NATIONAL WOMEN'S LAW CENTER
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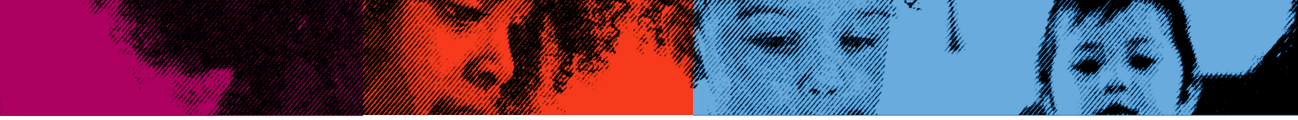
CENTER ON POVERTY & SOCIAL POLICY
at Columbia University

A LIFETIME'S WORTH OF BENEFITS:

The Effects of Affordable, High-quality Child Care on Family Income, the Gender Earnings Gap, and Women's Retirement Security



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The Effects of Affordable, High-quality Child Care on Family Income, the Gender Earnings Gap, and Women's Retirement Security

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INTRODUCTION

Child care is a financial and logistical challenge for families as well as a challenge for meeting their children's developmental needs. This is especially the case for those with lower incomes.

Families cope by working less, making do with lower-quality and patchwork care alternatives, forgoing other basic needs to pay for child care, or in some cases dropping out of the labor force altogether. While the squeeze is most acutely felt when children are infants and toddlers, the reality is that the lack of affordable and high-quality child care options has consequences for families long after children enter kindergarten, compromising the economic and retirement security of families, and particularly women, for their entire lives.

At the same time, child care providers, 93 percent of whom are women—disproportionately immigrant women and women of color—earn poverty wages for doing essential work that allows our economy to function and our communities to thrive.[1] In fact, even prior to the pandemic, 16 percent of child care workers lived in poverty—twice the rate for workers overall, with many struggling to afford care for their own children.[2]

Parents are paying more than they can afford. Providers are not being paid enough. In short, the lack of public investment in care infrastructure is one important reason that women—as both paid child care providers and mothers—bring home less pay, experience higher poverty rates than men at every stage of life, and are less secure in retirement.

THE DIFFERENCE BETWEEN THE WAGE GAP AND **THE UNCONDITIONAL EARNINGS GAP**

The gender wage gap measures the difference between what men and women are paid for working full-time and full-year (FTFY). When discussing the gap between what men and women are paid, policymakers most often refer to the wage gap because this measure is most suited for comparing pay for similar work. However, it is more useful to use the unconditional earnings gap in the context of child care reform because this measure includes workers who have part-time or zero earnings. Women take on a disproportionate share of family care responsibilities, which impacts how many women can work FTFY to begin with. If women are able to enter the labor market and increase the hours they work because of child care reform, then the unconditional average earnings among working-age women would increase, narrowing the unconditional earnings gap between men and women.

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Fortunately, this can be remedied. Investing public dollars in high-quality affordable child care would have long-term positive effects on family economic security.

This paper examines and quantifies the impact that child care for all could have on women's lifetime earnings and retirement security, underscoring just how much women and families have to gain now and over the long-term when we recognize child care as a public good and invest accordingly.

OUR NEW RESEARCH SHOWS THAT:[3]

- Expanding access to affordable, high-quality child care to everyone who needs it would increase the number of prime-age women with young children working full-time/full-year by about 17 percent, and by about 31 percent for women without any college degree.
- Women with less than a college degree and lower incomes would experience the largest relative economic gains from child care expansions and reforms, mostly from being able to enter the labor market. While the net change in income is similar across categories of race/ethnicity, percentage increases in income are larger for Black and Latina women, who start from a more precarious economic position.
- The unconditional earnings ratio between women and men ages 25 to 64 with children under age 13 would rise by about 9 percent given higher women's earnings, which is roughly equivalent to nine to 12 years of recent progress in narrowing this gender gap.
- Over the entire life course, access to affordable care could increase the lifetime earnings for women with two children by about $94,000, which would lead to an increase of about $20,000 in private savings (contributions plus growth) and an additional $10,000 in Social Security benefits.
- By the age of retirement, a lifetime of affordable child care would mean that women with two children would have about $160 per month in additional cash flow from increased private savings and Social Security benefits.
- The policy would begin to reverse the history of undervaluing women's caregiving responsibilities by significantly improving the economic and retirement security of child care workers.

In short, investing in high-quality, affordable child care not only supports families, the development of children, and the communities of families and providers in real-time, but has additional effects that increase economic security for women and families throughout their lives.

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HOME

THE COVID-19 PANDEMIC HAS LAID BARE AND EXACERBATED THE **INEQUITIES IN THE CHILD CARE SECTOR**

Even before the COVID-19 pandemic, parents struggled to afford child care and child care workers earned poverty wages for essential work. COVID-19 has clearly exposed and deepened the cracks in the system:

- Between February and April 2020, the industry lost 370,600 jobs, over a third of its workforce, with women making up 95 percent of those losses.[4] By February 2021, only about 54 percent of those jobs returned, with a net loss of 170,200 jobs since February 2020. Overall, the child care industry has lost roughly one in six jobs since the start of the pandemic.[5]
- Women are three times more likely than men to be not working during the pandemic because of child care challenges.[6]
- The total number of women who have left the labor force since the start of the pandemic reached over 2.3 million in February 2021, leaving women's labor force participation rate—the percent of adult women who are either working or looking for work—at 57 percent. By comparison, nearly 1.8 million men have left the labor force since February 2020.[7]
- Child care providers serving front-line workers, or reopening as more parents return to work, are struggling to stay open. Social distancing policies, and declines in demand given parental job loss and fear of infection, mean providers are likely to be caring for fewer children. The resulting loss of revenue combined with higher costs to implement social distancing and procure Personal Protective Equipment (PPE) mean many providers may not survive this crisis.
- This blow to the child care industry will affect child care providers and parents long after the health crisis has passed. Without child care, parents—most typically mothers—will find it impossible to return to work, will have lost ground in their earning level and potential, will need to continue to reduce their hours, or will be penalized for caregiving while working. This will affect their ability to support their families financially, carry long-term impacts on their financial security, and could exacerbate longstanding racial and gender income and wealth gaps.[8]
- Parents who obtain child care so they can work have additional expenses to pay for care to cover hours previously covered by public schooling, jeopardizing their financial security in other areas of the family budget.[9]

IT DOESN'T HAVE TO BE THIS WAY. WE CAN REBUILD A STRONGER AND MORE EQUITABLE SYSTEM.

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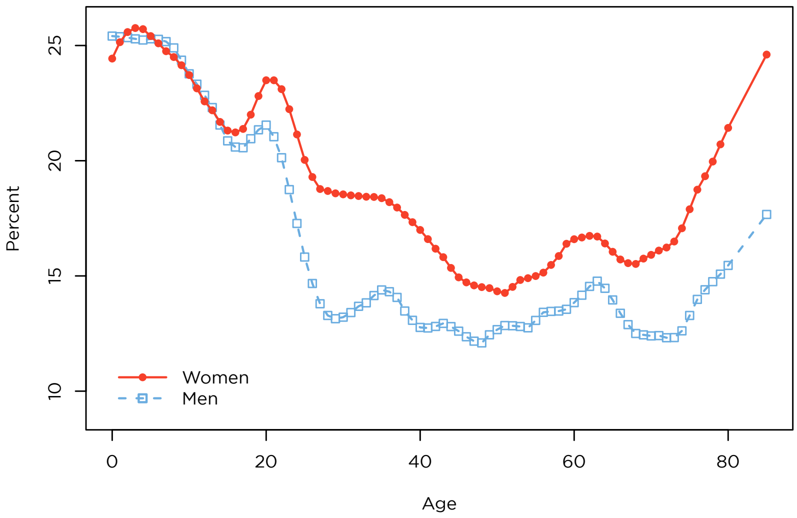
THE CURRENT STATE OF WOMEN'S **ECONOMIC AND RETIREMENT SECURITY**

WOMEN EXPERIENCE ECONOMIC INSECURITY AT GREATER RATES THAN MEN AT EVERY STAGE OF LIFE.

Men and women enter adulthood with roughly equal rates of poverty, but women begin experiencing significantly higher rates of poverty and economic insecurity during their childbearing years, with the gap again widening during retirement.

The Supplemental Poverty Measure (SPM) framework, referenced throughout this report, shows the role of family income, taxes, transfers, and certain medical and work-related expenses, like child care.[10] In this report, unless stated otherwise, SPM poverty refers to this net income definition with uncapped child care expenses. In order to highlight gender differences related to earnings and retirement income, **Figure 1** shows pre-tax/transfer income poverty over a lifetime including retirement income, such as Social Security, as well as uncapped child care expenses. By the time women are 65 years old, they comprise around 60 percent of seniors who live in poverty, as a lifetime of lower earnings compounds into less savings and lower Social Security benefits in retirement.[11] The economic disadvantage in retirement is widened by longer life expectancies for women, as well.

Figure 1. SPM Pre-Tax/Transfer Poverty Prevalence Across the Life Course, by Gender



Notes: Author's calculations based on pre-tax/transfer income with uncapped child care expenses taken out of disposable income. All retirement income sources are included, which means Social Security is not treated as transfer income in this context. The data use five-year averages for Current Population Survey March Supplement survey years 2015–2019 (2014–2018 income observations).

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Even prior to a pandemic and recession that has disproportionately affected women, women were more likely to experience poverty than men. According to SPM estimates from 2014 to 2018, working age women (ages 18 to 64) lived in poverty at a rate of 14 percent, compared to 13 percent for their male counterparts. These disparities widen in households with children: 31 percent of single mothers are in poverty compared to 18 percent of single fathers. About one in three children under the age of 18 in female-headed households (33 percent) lived in poverty from 2014 to 2018 compared to about 21 percent living with single fathers. The gap is even wider for children under the age of 6, when the need for child care is most acute. Nearly four in 10 children under age 6 with single mothers (39 percent) lived in poverty, compared to 23 percent with single fathers. High rates of poverty for children are associated with lower educational outcomes, worse health outcomes, and lower earnings in adulthood, undermining economic security across generations.

GENDER AND POVERTY **BY THE NUMBERS**

1 in 7
ADULT WOMEN

About one in seven adult women—over 19 million per year, on average—lived in poverty in 2014–2018 as defined by the Supplemental Poverty Measure (SPM). More than double that number—56 million yearly—were economically insecure (meaning they lived below 200 percent of the poverty threshold).

22%
BLACK WOMEN

23%
LATINA WOMEN

Poverty rates are worse for many women of color: **22 percent of Black women and 23 percent of Latina women were in poverty** in 2014–2018 as compared with 9 percent of white men.[12]

14%
MOTHERS

In 2014–2018, **14 percent of mothers were living in poverty** (as compared to 10 percent of fathers).

16%
POVERTY RATE

The poverty rate for women 65 and older was 16 percent, 4 percentage points (or about 30 percent) higher than the poverty rate for older men (12 percent).

These numbers have likely only worsened since this data was collected, as the COVID-19 pandemic and resulting recession have had a disproportionate impact on women, especially women of color.[13]

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Gender discrimination in the labor market, particularly against mothers, is a key factor in women's economic insecurity. For example, while women working full-time, year-round are typically paid 82 cents for every dollar paid to their male counterparts, **mothers working full-time, year-round are paid just 70 cents for every dollar earned by comparable fathers, a gap that translates into a loss of $18,000 annually.[14] For mothers of color, the pay disparity is even more pronounced, with Black, Latina, and Native mothers paid less than half—just 50 cents, 45 cents, and 47 cents respectively—of every dollar paid to white fathers.[15]** This gap is apparent at the family level as well. The earnings gap between mothers and fathers typically doubles in the two years before the birth of a couple's first child and a year after, and then continues to grow for the next five years.[16]

The lack of affordable, high-quality child care is also a key driver in women's economic insecurity, since without care, many women are pushed out of the labor market or into lower-paying jobs. Women comprise two-thirds of the workers in the 40 lowest paid occupations, among which are the child care workers who ensure that other parents can work.[17]

For other women, a lack of child care translates into fewer work hours, particularly for women in low-paid jobs who are almost twice as likely as women overall to work part-time. In fact, nearly one in four women working part time in low-paid jobs (23 percent) in 2018 reported that they work part time due to child care problems or other family or personal obligations.[18]

WOMEN'S ECONOMIC INSECURITY IN RETIREMENT

Women face a higher risk of economic insecurity than men throughout their lives, but especially later in life. Caregiving responsibilities, wage inequality, discrimination, and other factors, contribute to women having less retirement income from core retirement programs and savings than men. Without significant policy changes, women's financial insecurity in retirement will persist and likely grow.

Income, whether from Social Security, employer-sponsored pensions/retirement savings accounts, or private savings, is essential to women's retirement security. But the core programs and systems that provide retirement income are largely tied to employment. A number of factors impede women's ability to accrue retirement income and savings through programs and systems that are connected to work—including women's disproportionate responsibility for caregiving (which may cause them to take time out of the workforce or to be pushed out due to bias or discrimination), the fact that women are more likely than men to work part-time, and persistent wage and wealth gaps women face throughout their lives.

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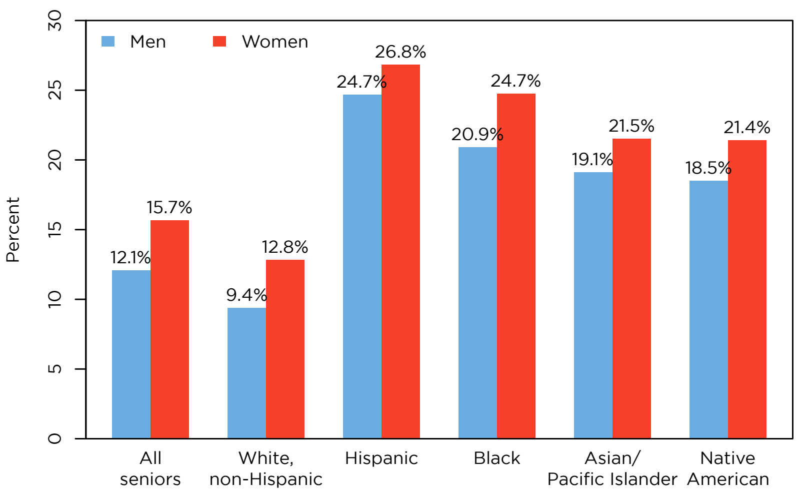
As a result, for 2014–2018, median household income for older women was approximately 78 percent of median household income for older men.[19]

But while women end up with less retirement income than men, they may well need more in order to be economically secure in retirement, because women tend to live longer than men, are more likely to be single, and have higher health costs than men as they age.[20] This translates into a women's retirement security crisis. As seen in **Figure 2**, for 2014–2018, the SPM poverty rate for women 65 and older was 16 percent (compared to 12 percent for older men), and poverty rates were even higher for older Black, Asian, Native American women, and Latinas (25, 22, 21, and 27 percent, respectively). This crisis requires policy solutions, including universal child care, that address the barriers and disadvantages that women, especially women with low incomes, women of color, and single women, face in accumulating retirement income and savings.

Figure 2: SPM Poverty Rates for Men and Women 65 Years and Older, by Race/Ethnicity[21]



Note: Author's calculations based on SPM net income, including Social Security benefits. The data use five-year averages for Current Population Survey March Supplement survey years 2015–2019 (2014–2018 income observations).

Retirement programs, such as Social Security, employer-sponsored pensions, and tax-favored retirement savings accounts, are structured in ways that disadvantage people who need to take time out of the workforce. As a result these programs shortchange women who are likely to leave or reduce their work efforts to meet caregiving responsibilities. Workers generally become eligible to receive Social Security retirement benefits by working at a covered job—for at least 10 years (or 40 credits of eligible work). Social Security worker benefits are calculated based on the 35 highest years of earnings. Women are more likely than men to take time out of the workforce in their prime earning years, including to meet caregiving responsibilities. In large part because women are paid less than men and often spend fewer years in the workforce, their average Social Security benefits are lower than men's: the average annual worker benefit received by women in 2019 was $15,379 while men's average annual benefit was $20,050.[22]

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Social Security also provides benefits to the spouses of workers that can be worth up to 50 percent of the worker's benefit, and to surviving spouses that can be worth up to 100 percent of the deceased spouse's benefit. Divorced spouses and surviving divorced spouses are eligible for the same benefits if married to the worker for at least 10 years. These spousal benefits can increase Social Security income for lower-earning spouses—typically women—if they have a qualifying marital history. But the decline in marriage rates for some groups already at higher risk of poverty, including people with lower earnings, less education, and Black women increases their economic insecurity.[23]

Social Security's lifetime, inflation-adjusted benefits serve as the foundation of retirement income and are especially important for women and people of color. For women 65 and older, Social Security provides more than 60 percent of family income, and for three in 10 women 65 and older, Social Security is virtually their only source of income, making up 90 percent or more.[24] Social Security benefits help boost the incomes of millions of women—and Black and Latinx people—above the poverty line every year. But with an average benefit of less than $1,400 per month, Social Security alone is insufficient to provide a secure retirement.[25]

Retirement income from pensions and employer-sponsored retirement savings plans, such as a 401(k) or 403(b), can supplement Social Security benefits. But employer-sponsored retirement plans present similar challenges for women, particularly Black women and Latinas. Not all employers offer retirement plans, and poorly paid jobs, in which women of color predominate, are especially unlikely to offer pensions or tax-favored retirement savings plans.[26] Even if women work for an employer that offers a retirement savings plan, they must meet minimum hours requirements to be eligible to participate. And until recently, employers were not required to offer retirement savings plans to any part-time workers, and women are more likely to work part-time than men.[27]

But even if women are eligible to participate in employer-sponsored retirement plans, they still need to have "spare" income to contribute to retirement savings accounts. Women's lower lifetime earnings, compared to men, makes it difficult for them to save as much for retirement as men do.

Based on today's wage gap, a woman who works full-time, year-round stands to lose $407,760 in earnings over a 40-year career and many women of color will lose over $1 million.[28]

It is thus unsurprising that men's retirement savings exceed women's. And the gap in retirement savings is particularly acute for Black women, whose retirement account balances are even lower than those of white women.[29]

The barriers women face in accumulating retirement savings often make it difficult for women to accumulate wealth, whether in the form of retirement or other savings, homeownership,

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or other assets, more generally.[30] Women may also see their wealth depleted by disparate outcomes from student loan or consumer debt, less preferential credit, criminal or civil fines or fees, or other policies.[31] Divorce can also deplete women's wealth, including retirement savings.[32]

Black women and Latina and Asian women who are immigrants face even more barriers to building wealth than white women: Black women are more likely than white women to be single parents and sole-income earners, with lower incomes inhibiting their ability to build wealth.[33] Latinas and Asian women without work authorization also face barriers to building wealth, as they are more likely to be forced into low-paying jobs with no benefits and are ineligible for many public programs, like Social Security, even though they pay taxes.[34] To the extent that women have less wealth to help them weather financial emergencies, go to school, or purchase a home, they will be unlikely to have enough wealth to help provide sufficient income in retirement.

IN THE MIDST OF THE PANDEMIC, WOMEN—AND IN PARTICULAR WOMEN OF COLOR—ARE SHOULDERING A DISPROPORTIONATE SHARE OF THE ECONOMIC PAIN

The COVID-19 pandemic has upended women's already unstable financial security, which will have reverberating effects into retirement. Women are having to leave the workforce to take on caregiving responsibilities, as schools remain virtual and child care options remain sparse. Women make up the majority of workers who risk their lives to provide health care, child care, and other essential services. Women are also overrepresented in many of the occupations feeling the brunt of COVID-related job losses.[35] These jobs most affected by COVID-19 are also jobs that are already low-paid and do not offer women the benefits that they needed to save for a secure retirement.[36]

Prior to the recession, jobs figures from December 2019 showed that women comprised a larger share of the workforce than men.[37] Between February and April of 2020, women lost over 12 million jobs, which has completely erased all of their job gains over the past decade.[38] By February 2021, women remained short over five million jobs.[39] The total number of women who have left the labor force since the start of the pandemic also reached over 2.3 million.[40] Black women and Latinas continue to be among the hardest hit by the job crisis. While the overall unemployment rate dropped to 6.2 percent in February 2021, 8.9 percent of Black women and 8.5 percent of Latinas remained unemployed.[41]

The effects of the economic crisis on the child care workforce in particular—a workforce in which women are the overwhelming majority of workers and that is already vastly underpaid and undervalued—is illustrative. Women, who make up just about half (47 percent) of the overall workforce, make up 93 percent of the child care workforce. One in five (22 percent) are Latina, and another 16 percent are Black women.[42] Between February and April 2020,

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the industry lost 370,600 jobs, over a third of its workforce, with women making up 95 percent of those losses.[43] By February 2021, only about 54 percent of those jobs returned, with a net loss of 170,200 jobs since February 2020. Overall, the child care industry has lost around one in six jobs since the start of the pandemic.[44]

Women who have left the workforce because of caregiving responsibilities or job loss will not only face current financial straits, but will also be unable to accumulate retirement benefits (like Social Security or pension benefits) or savings. They may also need to dip into any savings they have, including retirement savings, which they may not be able to make back up. While some women will be able to rejoin the labor force once schools and child care providers reopen, other people who have lost their jobs may be unable to find a new one. Some may even be forced into retirement earlier than planned, as happened to many workers following the Great Recession.

A study by the Center for Retirement Research found that, in 2009, a year after the stock market collapse, 42.4 percent of 62-year-olds claimed their Social Security benefits (the first year the benefits are available), a steep increase from 37.6 percent the previous year.[45] If more women are forced to retire early because of the current recession, then their long-term retirement security will suffer. Social Security benefits increase by 7 percent to 8 percent each year that they aren't claimed from age 62 to 70, and so workers who claim the benefits early are locked into smaller monthly benefits for the rest of their lives.[46]

Research has also shown that women, especially women of color, have not been included in the economic recovery from the Great Recession. In 2016, after seven years of recovery, the overall unemployment rates for women and girls were still higher than pre-recession levels.[47] And Black women's unemployment rates were higher in 2016 than white women's rates were in 2010, when they were at their highest.[48] We need to ensure that women, and especially women of color, have the support and resources needed to recover and rebuild after the 2020 health and economic crises. As women are being pushed out of the workforce, or into an early and financially insecure retirement, in real time, we see the urgent need to invest in policies like child care for all to ease financial burdens and give all women the chance for a secure retirement.

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THE CURRENT STATE **OF CHILD CARE**

Because of decades of underfunding, existing federal and state investments in child care are insufficient to meet the needs of families and child care workers. Instead of a child care system that ensures that all families—especially those who need the most assistance—can find and afford high-quality child care, we have a fragmented system that does not meet their needs, exacerbates gender and racial inequities, and relies on an underpaid and undervalued workforce.

The Child Care and Development Block Grant (CCDBG) is the main federal program that provides funding to states to help families afford child care, improve the safety and quality of child care, and support the child care workforce. CCDBG does not guarantee all eligible families assistance, and underfunding means that six out of seven children eligible under federal rules do not receive assistance at all.[49]

With inadequate federal and state funding, states limit access to child care assistance in several ways. Families with incomes up to 85 percent of the state median are eligible for CCDBG assistance under federal law, but many states limit CCDBG eligibility to only the very lowest income families. Nearly one-third of states had waiting lists or frozen intake for child care assistance as of February 2019.[50] In addition, states often have administrative or other barriers that prevent eligible families from knowing about child care assistance or that make it difficult to receive—and continue receiving—this assistance.[51] Finally, the payment rate set by states—the amount paid to providers to cover the difference between the cost of care and what parents pay in fees—are too low, making it difficult for programs to attract and retain quality staff, pay child care workers a living wage, and allow families using subsidy to access many high quality settings.[52]

Insufficient public funding for a high-quality, affordable child care system negatively impacts women in particular. Access to high-quality, affordable child care allows parents to remain in the workforce, especially mothers who tend to take on a majority of the caregiving responsibilities at home. Additionally, when mothers receive financial assistance to pay for child care, they are more likely to get and keep their job or go to school or a job training program, therefore enabling them to support their families and gain stronger financial security immediately and down the road in retirement.[53]

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Without such assistance, the cost of child care is unaffordable for families, and women especially pay the price. The U.S. Department of Health and Human Services recommends that child care payments represent no more than 7 percent of family income.[54] Yet, for low-income working families with young children paying for child care (families making below 200 percent of the federal poverty line), child care costs comprise 35 percent of their income.[55] (Many other low-income families use informal, unpaid care, which is often preferred option of the family—for example, a family may feel more comfortable having their child cared for by a close relative who shares their language and culture—but which also can create burdens or opportunity costs for the unpaid caregiver, and sometimes may not offer as much reliability as a paid, reserved slot in a child care program.) These costs fall especially hard on women, limiting how many women can work and support their families. For women who are breadwinners, or co-breadwinners—as they are in two-thirds of families with children—their paychecks must stretch to cover a family's needs.[56] Women who work as paid caregivers have even greater difficulty providing for their own families because they are paid poverty-level wages.

As highlighted above, women make up 93 percent of the child care workforce.[57] Women who are child care workers receive a median wage of just $11.28 per hour.[58] This median pay falls below a living wage and leaves around one in six women who are child care workers living below the SPM poverty line.[59] Poverty rates are over 50 percent higher for Black and Latina women in the child care workforce compared to other women in the child care workforce.[60] In one survey of early childhood teaching staff, nearly three-quarters expressed worry about having enough money to pay their bills, while almost half said they were worried about having enough food for their families.[61] Racial pay disparities also exacerbate existing inequalities. Black early educators are less likely than others across other racial and ethnic groups to earn more than $15 per hour.[62] According to the Center on the Study of Child Care Employment, Black early educators, with the same educational attainment as those in other racial and ethnic groups, still earn an average of $0.78 less per hour than white early educators, which means $1,622.40 less per year for a full-time, full-year worker.[63]

Our fragmented and underfunded child care system means that too many families fall through the cracks. The lack of affordable and high-quality child care exacerbates economic insecurity on all fronts and continues to affect women through their retirement years.

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THE ROLE OF **CHILD CARE FOR ALL**

CHILD CARE IS PART OF A SUITE OF POLICIES NEEDED TO ADDRESS WOMEN'S ECONOMIC SECURITY.

Systemic racial and gender discrimination in our economy—across wages, lending practices, public benefits, and the federal tax code—make it indisputably harder for women, and especially women of color, to build wealth.

Several policies and practices destabilize the incomes of workers in the lowest paid jobs, including those that weaken workers' bargaining power, fail to guarantee hours of work, or otherwise increase job precarity.[64] And discriminatory housing and lending practices, such as redlining or targeting women for subprime mortgages, make it more difficult for women of color to purchase homes, pay down housing debt, and build equity.[65] For example, research has found women were 30 to 46 percent more likely to receive subprime mortgage loans than men—and Black women were 256 percent more likely to receive them than white men.[66]

Additionally, insufficient financial aid in higher education increases student debt, and Black women have the highest student loan debt of any racial or ethnic group.[67] For an undergraduate degree, the average Black woman accrues nearly $30,400 in debt, compared to $19,500 for white men.[68] As a result, Black women are especially likely to hold such debt and thus to be paying down student loans rather than saving for a car, a house, or emergencies starting from the very beginning of their careers. According to a study of 2008–2009 college graduates who found full-time jobs after graduation, only 33 percent of women paid off their student loan debt in three years, compared to 44 percent of men.[69] There was an even greater disparity for women of color: only 9 percent of Black women and 3 percent of Latinas were able to pay off their loans in that time frame.[70]

The federal tax code also creates and compounds gender and racial wealth gaps with preferential tax treatments for investment and savings that are inaccessible or less valuable to lower- and moderate-income households—among whom women supporting families on their own and families of color are overrepresented.[71] For example, the tax code purports to incentivize retirement

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savings by sheltering either *contributions to or withdrawals from* tax-favored retirement savings accounts (like 401ks, 403bs, or IRAs) from income tax.[72] This provides the largest benefit to high-income taxpayers in higher tax brackets.[73] And making contributions tax-free does not make it easier for low- and moderate-income workers to contribute to retirement savings, since they may have a difficult time sparing the income and still meeting immediate needs. Likewise, lowering the tax rate on withdrawals from retirement savings accounts provides the greatest benefit to high-income retirees. Tax preferences for retirement are worth over $1 trillion total in 2019–2022, and just 15 percent of the benefits go to the bottom 60 percent of households by income.[74]

As the example of tax-favored retirement savings amply demonstrates, when tax policies do not take income and wealth disparities, gender and racial discrimination, and structural inequality into account, the resulting provisions will exacerbate gender and racial wealth gaps. In addition, policymakers have chronically under-invested in public benefits programs that could help women and their families meet their basic needs, such as rental, nutrition, and child care assistance, or created administrative barriers that prevent women and families from accessing these benefits.[75] They have also failed to make critical improvements to Social Security—including providing caregiver credits, increasing benefit amounts, or reforming the Special Minimum Benefit—that could help women into their retirement.[76] In short, access to high-quality, affordable child care is a central part of the solution, but it is not a silver bullet. Lawmakers must enact a suite of policies needed to address the systemic barriers preventing women, and especially women of color, from building wealth and establishing economic security.

CHILD CARE REFORM MODEL

Child care for everyone who needs it, also known as universal child care, means a publicly funded investment financed from an equitable revenue source that meets the needs of all families, is affordable for families, is high-quality, and values the child care workers doing this work.[77]

In this paper, we model an accessible system that should ensure that children birth to under age 13 (as well as older children with disabilities) have stable and consistent care. Access also means that families' care is inclusive, culturally affirming, and meets families' diverse needs and preferences, including, but not limited to, the needs of dual language learners, families who work nontraditional hours, children and/or parents with disabilities, families experiencing homelessness, children in foster care, or families who live in underserved or rural areas.

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Our model assumes that the system would be accessible in these ways. However, it is important to note that, for the purposes of this research, we were not able to model a perfectly accessible system, and it would be essential for a legislative solution to include more components, such as accommodating parents with nontraditional work schedules. Outreach is key to ensure families can easily find out about child care assistance and child care options, including the quality of those options. Building supply is also critical to accessibility. Resources must be devoted to building and sustaining the infrastructure needed for families to access a high-quality system, with resources targeted to the most underserved areas first. This infrastructure includes, but is not limited to, physical space and facilities, transportation, and a well-qualified workforce.

A child care policy must also ensure affordability for families. An affordable system must also be equitable, meaning that resources need to be targeted to cultivate high-quality programs in the most underserved areas first and to ensure that more financial support is provided to low- and moderate-income families. Families also need financial support that is timely and direct, so that they can pay for their child care bills throughout the year at the time they incur those costs. Including multiple age groups is also critical to affordability since at different stages of a child's life, the costs of care can vary greatly. Financial support should help families afford child care costs for a range of ages, including infants, toddlers, preschoolers, or school-age children. Child care is a critical work support for families, but is more than that—it helps families go to school, retrain for a new career, search for work, and ensures that children have stable and continuous learning environments no matter the family circumstance. In our proposal, we model that child care is available and affordable to all families that need it, without regard to their work status.

Table 1: Reformed Child Care Sliding Fee Scale

FAMILY INCOME AS PERCENT OF STATE MEDIAN	COPAY CAPPED BY PERCENT OF FAMILY INCOME
< 75% (OR, < 200% FPL)	0.0%
75–79%	0.5%
80–89%	1.0%
90–99%	1.5%
100–109%	2.0%
110–119%	3.0%
120–129%	4.0%
130–139%	5.0%
140–149%	6.0%
150% +	7.0%

Notes: Family copays are capped as a percent of family income levels, where families below 75 percent of the state median income or families with income below 200 percent of the federal poverty line (FPL) would have no copays.

A high-quality program ensures that children are cared for in safe, nurturing environments— regardless of setting—that foster their healthy development and learning. These environments are based on quality criteria that are guided by research and best practices. Parents and family members are seen as advocates who contribute valuable knowledge about their experiences and culture to support their children's development and to strengthen their children's programs in their diverse communities. All child care programs and teachers should have sufficient resources to support high-quality, inclusive care and education for all children. And these resources should be specifically targeted at expanding the availability and improving the quality of child care for infants and toddlers.[78]

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Quality care also means that the workforce has the support, resources, and compensation that it needs to provide high-quality care and support their own families. Specifically, in a strong universal system, all early childhood professionals should earn a living wage (or equivalent income) and benefits coupled with a pathway to higher wages equivalent to similarly qualified K–12 educators and tied to standards and credentials that are based on knowledge, skills, and competencies. In order to attract and retain a skilled and committed workforce, current and prospective early childhood professionals should be able to easily access high-quality professional development and training, including higher education programs in early childhood education and other credentials, with scholarship funding and other supports. Early childhood professionals should have a voice in the policymaking and implementation process, and barriers to membership in professional organizations should be addressed so that early childhood professionals have the opportunity to join a professional organization or a union. Lastly, a quality universal system should have resources devoted to retaining, attracting, and developing a racially and ethnically diverse workforce that reflects the communities it serves and ensuring that diversity is well distributed across staffing levels and across all types of care.

No policy on its own—including child care—will solve the gender pay gap or ensure full economic and retirement security for women. To comprehensively address women's economic and retirement insecurity, we must enact a suite of policies such as paid family and medical leave, paid sick days, stronger equal pay protections, fair scheduling practices, anti-discrimination and anti-harassment protections, minimum wage increases, accommodations for pregnant workers, stronger social assistance programs, a more equitable tax code, and strengthened protections for worker organizing, as well as child care for all. But child care policy can significantly move the needle for women by boosting women's lifetime earnings, increasing their Social Security benefits, and helping them build retirement savings.

LIFETIME EARNINGS AND RETIREMENT

Universal child care would allow more women to enter the workforce or work more hours—or to start and finish school or re-train for a new career—all of which increases women's earnings now and in the future.

This policy would also put money back in women's pockets by alleviating the burden of paying out-of-pocket expenses for care. These expenses have a disproportionate impact on women because, right now, women make less on average than men over their lifetimes.[79] For the women working as paid caregivers, it would raise their earnings, allowing them to provide high-quality care for children as professionals and support their own families. These impacts

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would also have spillover effects into other parts of women's lives by making progress on equal pay and reducing the wealth gap.[80]

As a result of increased earnings, universal child care would also increase women's Social Security benefits and other retirement savings. For women who join the workforce as a result of this policy, they would newly contribute to Social Security—and potentially qualify for Social Security benefits on their own records as workers. For women who were already working and would work more hours as a result of this policy, their increase in work years and earnings would mean higher contributions to Social Security over their lifetime and higher benefits as workers upon retirement.

Currently, many women struggle to contribute to retirement savings, both because they are paid less than men and because many do not work enough hours to be eligible for employer-sponsored retirement savings plans (which can include private employer plans, nonprofit plans, and government employee plans).[81] With universal child care, women would be in the workforce and working more hours, and so they would be more likely to qualify to participate in an employer-sponsored retirement plan. This includes child care workers whose benefits package would include retirement savings plans.

In addition, because women—including women who are child care workers—will have higher lifetime earnings as a result of their increased work participation, they would be able to save more, and over more years, for their retirement. This would reduce the gap in savings between men and women and help women attain financial stability in retirement.[82]

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IMPACT ON WOMEN'S LIFETIME **EARNINGS AND THE GENDER WAGE GAP**

Existing research shows that increasing the availability and affordability of child care would increase women's labor force participation, by enabling more women both to join the workforce and to work more hours.

A 2015 review of literature on this subject found that a 10 percent reduction in the price of child care would increase employment of mothers by 0. 5 to 2.5 percent.[83] Additionally, dependable child care is a critical support for unemployed women who are seeking work, including the millions of women who have lost their jobs during the COVID-19 pandemic and resulting recession.

Research also suggests that universal child care would help parents attain higher paying jobs by making it easier to access college, education programs, and training programs. According to a 2019 Government Accountability Office report, about one in five college students in the United States are raising children—more than 4 million people.[84] Results from federally funded on-campus child care programs suggest that students that use such programs are more likely to keep attending school and more likely to graduate, though current funding only reaches about 11,000 of those students with children.[85] Child care is also a critical service for women who are in training or education programs to obtain the skills and credentials for family-supporting work.[86] In a 2015 analysis, the Urban Institute found that the majority of low-income parents who were not in education or training programs were raising children younger than school-age—demonstrating the importance of child care for access to and participation in these programs.[87]

In our new research, we go a step further and provide estimates of the long-term impacts on women's lifetime earnings in this section and retirement security in the **next section.**

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METHODOLOGY

We estimate the effects of child care reform using data from the Annual Social and Economic Supplement of the Current Population Survey (CPS), survey years 2015–2019 (for income data in 2014–2018).

Universal child care increases the income available for families who currently pay for care as well as for families who would be able to pay for child care but for its existing net cost to them. This is a direct cause for many single parents and secondary earners—disproportionately women—to enter the work force or increase their work hours. It is these behavioral responses that make the biggest difference in increasing family income, reducing poverty, and improving retirement security.

In order to model these behavioral responses, we use two methods. First, with the *elasticity* method, we use estimates from the available literature to model how lower child care costs would affect workforce participation and work hours.[88] Second, with the *matching* method, we match parents of younger children with parents of older children—who have reduced child care costs because older children typically need less care—to approximate how the reduced cost of child care would change hours worked. To summarize the potential impact of reform, we reference the midpoint between these two approaches; however, we want to caution the main findings imply a range of impacts and the midpoint cannot be directly interpreted as the expected outcome.[89]

Another outcome for the proposed child care reform would be higher wages for child care workers. We assume that child care workers receive at minimum a wage equivalent to the state median for pre-K and kindergarten teachers if they have at least an associate's degree, or a living wage defined for their state/metropolitan area as a minimum.[90]

The data we use offers insight into family structure, work hours, earnings, and occupation. However, they represent a snapshot in time rather than the full lifetime of an individual. It is important to have an understanding of how universal child care would affect women's financial security throughout their lives. So, we estimate the net change for adults at every age (in five-year age segments) and then use these estimates to model the changes over an individual's lifetime. Because certain situations change over time (for example, the number of children a woman has or her work status), we anchor these age segments to a cohort ages 35–39, the ages in which family size and income are most predictive for the rest of the individual's life. (See Figure A2 for life-cycle estimates of number of children, age of youngest child, and correlations of current income with lifetime income.)

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Starting with this mid-life age segment, we match individuals to five-year age segments of average income and reform effects to create an “individualized” life-cycle profile. With this profile, we further estimate potential wage growth from increased work experience, increased savings from private income, and higher Social Security benefits. For individuals able to work more because of the child care reform, we calculate their increased work experience and decreased interruptions in their work.[91] Later, we include the cumulative effects of additional retirement security through private savings and Social Security.

LIMITATIONS

Our estimates of behavioral responses are limited by data constraints and assumptions we make in the model.

In general, the model assumes that the demographic composition of the population stays the same over time and that child care reform does not change families’ fertility decisions, geographic relocation, educational attainment, or life expectancy. We also assume that there are no general equilibrium wage changes from overall shifts in the labor market over time. The model does not address any potential changes to work arrangements (for example, working more jobs or working nonstandard hours), and it assumes that the availability of child care is reflected in parents’ work decisions.

RESULTS

Providing high-quality, affordable child care to everyone who needs it would boost women’s labor force participation.

In particular, reform would narrow the gender gap in working full-time/full-year (FTFY), especially among those with less educational attainment among prime working-age adults with children under age 13. As seen in **Figure 3**, women with less than a high school education would benefit the most, becoming about 56 percent more likely to work FTFY post-reform.[92] While this group of workers is likely to be eligible for some child care assistance in the absence of reform, the gender disparities for yearly work hours within education levels are stark, especially between men and women at lower education levels. This suggests that women with lower levels of education face barriers beyond job readiness or training.

This pre-reform gender disparity can also be seen between men and women with less than a college education (that is, all those in the first three education categories of **Figure 3**). Before

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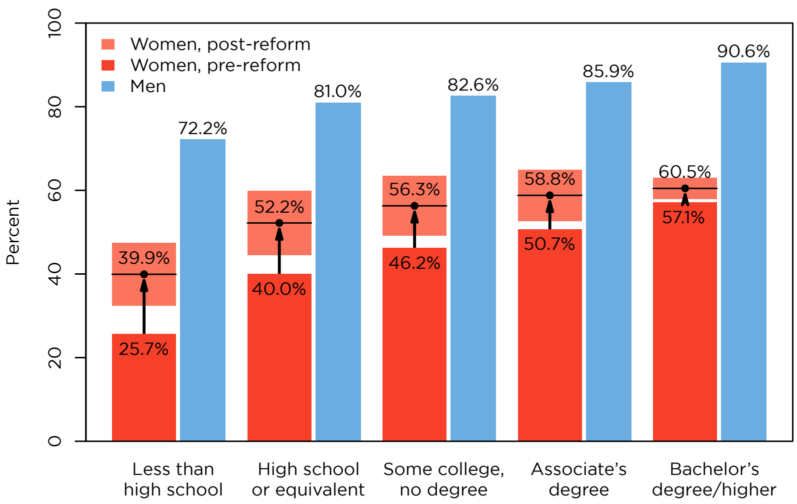
estimating likely effects of universal child care, those with no college degree were about 39 percent likely to work FTFY among women and 80 percent for men; after reform, estimates suggest that these women could increase FTFY participation up to somewhere between 43 and 58 percent. At the midpoint, this would be a 31 percent increase in women without a college degree working FTFY. Another way to frame this change would be a reduction in one quarter of the gap between men's and women's likelihood of working FTFY for those without any college degree.

Figure 3: Family Head/Spouse Ages 25 to 64 With Children Under Age 13 Working Full-Time/Full-Year, by Educational Attainment



Notes: Working full-time/full-year is defined by reporting at least 1750 hours (or at least 35 hours per week for 50 weeks). The midpoint between elasticity-based and matching-based estimates post-reform are labeled, and the lower range of estimates corresponds to the elasticity approach and the upper range to the matching approach.

Universal child care would also reduce labor participation disparities among women with different levels of education. For 2014–2018, women with children under age 13 and less than a high school education are 55 percent less likely to work FTFY than those with a bachelor's degree or higher (for men with children under age 13, they would only be 20 percent less likely to work FTFY). Child care reform would cut this disparity down to 34 percent.

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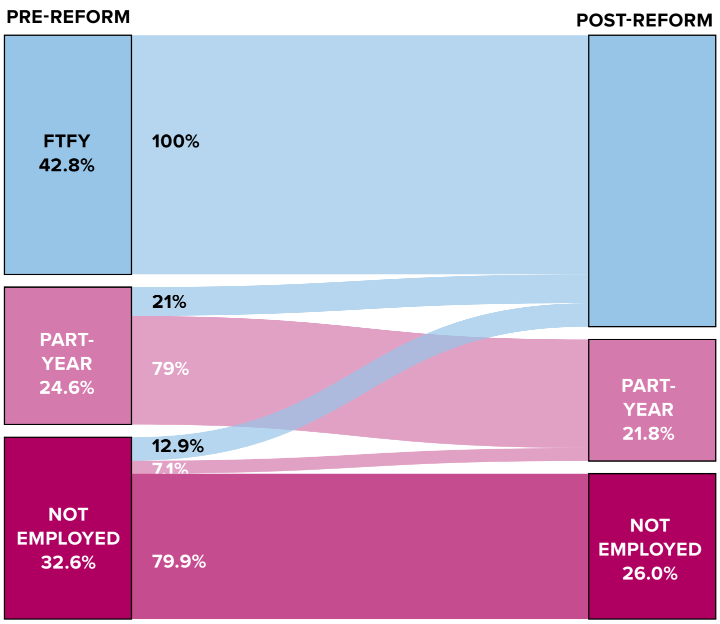
Child care reform would also allow more women to transition work status, such as from not employed to part-year work or FTFY work, as well as from part-year work to FTFY work. **Figure 4** depicts the estimated change in women's work status post-reform, specifically for single parents or secondary earners with a child under age 13.[93] Currently 33 percent of this population are not employed, but child care reform would reduce this number to 26 percent. Most of the employment gains would be seen in an almost 10-point percentage increase in mothers working FTFY, from 43 percent to 52 percent. Transitioning into a work status with more hours would do more than just boost women's earnings. It would also make them more likely to qualify for Social Security benefits with their own work records and more likely to be eligible for employer-sponsored retirement savings plans.

Figure 4: Transitions in Work Status for Women with a Child Under Age 13 (based on midpoint estimates by estimation method)



Notes: Full-time/full-year (FTFY) status is defined by at least 1750 hours. These estimates reflect the midpoint between elasticity-based and matching-based approaches. The post-reform distribution of FTFY status by elasticity-method estimates would be 46.1 percent FTFY, 25.7 percent part-year, and 28.2 percent not employed. Based on matching estimates, the post-reform distribution would be 58.3 percent FTFY, 17.8 percent part-year, and 23.9 percent not employed.

Perhaps most importantly, providing high-quality, affordable child care to everyone who needs it would boost the collective lifetime earnings of a cohort of 1.3 million women by $130 billion. The average woman with two children would see an increase in earnings of $97,000 over her lifetime, as seen in **Figure 5** on the following page.[94] A woman's earnings would see the highest gains during her thirties and forties, the decades in which the woman is most likely to have and raise children.

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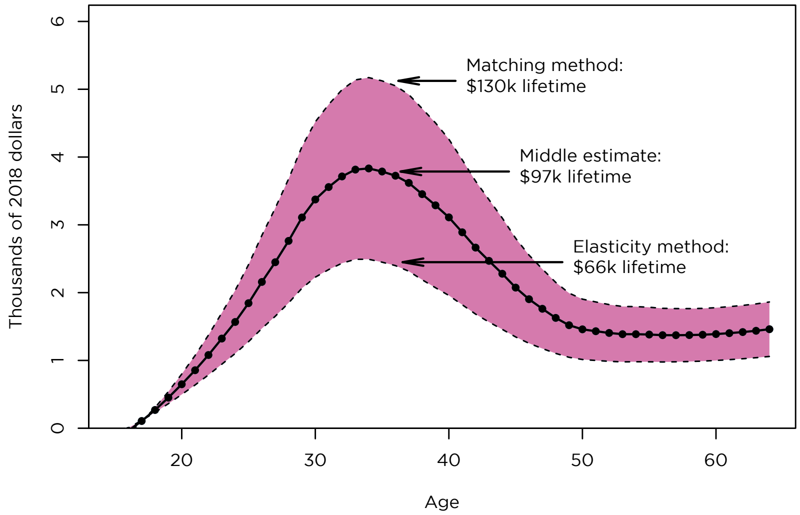
Figure 5: Changes in Lifetime Net Income by Life-Course Profiles for Women With Two Children, by Simulation Method



Notes: Estimates show net income changes including decreased out-of-pocket child care expenses, increased earnings, and effects of wage growth by age for an average woman with two children. This change in net income includes some portion of income that may be set aside as private savings contributions (compare with Figure 8 showing cumulative changes in income and retirement savings over the life course).

Child care reform would also reduce inequality by disproportionately boosting the lifetime earnings of mothers with some college or less, families in poverty, and younger workers entering the workforce. These women may benefit somewhat less in absolute dollars relative to higher-wage workers, but the relative benefits can be substantial given their lower starting incomes. **Figure 6** shows how women with less than high school education would see the greatest percent change in their incomes. Twenty-year old mothers with less than a high school education would experience on average more than a 30 percent increase in their earnings, about 20 percentage points higher than mothers at any other educational attainment level. Before the age of 30, women with a high school degree or some college would see a greater increase than those with college degrees, both in amount and percent change.

Child care reform would also allow many women with incomes below the poverty line to enter the labor market, providing a steep percent change in their lifetime incomes. This is especially true for younger workers: Twenty-year old women below the poverty line would benefit from a more than 20 percent increase in their earnings. While the reform benefits higher-income families, as well, it does so with some limitations. The child care copay would be capped at 7 percent of family income for incomes above 150 percent of the state median, and these families are presumed not to be constrained by income and thus do not have estimated changes to earnings.

This policy would also benefit families of all races and ethnicities and help close the racial lifetime earnings gaps between white households and Black and Latinx households. **Figure 6** also depicts how both Black and Latina mothers would experience a greater percent change in their earnings compared to white mothers. Black mothers, in particular, would benefit the

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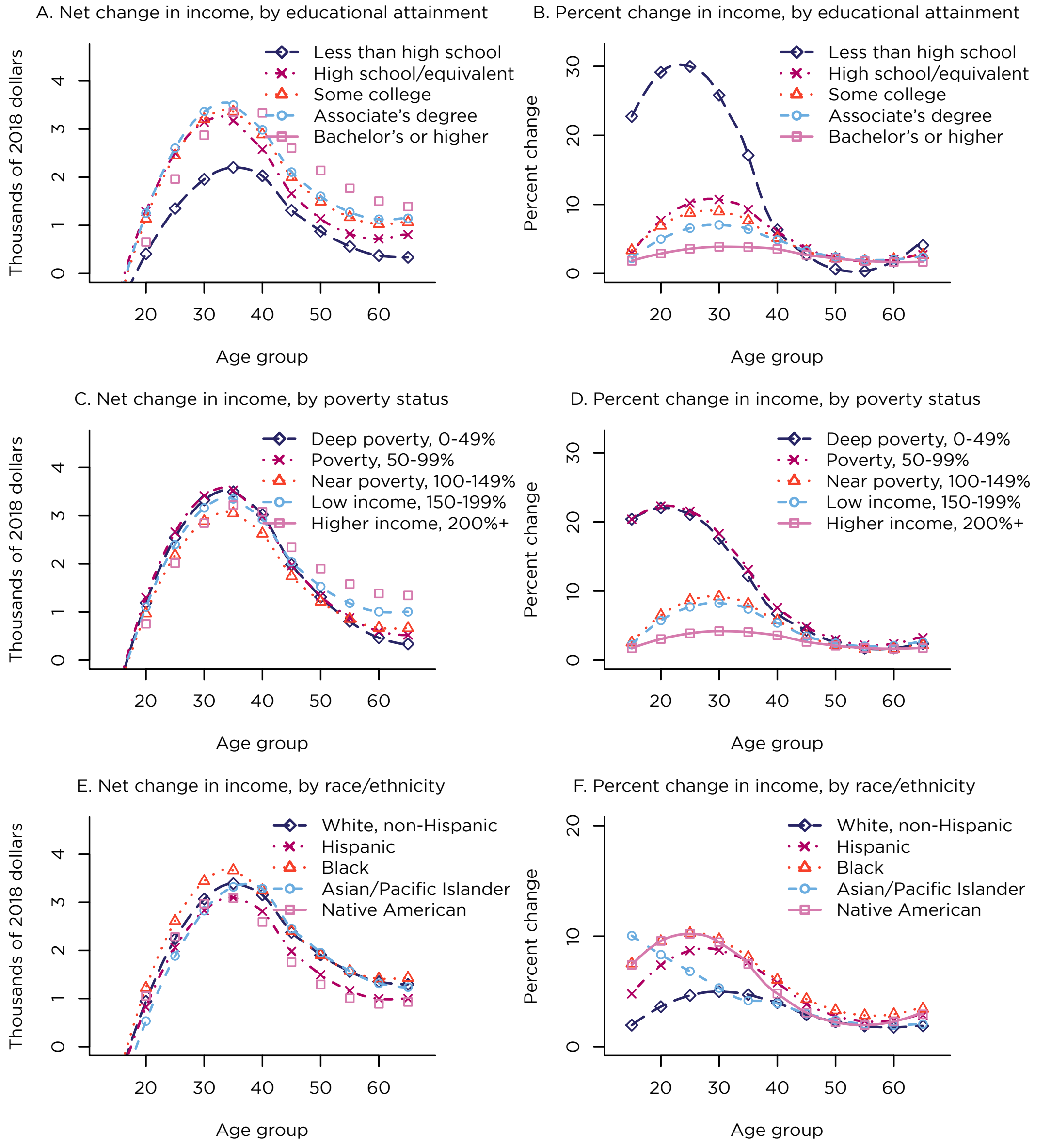
most in absolute and relative terms, with an increase of over $100,000 in lifetime net income. Women who face multiple forms of marginalization see the greatest benefits under this proposal. For Black women in deep poverty, child care reform would increase their lifetime income by $108,000, an amount higher than the average lifetime increase of $97,000.

Figure 6: Changes in Net Income by Life-Course Profiles for Women With Two Children, Level and Percent Changes by Individual Characteristics



Notes: Estimates in the left column (panels A, C, and E) show net income changes including decreased out-of-pocket child care expenses, increased earnings, and effects of wage growth by age for an average woman with two children. Estimates in the right column (panels B, D, and E) show the net change as a percent increase relative to initial income. These estimates represent the midpoints between the elasticity-based and matching-based methods.

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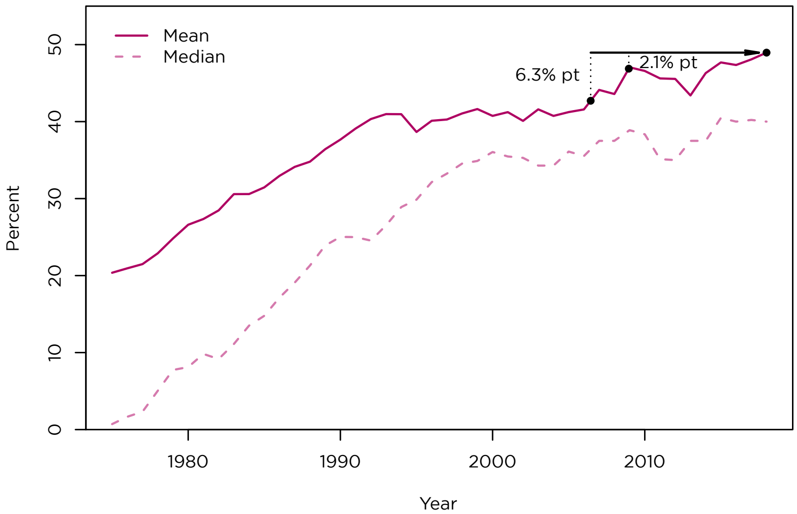
Providing accessible child care would also reduce the total yearly earnings gap between men and women. Comparing unconditional average earnings between men and women emphasizes the gender differences in who works and how much they are able to work, which are both closely tied to gender divisions in child care responsibilities. Among those ages 25 to 64 with children under the age of 13, accessible child care would reduce the total yearly earnings gap by around $70 billion, representing a 2.1 to 6.3 percentage point increase in the ratio of women's earnings to men's.[95] This substantial impact is similar in scale to the historical progress made over nine to 12 years to close the gender gap in earnings, as illustrated in **Figure 7**.

Figure 7: Women's Earnings as a Percent of Men's Among Individuals Ages 25 to 64 With a Child Under Age 13



Notes: Mean and median yearly earnings are shown for men and women, ages 25 to 64, who are the family head or spouse with children present under age 13. These estimates are unconditional earnings, which include individuals who are not employed. The magnitude of the reform effect is overlaid in the figure for illustration, where 2.1 percentage point change corresponds to the elasticity-based method, and the 6.3 percentage point change to the matching method.

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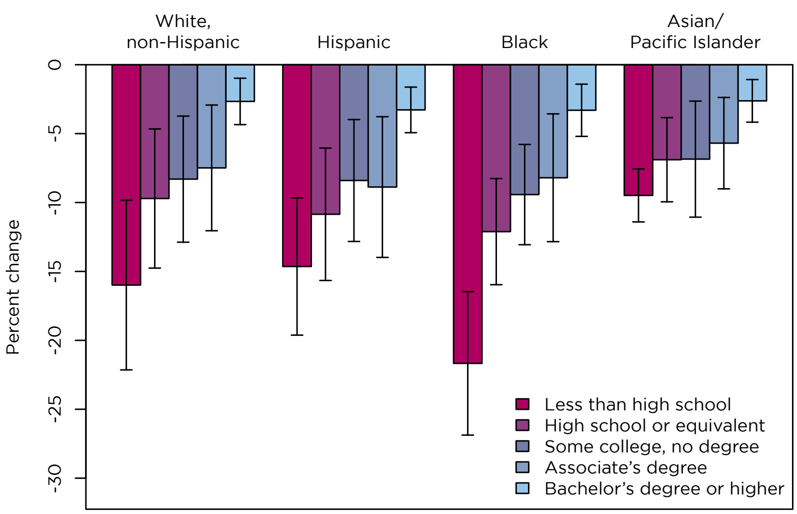
The reform also decreases the earnings gaps by race and ethnicity. **Figure 8** shows how much child care reform could lessen gender earnings gaps by race and ethnicity by comparing women of different groups to white, non-Hispanic men (as a fixed reference point). For those with less than a high school degree, women could close the gender earnings gap by about 15 to 25 percent, with Black women benefiting the most. For those with a high school degree but no college degree, the gender gap would be reduced by around 10 percent. Child care reform would have the smallest gains for women with a bachelor's degree or higher, yet these would still be around 2.5 percent smaller after reform.

Figure 8: Reduction in the Gender Earnings Gap for Adults Ages 25 to 64 With Children Under Age 13, By Race/Ethnicity and Educational Attainment



Notes: Estimates compare the reductions in unconditional average earnings by education and race/ethnicity group relative to white, non-Hispanic men in the same education group. These estimates do not account for potential wage growth with increased job market attachment over time. Native American women were excluded from this figure because of imprecise estimates. The midpoints between elasticity- and matching-based estimates are shown by the bars, where the whiskers indicate the smaller elasticity-based estimates and the larger matching estimates.

This policy would also boost current and future earnings of women who are child care workers, about two in five of whom are also mothers of young children. Women comprise 93 percent of the child care workforce, and women of color face lower yearly earnings: the average earnings for a Black child care worker is $24,600 compared to $27,400 for white workers **(see Table 2)**.

Child care workers are under-compensated relative to other educators. They provide early education during a period in which children's brains are still rapidly developing, and research has shown that this education is critical for their future growth, development, and academic success.[96] By aligning child care worker wages with teacher wages, child care workers would see their average annual earnings rise from $27,600 to $33,800 across all races and income levels—a 22 percent increase. Earnings would increase more dramatically for child care workers who are people of color and those who currently earn the lowest wages. For example, across all races, child care workers in poverty would see a typical yearly earnings increase of 79 percent—and Latinx child care workers who are in poverty would experience a 91 percent increase, from $13,800 to $26,400.

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ASSUMPTIONS AND LIMITATIONS FOR **CHILD CARE WORKER WAGE MODEL**

Adjustments to child care worker wages assume that the hours they work and their level of educational attainment remain constant, and that wages are raised to the state median for kindergarten or earlier education teachers if the individual has an associate's degree or higher, and to a living wage otherwise.

The pre-reform estimates of hourly wage among child care workers correspond to the workers' self-reported wage income, hours worked, and occupation over the last year, and so they may reflect biased estimates for misreported hours or part-year occupation changes. To the extent that child care reform draws more parents into the labor force, some increases in employment could be attributed to an expanded child care sector, but this growth in child care supply is not modeled directly here.

Table 2: Average Yearly Earnings in Child Care Jobs, by Race/Ethnicity and Poverty Status

	PRE-REFORM EARNINGS	POST-REFORM EARNINGS	PERCENT EARNINGS INCREASE
ALL INCOMES			
All races	27,600	33,800	22
White, non-Hispanic	27,400	33,100	21
Hispanic	32,700	40,600	24
Black	24,600	30,000	22
Asian/Pacific Isl.	21,400	29,600	38
BELOW POVERTY			
All races	13,000	23,300	79
White, non-Hispanic	11,400	20,700	82
Hispanic	13,800	26,400	91
Black	18,200	26,300	45
Asian/Pacific Isl.	12,500	23,300	86
BELOW POVERTY			
All races	18,900	27,200	44
White, non-Hispanic	18,100	26,500	46
Hispanic	19,200	28,700	49
Black	20,800	27,700	33
Asian/Pacific Isl.	18,000	26,500	47

Note: The earnings statistics correspond to changes in wages as constructed from reported earnings and hours worked over a year in which the main occupation is reported as child care worker and the individual works at least 35 hours per week in a wage/salary job (excluding self-employed). Poverty status is determined by Supplemental Poverty Measure net income to needs ratio below 100 percent or below 200 percent for low-income status.

Overall, our research demonstrates that providing universal child care would boost women's participation in the workforce and increase the lifetime earnings of women, even more so for women of color, women experiencing poverty and income inequality, and women with less than an associate's degree. It would also increase the wages of child care workers, which would in turn increase their annual earnings.

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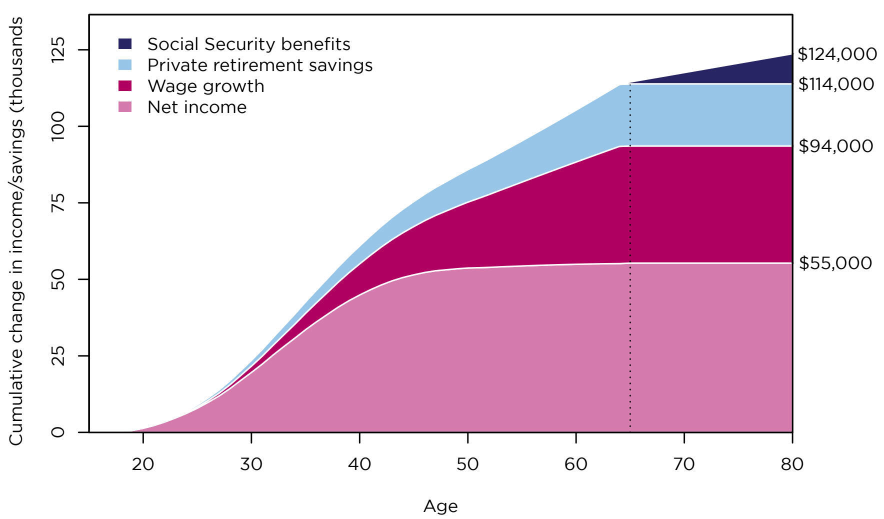
If child care reform allows women to work more and spend less, then these net income increases would also allow them to save more toward retirement.

The average lifetime increase in net income for a woman with two children would be about $97,000 (or $94,000 after contributing to private savings), which would correspond to an increase of $20,000 in private savings by age 64 (counting both contributions—own and employer's—and compound growth). Assuming that she retires at age 65, the increased value of Social Security benefits would accumulate to a total of another $10,000 over 15 years (see **Figure 9**). On average, this additional savings would equate to around $160 in extra retirement income per month, or $1,920 a year.[97] This would reduce senior poverty among women by about 21 percent.

For private savings changes, we assume a total rate of 7.5 percent of additional earnings contributed to savings between both worker and employer, and that these additional savings grow at a compound rate of 4 percent yearly. For Social Security changes, we estimate the

Figure 9: Cumulative Change in Income and Savings for Women With Two Children



Notes: Estimates show the year-by-year accumulation of total lifetime benefits after reform. The cumulative change in lifetime net income and age growth would round to $97,000 before offsetting to reflect contributions to private savings (see Figure 5 for comparison). The elasticity-method estimates for cumulative lifetime impact would be $38,000 for net income, $25,000 wage growth, $11,000 private savings, and $5,000 in Social Security benefits ($80,000 total). Based on matching estimates, the lifetime impact would be $72,000 for net income, $52,000 wage growth, $29,000 private savings, and $5,000 in Social Security benefits ($159,000 total).

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primary insurance amount before and after any reform effects based on an individual's life-cycle earnings profile from age 30 to 64. In total, an individual's change in lifetime income and retirement savings is the sum of reduced out-of-pocket child care expenses, earnings changes from increased hours and wages, private savings accumulated by age 65, and the value of 15 years of higher Social Security benefits.

Universal child care would especially contribute to the retirement security of women with lower education and lower income. **Table 3** shows that women in deep poverty would receive an additional $47,000 in Social Security compared to $4,000 for higher income women. Women with higher earnings benefit more from wage growth because they have fewer interruptions related to child care, but the change is relatively small with respect to Social Security benefits. Black and Latinx women would particularly benefit from increased earnings and retirement savings, with additional Social Security benefits of $13,000 and $12,000, respectively.[98]

Table 3: Lifetime Changes After Reform for Women With Two Children by Educational Attainment, SPM Poverty Status, and Race/Ethnicity.

Educational Attainment	Net income	Wage growth	Private savings	Social Security	Total
Less than high school	50,000	7,000	13,000	15,000	84,000
High school or equivalent	66,000	20,000	21,000	13,000	120,000
Some college	63,000	28,000	21,000	12,000	124,000
Associate's degree	62,000	33,000	22,000	9,000	126,000
Bachelor's or higher	46,000	44,000	18,000	6,000	115,000
SPM Poverty Status	**Net income**	**Wage growth**	**Private savings**	**Social Security**	**Total**
Deep poverty, <.5	81,000	9,000	22,000	47,000	158,000
Below poverty, .5-.99	82,000	11,000	23,000	29,000	145,000
Near poverty, 1-1.49	60,000	17,000	19,000	14,000	110,000
Low income, 1.5-1.99	63,000	27,000	21,000	9,000	120,000
Higher income, >=2	46,000	42,000	18,000	4,000	110,000
Race/Ethnicity	**Net income**	**Wage growth**	**Private savings**	**Social Security**	**Total**
White, non-Hispanic	53,000	40,000	20,000	8,000	121,000
Hispanic	58,000	26,000	19,000	12,000	115,000
Black	64,000	39,000	24,000	13,000	140,000
AAPI	48,000	38,000	18,000	9,000	113,000
Native American	60,000	25,000	20,000	12,000	116,000
Average	55,000	38,000	20,000	10,000	124,000
All races	27,600	33,800	22	22	22

Notes: Estimates are rounded to the nearest $1,000, and these numbers represent the midpoints between the two estimation methods. Private savings assumes a rate of 7.5 percent of additional income, with half of that amount taken out of net income and wage growth and the other half assumed to be employer contribution.

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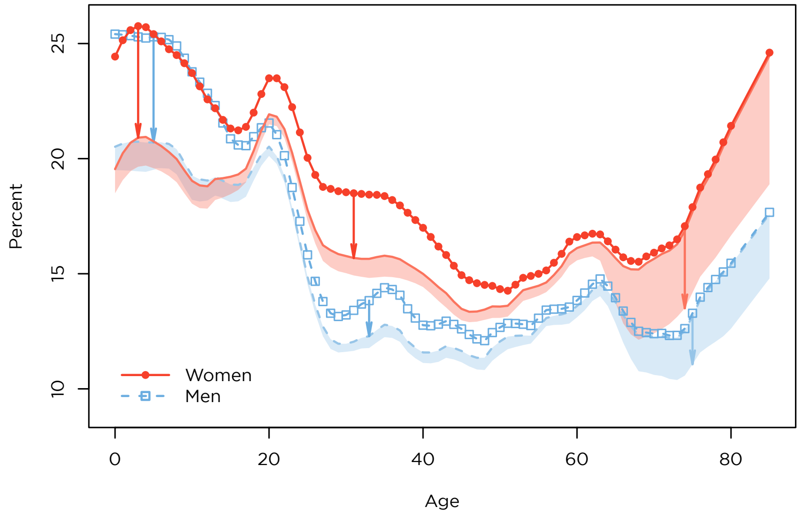
The lifetime impact of child care reform on earnings and retirement can be visualized in terms of changes to family poverty status. If net income increases for a woman with children, then her family is better off. First, this reform would reduce child poverty of any gender. Then, poverty among women would decrease the most around age 30 to 35, along with smaller poverty reductions among men.

Later in life where poverty status begins to diverge by gender, women would have a much better chance at achieving above-poverty retirement income. Figure 10 shows poverty estimates pre- and post-reform, with the arrows indicating the drop in poverty rates. This initial drop is a direct effect of increased work hours and decreased costs, and the shaded region indicates additional drops in poverty that could result from increased wages and retirement savings from greater labor force attachment.

Figure 10. SPM Pre-Tax/Transfer Poverty Post-Reform Across the Life Course, by Gender



Notes: Author's calculations based on pre-tax/transfer income with uncapped child care expenses taken out of disposable income. All retirement income sources are included, which means Social Security is not treated as transfer income in this context. The lines showing lower poverty rates post-reform indicate the direct effect of higher net incomes from the reform, while the shaded regions suggest how much wage growth over time (from reduced work interruptions) and accumulated retirement savings would further reduce poverty. The data use five-year averages for Current Population Survey March Supplement survey years 2015–2019 (2014–2018 income observations).

By increasing earnings and allowing women to save more for retirement, child care reform would help ensure that women experience greater levels of financial security throughout their lifetimes. With a disproportionate number of women facing poverty in their later years, this lifetime security is a critical benefit of child care for all.

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CONCLUSION

Building a system of high-quality, affordable child care for all will help families today and over the course of their lifetimes.

More children will have access to high-quality settings and fewer children will experience poverty—resulting in better outcomes for their health, education, and earnings as adults. More women will be able to enter the workforce or work more hours, boosting their income throughout their lives and enhancing their financial security in retirement. Child care workers—93 percent of whom are women and disproportionately women of color and immigrant women—will earn living wages for the essential work they do to serve families and communities, resulting in greater economic stability for them and their families during their working years and into retirement. All families will benefit from women's higher earnings. And as discussed above, families of color, families with low-incomes, and families where the breadwinner has an associate degree or less will see the greatest gains. In short, child care carries a lifetime worth of benefits.

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METHODOLOGICAL NOTE

The potential effects of child care reform are estimated using data from the Annual Social and Economic Supplement of the Current Population Survey (CPS), 2015–2019 (for income data observed in 2014-2018).

Any reform that reduces out-of-pocket child care expenses for families would lead to an increase in disposable income for those who are currently paying for care, and accounting for potential behavioral responses to reform, families may also increase work/child care hours or change modes of child care arrangement. Behavioral responses to child care reform comprise the largest effect in terms of net income gains, poverty reduction, and long-term saving ability. Given any simulated changes to earnings, we also estimate expected changes to taxes and transfers, accordingly.

In order to simulate child care reform effects on families' incomes, we estimate the expected behavioral responses in hours of work/care, change in earnings, and change in the net cost of child care. We assume that any behavioral response to a child care reform would be taken by either a single parent or the secondary earner if there are two parents present. For changes in work probability, Figure A1 shows a range of estimates in the literature that corresponds to varying samples, such as mothers who are married, single, or low-income. We choose a range of elasticities that correspond to -0.225 to -0.450 for lower-income single parents, and -0.075 to -0.150 for lower-income secondary earners in two-parent families (see Morrissey, 2017, for a review of the literature).[99] There is much less evidence in the literature on labor responses in yearly hours worked versus the decision whether to work or not. A recent National Academy of Sciences study addressed this gap by omitting the hours-worked response (NAS, 2019).[100] Here we use conservative estimates no greater than elasticities of -0.068 in magnitude for the percent change in hours with respect to a 1 percent change in child care prices. Mumford, Parera-Nicolau, and Pena-Boquette report estimates closer to -0.12, and Kornstad and Thorese (2007) describe a brief literature of estimates ranging from -0.04 to -0.78.[101] See **Figure A1** for a summary of our labor supply elasticity assumptions, which vary by family income status with respect to the state median income as well as by age of youngest child and marital status.[102]

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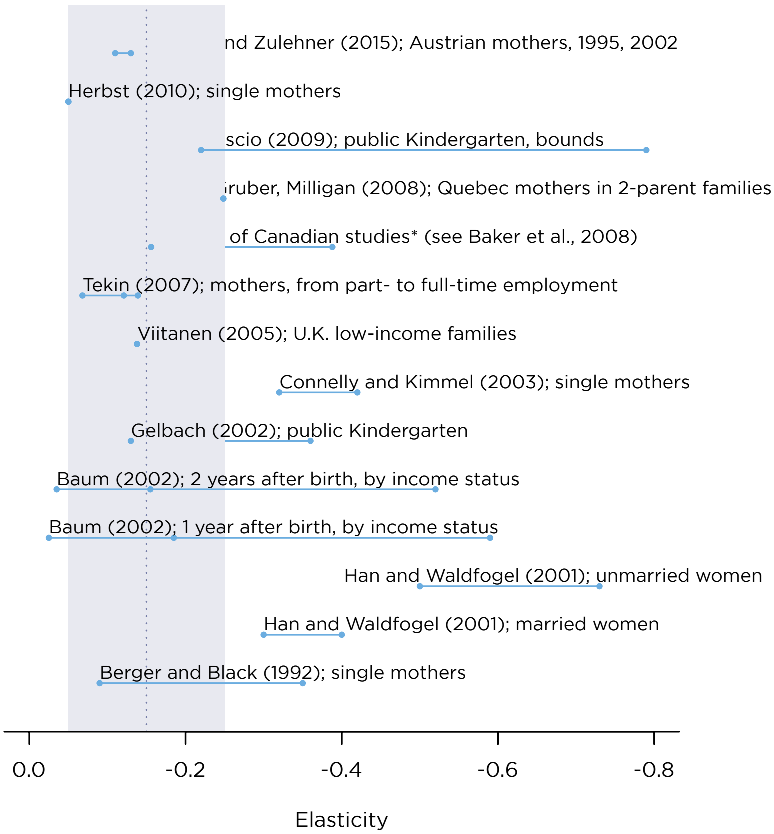
Figure A1. Employment Elasticity Estimates With Respect to Child Care Price



Notes: For estimate sources, see the literature review by Morrissey (2017). Other Canadian studies are summarized in Baker, Gruber, and Milligan (2008), and the studies above by Berger and Black and by Gelbach are summarized in Herbst (2010). The shaded range represents what Morrissey (2017) identifies as a cluster of estimates from 0.05 to 0.25 for U.S. studies.

Table A1: Labor Supply Response Relative to 100-Percent Decrease in Child Care Price

	FAMILY INCOME BELOW 75 PERCENT OF STATE MEDIAN	FAMILY INCOME 75 150 PERCENT OF STATE MEDIAN
Marital status, with child ages 0 to 12	**Percent increase in work probability**	
Single	45.0%	22.5%
Married/cohabiting	15.0%	7.5%
Youngest child age range	**Percent increase in hours worked**	
0 to 2	6.8%	3.4%
3 to 5	5.0%	2.5%
6 to 12	3.4%	1.7%

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In contrast, when applying the matching method instead of relying on elasticities, the matching assumes that a parent with a young child works similar hours compared to a comparable parent of older children. The matched change in hours is proportional to the percent change in child care costs such that a 50 percent decrease in costs, for example, would increase hours up to 50 percent of the gap between the individual's observed hours and the matched parent's. In practice, the implied elasticities can be estimated after the simulations as a comparison to those found in the literature. The matching method provides work-decision elasticities within a range similar to the elasticity literature, and hours-decision elasticities that are typically larger. In the balance, the hours-decision estimates even out somewhat between the elasticity-based and matching-based approaches. For a minority of cases, the matching method may resemble a more discontinuous jump from very low hours to a more regular/stable level of yearly employment, which implies some skewness in the upper distribution of hours adjustments. While the middle ground between elasticity-based and matching-based estimates does not have a clear interpretation as either a point estimate or a true set-identified bound, it does offer practical value in describing potential reform effects (see below for the implied elasticities based on simulations according to both methods).

There are two major challenges to estimating labor responses based on elasticity values. First, the change in child care subsidy can be interpreted as a change in price, however, the CPS data provide self-reported child care expenses paid out of pocket, which is not the same as the market price for quality care. Second, only about a third of low-income working families are paying anything out of pocket for child care, and over half of these families have a single parent or secondary earner with no reported earnings. (Note that some families are already subsidized because of low incomes, yet they may not be able to increase work hours because of access difficulty, availability of quality care, or the new costs applicable at higher earned income levels.) Therefore, the simulation for behavioral responses proceeds in three steps. First, we estimate the potential cost of child care based on market prices and potential work hours if families were not constrained by access to care. Potential cost is used as a proxy for the relevant yearly price a family might consider in decision-making given preferences for work and child care. Second, we estimate the percent change in labor supply and child care utilization based on the effect of child care reform on a family's potential costs. Finally, we estimate the net change in disposable income given the estimated change in earnings (along with any relevant changes in taxes or transfers) and net child care costs after any changes to child care demand, costs, and post-reform subsidies. For families that may move from not working to working, or from no paid child care to paid formal care, we are not able to estimate a smooth transition based on elasticities. Therefore, we use a matching algorithm that imputes new hours of work and child care expenses by family characteristics. For either method, we assume that: 1) no family would decrease labor supply in response to a decrease in child care costs, 2) no families with income above 150 percent of the state median would change their labor supply, and 3) no one would increase labor supply beyond 2080 hours per year. Further, we assume a post-reform setting in which the child care market has fully adapted and quality child care supply is market-clearing.

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An individual's labor response is estimated by the percent change in potential yearly child care costs multiplied by their assumed elasticity value. For hours/earnings, the change is given by a percent increase in current hours/earnings implied by the elasticity and change in potential costs, and for those previously not working, the probability of deciding to work is the percent change in costs times the employment elasticity. If an individual's estimated probability of working is greater than a random variate from the uniform distribution in [0,1], then they are assigned hours/earnings based on the matching method. The elasticity-based estimates may understate the behavioral response to child care reform in the case where universally affordable care changes the supply of quality care and shifts norms for work and care arrangements. In order to provide a quasi-upper-bound estimate of labor responses, we also estimate the expected earnings change if a parent with children under age 13 supplied labor similarly to the distribution of yearly work hours of parents with children ages 13 to 17. The matching relies on whether a spouse is present, the education of the reference parent, as well as state, year, and metropolitan status, and the estimated change based on matched hours is set proportional to the percent change in potential child care cost. The earnings increase is estimated by any increase from matched hours at the parent's observed wage (yearly earnings per hours worked), or at the matched level for those with no prior earnings.

The market prices for quality child care in the post-reform environment assume costs that are consistent with estimates provided by Workman (2018), which account for the increase in costs necessary to provide higher quality care.[103] Workman's higher care costs apply to infants, toddlers, and preschool, so the costs for school-aged children are taken from Child Care Aware estimates by state for center-based care. Given that child care reforms can change the market for child care supply, we also account for wage changes among child care workers. Individuals with a reported occupation of child care worker are estimated to receive earnings no less than the state median for pre-K and Kindergarten teachers if the worker has at least an associate's degree, or at least a living wage otherwise. The living wage estimates use metropolitan- and state-level wages that vary according to expected expenses by family structure and number of children.[104]

The initial estimates for changes to lifetime income among women use the available five years of cross-sectional data in the CPS to estimate average income within five-year age bins across the life cycle. Specifically, we construct age bins for every five years of age and compare the average income for this segment of the life cycle before and after the reform. The sum of these differences over the prime adult years provides an estimate of the change in lifetime earnings. However, comparisons of lifetime impacts by demographics as well as estimates of compounding wage and saving effects require estimating an "individualized" life-cycle profile with a stochastic process for variation in outcomes across ages.

We construct an individual-level life-cycle profile based on the sample of observations with the best approximation of family structure by number and age of children as well as the closest correlation between current and lifetime income. If you were to pick a person

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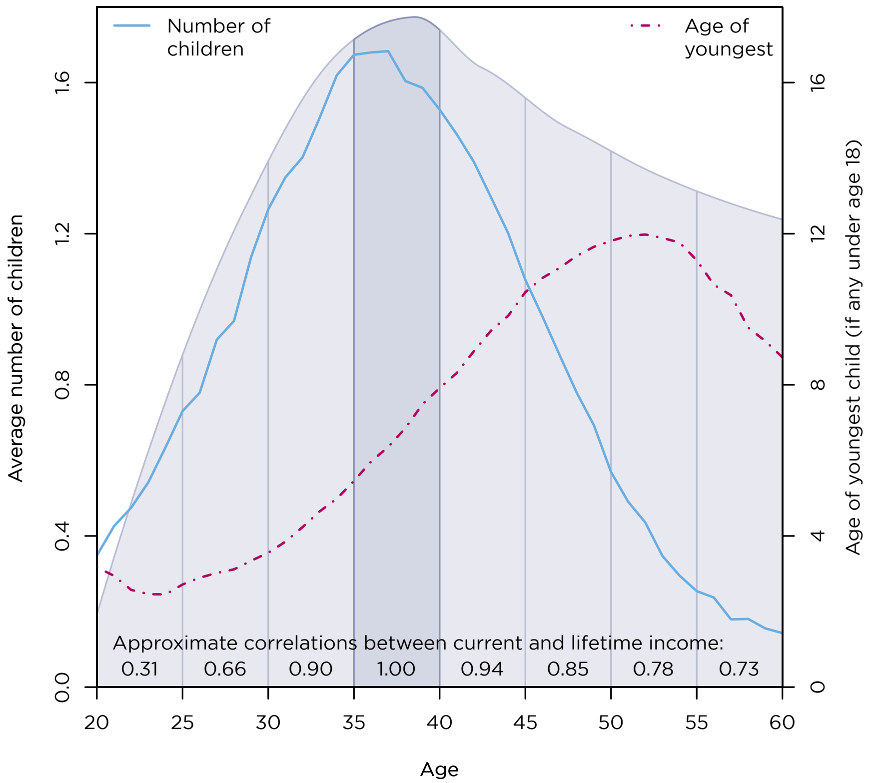
at random and try to construct what their family size and income would look like over an entire lifetime, the ages between 35 and 39 would provide the clearest information based on these criteria. **Figure A2** illustrates the number of children (unconditional) and age of youngest child (conditional on any children present) as the age of householder varies across the life cycle. Adult ages 35 to 39 correspond to the largest expected number of children in the family as well as the middle of the under-age-13 range for youngest child observed. At the same time, this age range corresponds to the portion of the life cycle at which current earnings correlates most closely to lifetime earnings. The height of the shaded region in Figure A2 illustrates an approximation of the life-cycle correlations between current and lifetime earnings based on estimates from Haider and Solon (2006).[105] Generally, a single year of earnings provides a biased estimate of lifetime earnings, yet the average correlation during the prime years of family and work life is close to one. Given this motivating evidence, we construct a synthetic cohort that uses the age 35 to 39 householder observations as a basis to match backward and forward over cross-sections of data by age group.

Figure A2: Life-Cycle Variation in Number and Age of Children and Approximate Correlations of Current and Lifetime Earnings



Notes: Number of children and age of youngest child conditional on any children are estimated using CPS data corresponding to years 2014–2018. The correlations between current and lifetime income, shown by the shaded region, are approximated based on results in Haider and Solon (2006).

There are nearly 30,000 women in the data who are either the family head or spouse and ages 35 to 39 (using the 2015–2019 CPS). In order to construct average group estimates of lifetime impacts, each of these individuals is matched across the life course with similar profile individuals at different ages in the cross-sectional data. Each individual is assigned a

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conditional mean of disposable income pre-/post-reform within each of the five-year windows from ages 15 through 64. The conditioning matching variables for this exercise include fixed characteristics such as gender, race/ethnicity, age, education (adjusted for ages 15 through 22), children (adjusted backward and forward by ages and number present in the family), and also a set of stochastically assigned characteristics for matching by income, state, metropolitan area, and whether a spouse/partner is present. For the characteristics that vary according to some random component, the matching allows for a certain degree of variation depending on the initial baseline characteristics for each individual. For example, earnings can vary across a lifetime, so if an individual's earnings at age 35 are at the median of the earnings distribution, there is no guarantee that their earnings at age 25 are at the same location in the distribution. Therefore, the conditional means at different points in the life cycle are modeled according to different bandwidths of the earnings distribution: smaller bandwidths near the base years of 35 to 40, and increasingly wider bandwidths at younger ages and somewhat wider bandwidths at older ages (where wider bandwidths allows greater matching uncertainty). Whether a spouse is present for the conditional means at other points in the life cycle depends on the probability of spouses present at those ages as well as whether a spouse is present in the base years. While the joint distributions of life-cycle marriage/cohabitation propensities is not readily available, these approximations allow for more realistic variation in the data, and ultimately, the synthetic individual-level estimated lifetime earnings and benefits are comparable to the cross-sectional lifetime approximation.

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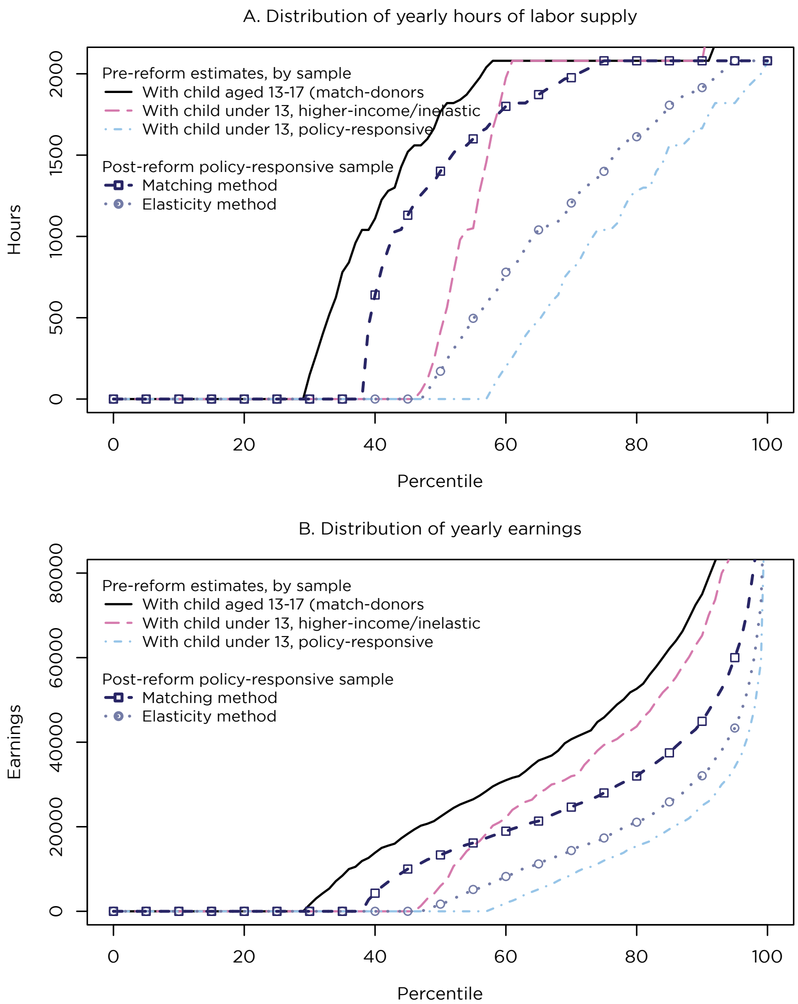
Figure A3 demonstrates the simulated distributions of hours worked and yearly earnings post-reform based on both the elasticity-based and matching-based methods. In Panel A, the locations in the yearly hours distribution where hours go from zero to positive amounts show how reform would be expected to shift the decision whether or not to work in the labor market. The elasticity method induces some policy-responsive parents to enter the labor market at rates similar to higher-income parents with young children, though at consistently lower hours and not reaching over 2000 hours until the top 2 to 3 percent of the distribution. The matching method does not bring parents of younger children all the way to the same work rates or total hours as parents with older children, but it narrows the work gap considerably and increases hours in the middle of the distribution for lower-income parents with young children. Even as parents are assumed to work more hours, their total earnings do not shift beyond those of higher-income parents of young children with the exception of a smaller range in the middle of the distribution where higher-income parents—often secondary earners—are choosing not to work in the labor market or to supply few hours.

Figure A3: Distributions of Earnings by Family Type and Simulation Method



Notes: Distributions of yearly hours worked and earnings are shown for the sample of single parents or secondary earners in two-parent families where children under age 13 are present, or for matching observations, those with children ages 13 to 17. Those with incomes below 150 percent of state median are considered "policy-responsive," and their distributions are shown again post-reform using the elasticity method and matching method simulations.

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Table A2 demonstrates the assumed and implied employment elasticities for the sample of parents who were most likely to respond to a child care reform. The estimates are shown by SPM poverty status as well as an average across all potential respondents (it might also be useful to see the elasticities according to a continuous distribution of responses, as it is for hours worked below, yet this is not practical given that each individual's response is a discrete choice). The assumed elasticity should be equal in expectation to the implied elasticity given the elasticity-based simulation method, though there may be differences by child age or by random noise, for example. The matching method estimates correspond closely to a plausible range of responses for lower-income mothers in comparison to estimates illustrated in **Figure A1**. The middle estimates represent the midpoint between those obtained by the elasticity and matching approaches.

Table A2. Implied Elasticity Estimates for the Simulated Employment Decision, by Method

	PERCENT CHANGE IN EMPLOYMENT			IMPLIED ELASTICITY BASED ON SIMULATIONS		
SPM POVERTY STATUS	ELASTICITY METHOD	MATCHING METHOD	ASSUMED ELASTICITY	BASED ON SIMULATIONS	MIDDLE ESTIMATE	MATCHING METHOD
Deep poverty, <.5	0.326	0.418	-0.310	-0.328	-0.374	-0.421
Below poverty, .5-.99	0.253	0.379	-0.251	-0.257	-0.320	-0.384
Near poverty, 1-1.49	0.170	0.364	-0.185	-0.185	-0.290	-0.395
Low income, 1.5-1.99	0.087	0.316	-0.126	-0.125	-0.290	-0.454
Higher income, >=2	0.036	0.175	-0.094	-0.101	-0.299	-0.496
Average	0.169	0.333	-0.188	-0.209	-0.311	-0.413

Notes: The implied elasticities are averages among those who were single parents or secondary earners in families with children under age 13 and family income below 150 percent of the state median. The simulated changes in employment (the decision to work in the labor market or not) were divided by the average percent change in potential child care costs if parents worked at rates consistent with no child care constraints, and the result is the implied elasticity of employment with respect to child care cost.

In order to compare assumed and implied elasticities for the decision of yearly hours worked, we organize the labor responses into deciles to show the range of simulated outcomes. The lower elasticities are around -0.012, which in practice could be as low as -0.003 or -0.000 in simulations in the first decile of responses. Toward the middle of the distribution of responses, the assumed and implied elasticities were about -0.034 when simulating by elasticity method, and -0.341 when using the matching method. The literature on hours elasticity with respect to child care pricing includes estimates of -0.32 (Powell, 1998) and as large in magnitude as -0.78 (Averett, Peters, and Waldman, 1997). Based on matching to parents with older children, some implied elasticities with respect to hours topped the maximum estimate in the literature for the top 40 percent of largest responses, or for the

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top roughly 20 percent of the responses according to the midpoint of implied elasticities between the two methods. These larger responses may be interpreted as someone working few hours discontinuously changing to a more regular yearly work schedule, which could be a plausible response similar to the discrete employment decision given a large reform to child care prices. Despite the skewed average for some of these larger labor responses based on matching, the majority of the distribution of responses corresponds to implied elasticities that would be consistent with empirical evidence in the literature.

Table A3: Implied Elasticity Estimates for Simulated Hours Worked, by Method

	ELASTICITY METHOD			MATCHING METHOD			
DECILE OF LABOR RESPONSE	PERCENT CHANGE IN HOURS	ASSUMED ELASTICITY	IMPLIED ELASTICITY	PERCENT CHANGE IN HOURS	ASSUMED ELASTICITY	IMPLIED ELASTICITY	MIDDLE ESTIMATE IMPLIED ELASTICITY
1	0.001	-0.013	-0.003	0.000	-0.033	-0.000	-0.002
2	0.008	-0.015	-0.012	0.025	-0.032	-0.036	-0.024
3	0.017	-0.024	-0.022	0.084	-0.034	-0.104	-0.063
4	0.028	-0.034	-0.033	0.171	-0.037	-0.193	-0.113
5	0.034	-0.034	-0.034	0.305	-0.039	-0.341	-0.188
6	0.034	-0.034	-0.034	0.523	-0.040	-0.591	-0.313
7	0.045	-0.048	-0.047	0.860	-0.041	-0.943	-0.495
8	0.050	-0.051	-0.050	1.410	-0.042	-1.551	-0.801
9	0.066	-0.067	-0.067	2.905	-0.046	-3.116	-1.592
10	0.068	-0.068	-0.068	28.827	-0.045	-30.853	-15.461
Average	0.035	-0.039	-0.041	3.503	-0.039	-4.116	-2.079

Notes: The implied elasticities are averages among those who were single parents or secondary earners in families with children under age 13 and family income below 150 percent of the state median. The simulated changes in yearly hours worked were divided by the percent change in potential child care costs if parents worked at rates consistent with no child care constraints, and the result is the implied elasticity of hours with respect to child care cost.

Given an individualized life-cycle earnings profile, we next estimate changes in earnings and potential wage growth associated with additional work experience given affordable child care. For any increases in work experience—and decreases in career interruptions—we assume a corresponding wage growth following estimates in the literature.[106] Specifically, we estimate changes in earnings based on Madowitz et al. estimates (shown in their **Table A2**) such that the change in wage, dW, is given by

$$dW = exp(0.0487(dE) - 1) + exp(-0.000893(dE)^2 - 1) - exp(-0.0431(dE) - 1) - exp(0.00145(dE)^2 - 1)$$

for a change in work experience denoted dE. The change in wage is constructed sequentially so that earlier increases compound with later behavioral responses.

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Both private and public saving are accounted for based on estimated changes in life-cycle earnings profiles, as well. Given the change in net income at each age, individuals are assumed to save 7.5 percent of additional income through some combination of own and/or employer contributions, and these savings are assumed to follow compound growth at a yearly rate of 4 percent. Private saving is estimated up through age 64 with a retirement age set at 65 years old. The change in Social Security benefit income is estimated based on a simple formula taking the average income from age 30 to 64 (denoted $\bar{E}$) as an approximation of the highest 35 years of earnings, with all dollars already adjusted for inflation. Then, we estimate the average indexed monthly earnings as $AIME \equiv min(9076, \bar{E}/12)$, and the primary insurance amount as $PIA \equiv .9min(885, AIME) + .32max(min(5336, AIME) - 885, 0) + .15max(AIME - 5336, 0)$. The total change in Social Security benefit is estimated to be the change in monthly PIA amount post-reform times 12 months times 15 years. The average PIA for a woman who had two children is about $1,260 pre-reform, and about $1,320 post-reform, which corresponds to a lifetime change of roughly $10,000 in Social Security benefits.

STATE-LEVEL RESULTS

Variation in state results are driven by differences in family composition/demographics, costs of child care, child care subsidy eligibility by state median income, early-education wages and living wage estimates, and expected earnings for those newly entering the labor market after reform. **Table A4** on the folllowing page presents lifetime income and savings estimates by state for the average women with two children.

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Table A4: Lifetime Changes After Reform for Women With Two Children, by State

	NET INCOME	WAGE GROWTH	PRIVATE SAVINGS	SOCIAL SECURITY	TOTAL
Alabama	59,000	34,000	21,000	10,000	124,000
Alaska	72,000	46,000	27,000	8,000	154,000
Arizona	59,000	37,000	22,000	12,000	131,000
Arkansas	59,000	44,000	24,000	9,000	136,000
California	48,000	32,000	17,000	10,000	107,000
Colorado	56,000	43,000	21,000	11,000	132,000
Connecticut	54,000	42,000	21,000	13,000	129,000
Delaware	53,000	49,000	22,000	7,000	132,000
District of Columbia	50,000	74,000	24,000	8,000	155,000
Florida	57,000	38,000	21,000	7,000	122,000
Georgia	50,000	34,000	18,000	10,000	112,000
Hawaii	48,000	23,000	16,000	11,000	98,000
Idaho	70,000	42,000	26,000	10,000	148,000
Illinois	54,000	38,000	20,000	9,000	121,000
Indiana	55,000	37,000	20,000	12,000	125,000
Iowa	55,000	36,000	21,000	7,000	118,000
Kansas	52,000	32,000	18,000	5,000	107,000
Kentucky	56,000	35,000	21,000	17,000	128,000
Louisiana	57,000	36,000	21,000	7,000	121,000
Maine	59,000	32,000	21,000	10,000	122,000
Maryland	49,000	37,000	17,000	7,000	110,000
Massachusetts	59,000	45,000	22,000	17,000	143,000
Michigan	55,000	34,000	19,000	6,000	114,000
Minnesota	51,000	39,000	20,000	6,000	116,000
Mississippi	51,000	33,000	20,000	8,000	112,000
Missouri	53,000	35,000	20,000	10,000	119,000
Montana	58,000	34,000	21,000	10,000	123,000
Nebraska	59,000	46,000	24,000	11,000	141,000
Nevada	56,000	36,000	20,000	5,000	117,000
New Hampshire	54,000	34,000	20,000	6,000	114,000
New Jersey	50,000	45,000	20,000	8,000	123,000
New Mexico	60,000	39,000	23,000	9,000	132,000
New York	56,000	45,000	22,000	10,000	132,000
North Carolina	51,000	35,000	19,000	7,000	112,000
North Dakota	63,000	56,000	28,000	5,000	151,000
Ohio	57,000	40,000	22,000	9,000	127,000
Oklahoma	58,000	37,000	22,000	8,000	125,000
Oregon	62,000	40,000	23,000	8,000	133,000
Pennsylvania	55,000	37,000	20,000	12,000	123,000
Rhode Island	63,000	42,000	23,000	6,000	134,000
South Carolina	53,000	38,000	20,000	6,000	117,000
South Dakota	63,000	38,000	23,000	9,000	132,000
Tennessee	52,000	31,000	19,000	11,000	113,000
Texas	54,000	35,000	20,000	8,000	117,000
Utah	76,000	34,000	25,000	12,000	147,000
Vermont	59,000	51,000	23,000	14,000	147,000
Virginia	56,000	49,000	22,000	12,000	139,000
Washington	58,000	43,000	22,000	11,000	134,000
West Virginia	64,000	38,000	24,000	12,000	137,000
Wisconsin	55,000	40,000	21,000	7,000	123,000
Wyoming	67,000	31,000	24,000	12,000	133,000

Notes: Estimates are rounded to the nearest $1,000, and these numbers represent the midpoints between the two estimation methods. Private savings assumes a rate of 7.5 percent of additional income, with half of that amount taken out of net income and wage growth and the other half assumed to be employer contribution.

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95 Not accounting for potential wage growth with increased job market attachment over time. Over the years 2014–2018, the average unconditional earnings for women ages 25 to 64 was about 46.8 percent relative to earnings for men when children under age 13 are present, which is a gap of $36,000. An increase of 2.1 to 6.3 percentage points in women's earnings relative to men's corresponds to an 8.9 percent increase in women's relative earnings, or a 7.4 percent decrease in the unconditional earnings gap.

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97 These lifetime estimates represent the midpoint between the elasticity-based and matching-based methods. See the figure notes for details.

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