratios (block group); average annual wages (state); and average annual hours worked (state). There was slight variation in working-parent-child ratios, but the largest differences came from average wage variation. Thus, the lowest economic impact per gap estimates in the table above were from Idaho (a state with some of the lowest average wages) and the maximum estimates were from Washington, D.C. (the area with highest average wages).

As such, these variations also do not necessarily indicate which states have child care gaps with more salient impacts. Higher-impact-per-gap estimates reflect the larger size of a state's economy. Relative to the size of that economy, such absolute impacts might not have greater relative impacts. To determine the differing saliences of gaps in child care, future studies would need to account for variations in factors that can mitigate or exacerbate the effects of the gap—e.g., differences in state-paid family leave laws—as well as variation in factors that affect the interconnectedness of each state's economy, and thus how far the impacts will reach. Impacts would also need to be standardized by an indicator of state economic output.

IMPACTS BY STATE

BPC's national estimates are useful for orienting the country around the size of the overall cost of child care shortages. But because the gaps in child care are not uniform across states, neither are the economic impacts. BPC calculated the economic impact specific to each state so that policymakers can understand the size of the burden imposed on their own state's economy. The figure below displays the cumulative economic impact in each of the 35 states BPC mapped. BPC also disaggregated these findings by congressional district and county. Such data can be accessed using the accompanying [interactive mapping tool](#).

Cumulative Economic Impact of the Child Care Gap



Each state’s economic impact is the sum of burdens on households, businesses, and tax revenues. Since child care gaps affect businesses and tax revenues through parents, and BPC’s methodology assumed that only a portion of impacts on parents pass on to businesses, the estimates indicate that households incur the highest burdens. The following table lists the economic-impact estimates broken down by these components in each state.

Components of the Cumulative Economic Impact

In Billions	Household (Low)	Household (High)	Business (Low)	Business (High)	Tax (Low)	Tax (High)
Alabama	\$2.04	\$3.11	\$0.43	\$0.65	\$0.53	\$0.80
Arizona	\$2.04	\$3.11	\$0.42	\$0.65	\$0.53	\$0.80
California	\$21.67	\$33.04	\$4.52	\$6.90	\$5.60	\$8.54
Colorado	\$2.75	\$4.18	\$0.57	\$0.87	\$0.71	\$1.08
Connecticut	\$1.46	\$2.21	\$0.30	\$0.46	\$0.38	\$0.57
D.C.	\$0.27	\$0.41	\$0.06	\$0.09	\$0.07	\$0.11
Idaho	\$0.47	\$0.72	\$0.10	\$0.15	\$0.12	\$0.19
Illinois	\$7.23	\$11.00	\$1.51	\$2.30	\$1.87	\$2.84
Indiana	\$3.86	\$5.88	\$0.81	\$1.23	\$1.00	\$1.52
Iowa	\$0.63	\$0.95	\$0.13	\$0.20	\$0.16	\$0.25
Kansas	\$1.48	\$2.26	\$0.31	\$0.47	\$0.38	\$0.58
Kentucky	\$1.45	\$2.20	\$0.30	\$0.46	\$0.37	\$0.57
Maine	\$0.13	\$0.20	\$0.03	\$0.04	\$0.03	\$0.05
Maryland	\$1.60	\$2.43	\$0.33	\$0.51	\$0.41	\$0.63
Massachusetts	\$3.42	\$5.19	\$0.71	\$1.08	\$0.88	\$1.34
Michigan	\$3.50	\$5.33	\$0.73	\$1.11	\$0.91	\$1.38
Montana	\$0.51	\$0.78	\$0.11	\$0.16	\$0.13	\$0.20
Nebraska	\$0.50	\$0.76	\$0.10	\$0.16	\$0.13	\$0.20
New Hampshire	\$0.40	\$0.60	\$0.08	\$0.13	\$0.10	\$0.16
New Mexico	\$0.56	\$0.85	\$0.12	\$0.18	\$0.14	\$0.22
New York	\$12.45	\$18.95	\$2.60	\$3.96	\$3.22	\$4.90
North Carolina	\$6.57	\$10.02	\$1.37	\$2.09	\$1.70	\$2.59
North Dakota	\$0.26	\$0.39	\$0.05	\$0.08	\$0.07	\$0.10
Ohio	\$1.84	\$2.80	\$0.38	\$0.58	\$0.48	\$0.72
Pennsylvania	\$4.25	\$6.47	\$0.89	\$1.35	\$1.10	\$1.67
Rhode Island	\$0.67	\$1.02	\$0.14	\$0.21	\$0.17	\$0.26
South Carolina	\$0.87	\$1.33	\$0.18	\$0.28	\$0.23	\$0.34
Texas	\$1.95	\$2.98	\$0.41	\$0.62	\$0.50	\$0.77
Utah	\$2.53	\$3.86	\$0.53	\$0.80	\$0.65	\$1.00
Vermont	\$0.18	\$0.27	\$0.04	\$0.06	\$0.05	\$0.07
Virginia	\$1.41	\$2.14	\$0.29	\$0.45	\$0.36	\$0.55
Washington	\$4.52	\$6.89	\$0.94	\$1.44	\$1.17	\$1.78
West Virginia	\$0.61	\$0.93	\$0.13	\$0.19	\$0.16	\$0.24
Wisconsin	\$2.87	\$4.35	\$0.60	\$0.91	\$0.74	\$1.12
Wyoming	\$0.21	\$0.31	\$0.04	\$0.07	\$0.05	\$0.08
TOTAL	\$97.14	\$147.92	\$20.27	\$30.87	\$25.10	\$38.22

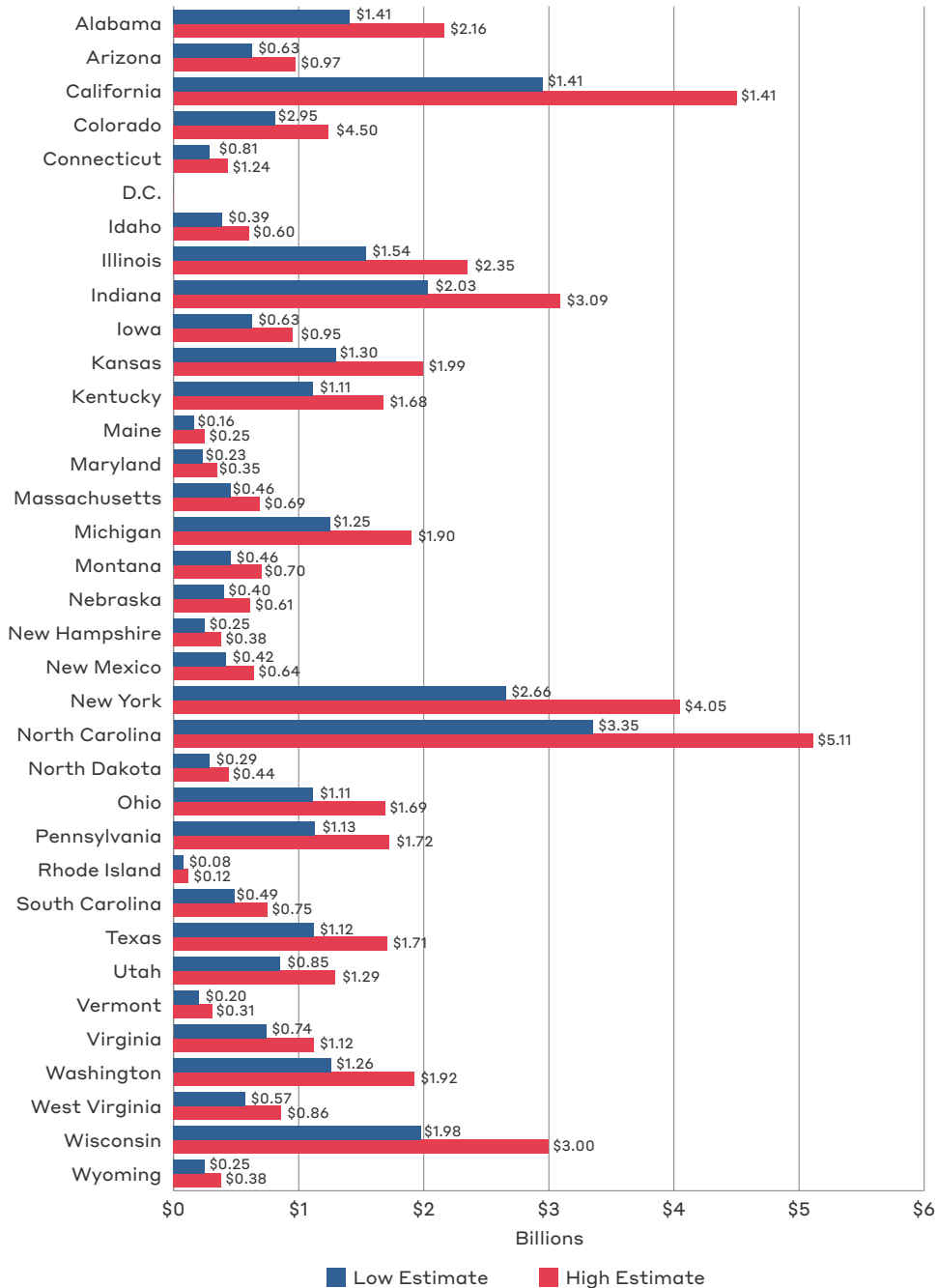
Note: All estimates in this table represent the initial year's economic loss plus the residual burden over the next 10 years produced by the initial year. See the Appendix for noncumulative data.

A benefit of deriving the economic impact from BPC’s original child care gap data—not data that includes other survey issues—is that it becomes possible to quantify the precise cost to the economy of each individual gap in the child care supply and the potential economic benefit of adding a single child care slot to fill these gaps. The following data represents the economic impact per gap in each state.

Economic Impact Per Gap by State		
	Low Estimate	High Estimate
Alabama	\$34,936	\$53,318
Arizona	\$38,922	\$59,457
California	\$44,379	\$67,680
Colorado	\$42,463	\$64,577
Connecticut	\$46,769	\$70,993
D.C.	\$58,346	\$88,462
Idaho	\$33,257	\$50,721
Illinois	\$41,728	\$63,502
Indiana	\$37,398	\$56,940
Iowa	\$35,188	\$53,230
Kansas	\$39,739	\$60,892
Kentucky	\$34,308	\$52,210
Maine	\$36,300	\$54,930
Maryland	\$49,061	\$74,485
Massachusetts	\$48,700	\$73,836
Michigan	\$39,105	\$59,523
Montana	\$33,949	\$51,559
Nebraska	\$35,292	\$53,432
New Hampshire	\$44,110	\$66,816
New Mexico	\$35,381	\$54,101
New York	\$44,969	\$68,462
North Carolina	\$36,973	\$56,376
North Dakota	\$40,753	\$61,708
Ohio	\$35,220	\$53,585
Pennsylvania	\$38,467	\$58,487
Rhode Island	\$41,828	\$63,599
South Carolina	\$35,286	\$53,829
Texas	\$36,154	\$55,265
Utah	\$37,519	\$57,300
Vermont	\$39,318	\$59,471
Virginia	\$44,014	\$66,932
Washington	\$46,448	\$70,792
West Virginia	\$34,520	\$52,668
Wisconsin	\$35,965	\$54,482
Wyoming	\$39,880	\$60,675
35-State Avg.	\$41,168	\$62,693

Note: All estimates in this table represent the initial year’s economic loss plus the residual burden over the next 10 years produced by the initial year. See the Appendix for noncumulative data.

Cumulative Economic Impacts of Child Care Gaps in Rural Communities



In *Child Care in 25 States: What We Know and Don't Know*, BPC found that 35.1% of children in rural communities with all available parents in the labor force did not have access to child care—even after adjusting for a larger driving distance in those communities. Therefore, child care gaps suggested unique challenges for rural working parents. BPC disaggregated its economic impact estimates by rural communities to estimate the economic cost of such child care constraints. As seen in the following figure, the lack of access has significant potential economic impacts on rural communities in the United States. Again, those states with the largest rural child care gaps have the largest rural economic impact estimates.

Conclusions and Next Steps

In 2021, BPC's updated report *Child Care in 35 States: What We Know and Don't Know* offered, for the first time, data on the magnitude of America's gaps in child care. The present report provides data the country needs to understand the precise economic cost of these gaps. Going forward, any efforts to expand the child care supply to fill these gaps will require one final piece of information that has yet to be comprehensively studied: How much would it cost to build the supply needed to adequately fill these gaps?

Child care officials and advocates will need to provide such information at the local and regional level, as cost factors and existing infrastructure availability vary by location. Some efforts to increase the supply might involve constructing entirely new facilities. Other efforts might require less expensive methods, including retrofitting existing buildings to create high quality child care facilities in areas where families least have access to them. Fortunately, resources would not need to come only from the government. With a shared, multisector responsibility for ensuring the expansion of our country's child care supply, dedicated government resources could be leveraged by other sectors—including nonprofit organizations and the private sector—to multiply the impacts of such funds.

As the country works to provide such cost information, BPC's data—presented by state, congressional district, county, metropolitan area, and opportunity zone on www.childcaregap.org—would allow policymakers to both estimate the cost of providing enough facilities to fill the gap, as well as compare the cost of filling these gaps with the potential economic benefits of doing so. With BPC's findings, the country finally has the opportunity to use a data-driven approach to build a more accessible child care system.

Appendix

Noncumulative estimates are annual impact estimates that do not include the compounding effects of the initial year's lasting residual impacts.

Noncumulative and Cumulative Economic Impact Data								
	Noncumulative Annual				Cumulative Annual			
	Total Loss \$B (Low)	Total Loss \$B (High)	Impact Per Gap (Low)	Impact Per Gap (High)	Total Loss \$B (Low)	Total Loss \$B (High)	Impact Per Gap (Low)	Impact Per Gap (High)
Alabama	\$1.76	\$2.69	\$20,615	\$31,463	\$2.99	\$4.56	\$34,936	\$53,318
Arizona	\$1.76	\$2.69	\$22,967	\$35,085	\$2.99	\$4.56	\$38,922	\$59,457
California	\$18.76	\$28.61	\$26,188	\$39,937	\$31.79	\$48.48	\$44,379	\$67,680
Colorado	\$2.38	\$3.62	\$25,057	\$38,106	\$4.03	\$6.13	\$42,463	\$64,577
Connecticut	\$1.26	\$1.92	\$27,598	\$41,893	\$2.14	\$3.25	\$46,769	\$70,993
D.C.	\$0.23	\$0.35	\$34,430	\$52,201	\$0.40	\$0.60	\$58,346	\$88,462
Idaho	\$0.41	\$0.63	\$19,625	\$29,930	\$0.70	\$1.06	\$33,257	\$50,721
Illinois	\$6.26	\$9.52	\$24,623	\$37,472	\$10.60	\$16.14	\$41,728	\$63,502
Indiana	\$3.35	\$5.09	\$22,068	\$33,600	\$5.67	\$8.63	\$37,398	\$56,940
Iowa	\$0.54	\$0.82	\$20,764	\$31,410	\$0.92	\$1.39	\$35,188	\$53,230
Kansas	\$1.28	\$1.96	\$23,450	\$35,932	\$2.16	\$3.32	\$39,739	\$60,892
Kentucky	\$1.25	\$1.91	\$20,245	\$30,809	\$2.12	\$3.23	\$34,308	\$52,210
Maine	\$0.11	\$0.17	\$21,420	\$32,413	\$0.19	\$0.29	\$36,300	\$54,930
Maryland	\$1.39	\$2.10	\$28,951	\$43,953	\$2.35	\$3.57	\$49,061	\$74,485
Massachusetts	\$2.96	\$4.49	\$28,737	\$43,570	\$5.02	\$7.62	\$48,700	\$73,836
Michigan	\$3.03	\$4.62	\$23,075	\$35,124	\$5.14	\$7.83	\$39,105	\$59,523
Montana	\$0.44	\$0.67	\$20,033	\$30,425	\$0.75	\$1.14	\$33,949	\$51,559
Nebraska	\$0.43	\$0.65	\$20,826	\$31,530	\$0.73	\$1.11	\$35,292	\$53,432
New Hampshire	\$0.34	\$0.52	\$26,029	\$39,428	\$0.58	\$0.88	\$44,110	\$66,816
New Mexico	\$0.48	\$0.74	\$20,878	\$31,925	\$0.82	\$1.25	\$35,381	\$54,101
New York	\$10.78	\$16.41	\$26,536	\$40,399	\$18.27	\$27.81	\$44,969	\$68,462
North Carolina	\$5.69	\$8.67	\$21,818	\$33,267	\$9.64	\$14.70	\$36,973	\$56,376
North Dakota	\$0.22	\$0.34	\$24,048	\$36,413	\$0.38	\$0.57	\$40,753	\$61,708
Ohio	\$1.59	\$2.42	\$20,783	\$31,620	\$2.70	\$4.11	\$35,220	\$53,585
Pennsylvania	\$3.68	\$5.60	\$22,699	\$34,513	\$6.24	\$9.49	\$38,467	\$58,487
Rhode Island	\$0.58	\$0.88	\$24,682	\$37,530	\$0.98	\$1.50	\$41,828	\$63,599
South Carolina	\$0.75	\$1.15	\$20,822	\$31,764	\$1.28	\$1.95	\$35,286	\$53,829
Texas	\$1.69	\$2.58	\$21,334	\$32,612	\$2.86	\$4.37	\$36,154	\$55,265
Utah	\$2.19	\$3.34	\$22,140	\$33,812	\$3.70	\$5.66	\$37,519	\$57,300
Vermont	\$0.16	\$0.24	\$23,201	\$35,093	\$0.27	\$0.40	\$39,318	\$59,471
Virginia	\$1.22	\$1.85	\$25,972	\$39,496	\$2.06	\$3.14	\$44,014	\$66,932
Washington	\$3.91	\$5.96	\$27,409	\$41,774	\$6.63	\$10.10	\$46,448	\$70,792
West Virginia	\$0.53	\$0.80	\$20,370	\$31,079	\$0.89	\$1.36	\$34,520	\$52,668
Wisconsin	\$2.49	\$3.76	\$21,222	\$32,149	\$4.21	\$6.38	\$35,965	\$54,482
Wyoming	\$0.18	\$0.27	\$23,533	\$35,804	\$0.30	\$0.46	\$39,880	\$60,675
TOTALS	\$84.09	\$128.06			\$142.51	\$217.02		
AVERAGES			\$24,293	\$36,995			\$41,168	\$62,693

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