Transformative Public Investments in Child Care and Pre-Kindergarten Will Dramatically Cut Costs for Families

Transformative investments in child care and pre-kindergarten as a public good will reduce costs for families

- Research from Center for American Progress shows that in 32 states, the investments in child care and pre-kindergarten proposed in the Build Back Better Act would lower child care costs for the typical family by more than $5,200 a year and investments in pre-K would save families an average of $8,600 a year.

- For families earning under 75 percent of their State Median Income (SMI), child care would be free, and 9 in 10 families would pay no more than 7 percent of their income toward child care.

Families are struggling to afford child care — if they can find child care at all.

- New research from Child Care Aware of America finds that in 2020, the average price of center-based child care for an infant exceeded the annual cost of in-state tuition at a public four-year university in every region of the country. In 3 out of 4 regions, the average price was more than what families pay for housing.

- Nationally, the average price of child care would take about 10 percent of the median household income for married households with children under 18, and over one-third of the median income of single parents - this is well above the 7 percent of household income that the Department of Health and Human Services recommends.

Even as parents struggle to afford child care, the cost is subsidized by the low wages of early educators:

- Even as care is unaffordable for families, early educators are some of the lowest paid professionals in the United States paid, on average, $13.51 an hour. Over half of providers rely on some form of public assistance.

- Low wages for early educators are contributing to a child care shortage, with the industry still 12.4% below its pre-pandemic level. A new Wells Fargo report estimates that this leaves nearly half a million parents stranded without reliable care, contributing to the nation’s worker shortage.

- The Center for American Progress has developed a cost of child care calculator that estimates the real cost for providers meeting minimum licensing standards – these costs are often more than what parents are able to afford.
The problem won’t fix itself. The cost of child care has been rising faster than inflation for years - and will continue to rise steeply absent public investment.

- Over the past 30 years, child care prices have risen more than twice the rate of inflation - faster than the price of food, housing, and other items. The pandemic has accelerated these trends, with child care inflation exceeding annual inflation in 2020 by nearly 4 percent.

- These rising prices squeeze families, crowd out other expenses, and push parents - especially mothers - out of the labor force.

- Without Congressional action, prices would continue to rise—by more than 14 percent by 2025 as compared to pre-pandemic prices.

Child care is essential for families to work and for family incomes to rise.

- Families with children under age 6 lost $13 billion per year in income during the pandemic due to child care disruptions

- In contrast, research from National Women's Law Center shows that expanding access to affordable, high-quality child care to everyone who needs it would increase the number of women with young children working full-time/full-year by about 17 percent, and by about 31 percent for women without any college degree. These investments would boost the lifetime earnings of a woman with two children by about $94,000, which would lead to an increase of about $20,000 in private savings and an additional $10,000 in Social Security benefits.

- Research from The Century Foundation show that these investments would also reduce the ‘motherhood earnings penalty’ by one-third, from 15 percent of a mother’s annual earnings to 10 percent, and result in a combined increase of $24 billion in annual earnings among mothers with young children.

In short, a robust national investment in affordable high-quality child care and universal pre-kindergarten will raise family incomes, dramatically reduce costs, and strengthen family economic security and our economy overall.