

The Child Care Crisis Costs the U.S. Economy \$172 Billion Each Year

Impact on families & employers is escalating



Acknowledgements

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Business executives building a skilled workforce by promoting solutions that prepare children to succeed in education, work, and life.

The economic analyses for this report were conducted by Clive R. Belfield, Ph.D., Professor of Economics, Queens College, City University of New York; Principal Economist, Center for Benefit-Cost Studies in Education, University of Pennsylvania. For details on the economic analyses, see the accompanying technical report at:

<https://www.instituteforchildsuccess.org/cost-child-care-crisis/>

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\$172 billion
the annual cost of
the child care crisis

Summary

ReadyNation's new study finds that the nation's child care crisis costs \$172 billion in lost earnings and productivity every year. This enormous economic burden impacts parents, their employers, and the nation's taxpayers. Previous ReadyNation research that focused on families of infants and toddlers (children under age 3) found economic tolls of \$57 billion in 2018 and \$122 billion in 2022. This new study expanded to families of children under age 5, to determine the current economic toll of insufficient child care for the full range of children below kindergarten age.

Productivity challenges affect both employees and employers. In a new national poll of 801 working parents of young children, more than 60 percent reported that child care struggles led them to leave work early, be late for work, miss full days of work, or become distracted at

work. About half missed part of a work shift. These challenges had predictable impacts, such as having work hours reduced, turning down promotions, and being demoted or fired. As a result, families lose \$134 billion per year in forgone earnings and job search expenses. Meanwhile, productivity problems cause employers to lose \$38 billion annually due to child care challenges faced by their workforce. [Taxpayers, in turn, lose \$37 billion each year in lower federal and state tax revenue.]

Beyond its impact on the current workforce and economy, the child care crisis damages the future workforce by depriving children of nurturing, stimulating environments that support brain development while their parents work. Nearly all (90 percent) of the parents reported that child care availability is a challenge in some way. Almost half said it is a significant struggle to find child care that is affordable and 40 percent reported problems finding high-quality care.



ReadyNation's data from the past seven years shows that the failure to strengthen the country's fragile child care infrastructure has led to escalating economic damage to employers, workers, and taxpayers. In short, insufficient child care acts as a drag on the U.S. economy. Policymakers at the federal, state, and local levels must support evidence-based policies that enhance the availability and affordability of high-quality child care. With wise investments, policymakers can improve the lives of millions of families today and strengthen the workforce and economy both now and into the future.

Parents of young children are working and need child care

The majority (70 percent) of American young children have all available parents in the workforce. There are approximately 18.6 million children under age 5 across the nation, with 19.6 million working parents (out of 28 million parents in total).¹

Parents need child care so that they can work, be productive, and build successful

careers to support their families. Child care settings are also key environments for children's development, particularly given the importance of the earliest years for brain development.

The current child care system is failing families and employers

Interrelated challenges combine to build a crisis for children, families, and businesses:

- **Availability:** A recent analysis estimated that the gap between current child care supply and potential need is 28 percent, leaving over 4 million children without available child care within a reasonable distance from their homes.² Availability is especially limited for families who live in rural areas (31.5 percent gap vs. 27 percent for urban families).
- **Affordability:** The average cost of center-based child care for infants is more than in-state, public college tuition in 41 states and the District of Columbia.³ This high cost makes child care unaffordable for many families, particularly those with low incomes.
- **Quality:** Among the shortcomings in quality are high rates of provider turnover, due in large part to inadequate compensation, with the median child care provider making less than \$12 per hour.⁴ As a result, young children can face a lack of stable, consistent caregiving.

The economic toll of insufficient child care for parents, employers, and taxpayers

In November 2025, ReadyNation commissioned a national survey of working parents of children under age 5, expanding

on surveys conducted in 2018⁵ and 2022⁶ that included only working parents of children under age 3. The 2025 survey yielded a nationally representative sample of 801 parents—both mothers (53 percent) and fathers (47 percent).

The survey provided data on the various ways in which parents' productivity, time at work, and career opportunities are diminished by problems with child care. The survey evidence was merged with labor market data, to model how child care problems affect the economy.⁷

Overall, the costs of insufficient child care are enormous. Each year a child is under age 5 without sufficient child care:

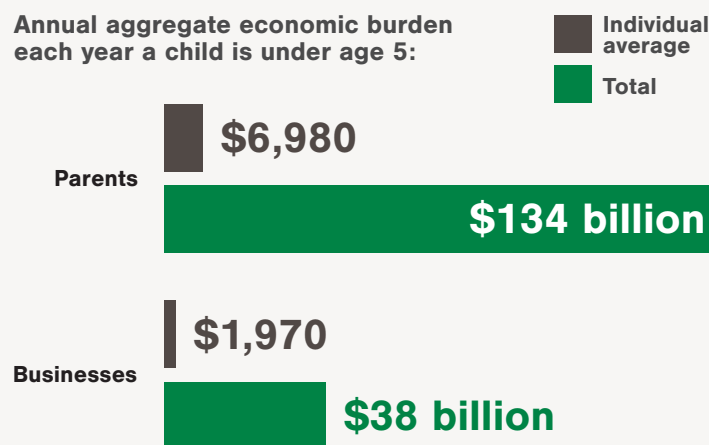
- **Families lose an average of \$6,980 per working parent** primarily in lost earnings, as well as job search costs. Across the 19.6 million working parents of children under age 5, this burden is **\$134 billion** per year.
- **Businesses lose an average of \$1,970 per working parent** in management burden and lost productivity. In aggregate, the annual burden on businesses is **\$38 billion**.

These losses experienced by families and businesses sum to a **total cost of \$172 billion to the U.S. economy each year due to the child care crisis. See the Appendix for estimates of costs for each state.**

It should also be noted that taxpayers lose an average of \$1,930 per working parent in lower federal and state tax revenue. In aggregate, this amounts to \$37 billion each year. [Note that the taxpayer burden figure is not added to the above total cost because the taxpayer burden is nested inside the burden to parents.]

The economic impacts of insufficient child care

Insufficient care for children under the age of 5 costs individuals, businesses, and the country billions of dollars each year.



Insufficient child care impacts families

The survey results provide details on how the above economic impacts occur.

Nearly all (90 percent) of the parents reported that child care **availability** is a challenge in some way: more than one-third have difficulty finding care that matches their work schedule outside Monday-to-Friday daytime hours or that can be flexible to accommodate changing work shifts; more than one-quarter reported challenges finding care on an emergency/backup/ sick child basis, at a convenient location, or that has open slots.

Almost half of parents said it is a significant challenge to find child care that is **affordable**. Forty-eight percent reported spending more on child care than on housing and another one-quarter said that child care and housing cost about the

same—indicating a high number of families being “child care cost burdened.” Many parents reported that they receive some sort of financial support for child care: more than one-third receive support from family; more than one-quarter get government support (federal or state tax credit or subsidy); and 13 percent receive assistance from their church or other house of worship. About half of parents’ employers offered some child care support, both financial and other: 16 percent provided financial support; 13 percent provided child care on-site and another 13 percent off-site; about one-third offered flexible or predictable work schedules; and 17 percent supplied child care information.

Forty percent of parents reported challenges finding **high-quality** child care. Strikingly, nearly half (45 percent) said that child care challenges have impacted their decision on where to live.

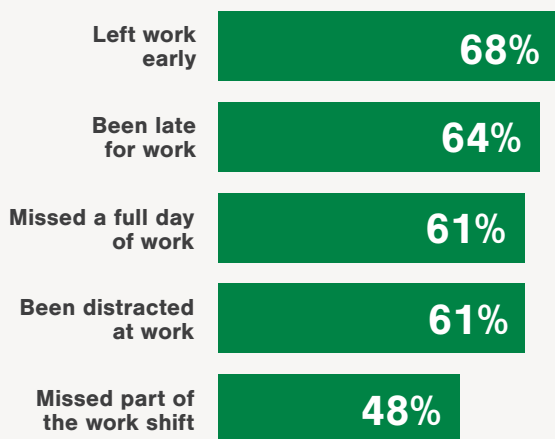
In response to questions about how child care problems affect their work, parents reported that these problems impacted their work productivity, resulted in work penalties, and led them to reduce their time at work, as well as diminishing their career opportunities.

Productivity impacts: Child care problems decreased parents’ productivity at work, undermining their job stability. More than 60 percent of parents of young children reported leaving work early, being late for work, missing full days of work, or being distracted at work during the past three months. About half missed part of a work shift.

Work penalties: Most seriously, 18 percent of parents reported being fired from a job due to child care problems and another 18 percent reported being demoted or transferred to a less desirable position over their young children’s lifetimes. More than one-third reported having their pay or hours reduced and another one-third had been

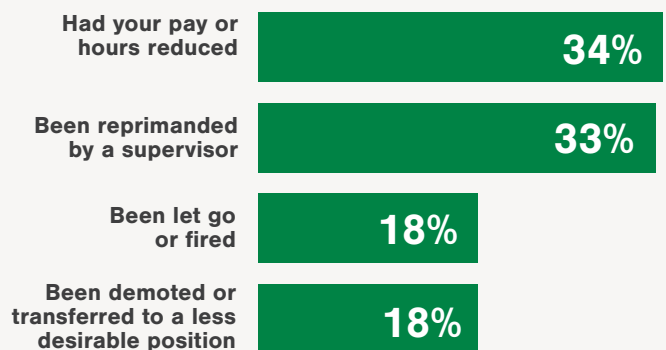
Lower work productivity

Because of child care problems, in the past three months have you:



Work penalties

Since your child/children were born/adopted, have you experienced any of these work-related issues because of problems with child care?



reprimanded by their supervisor due to child care issues.

Less time at work: Nearly half of parents reported having to reduce their work hours and more than one-third changed from full-time to part-time work over their young children's lifetimes. In addition, more than one-quarter quit a job due to child care problems.

Less time at work

Since your child/children were born/adopted, have you experienced any of these work-related issues because of problems with child care?

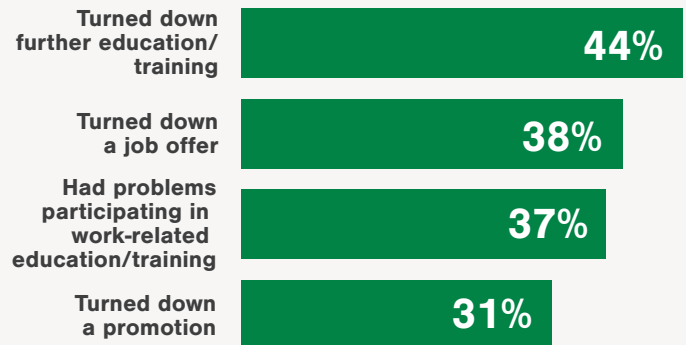


Diminished career opportunities: Problems with child care also impacted parents' long-term career prospects. More than one-third reported having to turn down further education and training or job offers, or having problems participating in work-related training over their young children's lifetimes. More than one-quarter reported rejecting a promotion due to insufficient child care.

In sum, for parents, the major short-term result of insufficient child care is reduced income. Challenges mount over time: with less training and less experience, these parents face diminished career prospects, reducing their future earning potential. And

Diminished career opportunities

Since your child/children were born/adopted, have you experienced any of these work-related issues because of problems with child care?



less parent income, along with parental stress, can have harmful short- and long-term impacts on children.⁸

Insufficient child care impacts employers

For employers, insufficient child care leads to reductions in revenue and increased hiring costs. A workforce with lower productivity and shorter tenure has major economic consequences. If an employer's workforce keeps changing, worker morale can fall, and work quality can diminish. Also, there are immediate direct costs associated with recruitment, hiring, and training as the workforce turns over. There are also future losses and costs when workers are not well-trained and have too little experience.

Insufficient child care impacts taxpayers

The economic impact of child care problems on parents subsequently causes lower tax



revenues. Lower parental earnings impact federal income tax revenues, while state tax revenues are impacted by lower parental earnings and families' decreased consumption of taxed goods. These effects are also felt over time, due to parents' decreased earning potential.

Economic burden for infants and toddlers

Given the infant-and-toddler focus of the 2018 and 2022 ReadyNation studies, the economic model was run separately for families in the 2025 study with children under age 3. Results showed that child care

How child care problems hurt the economy

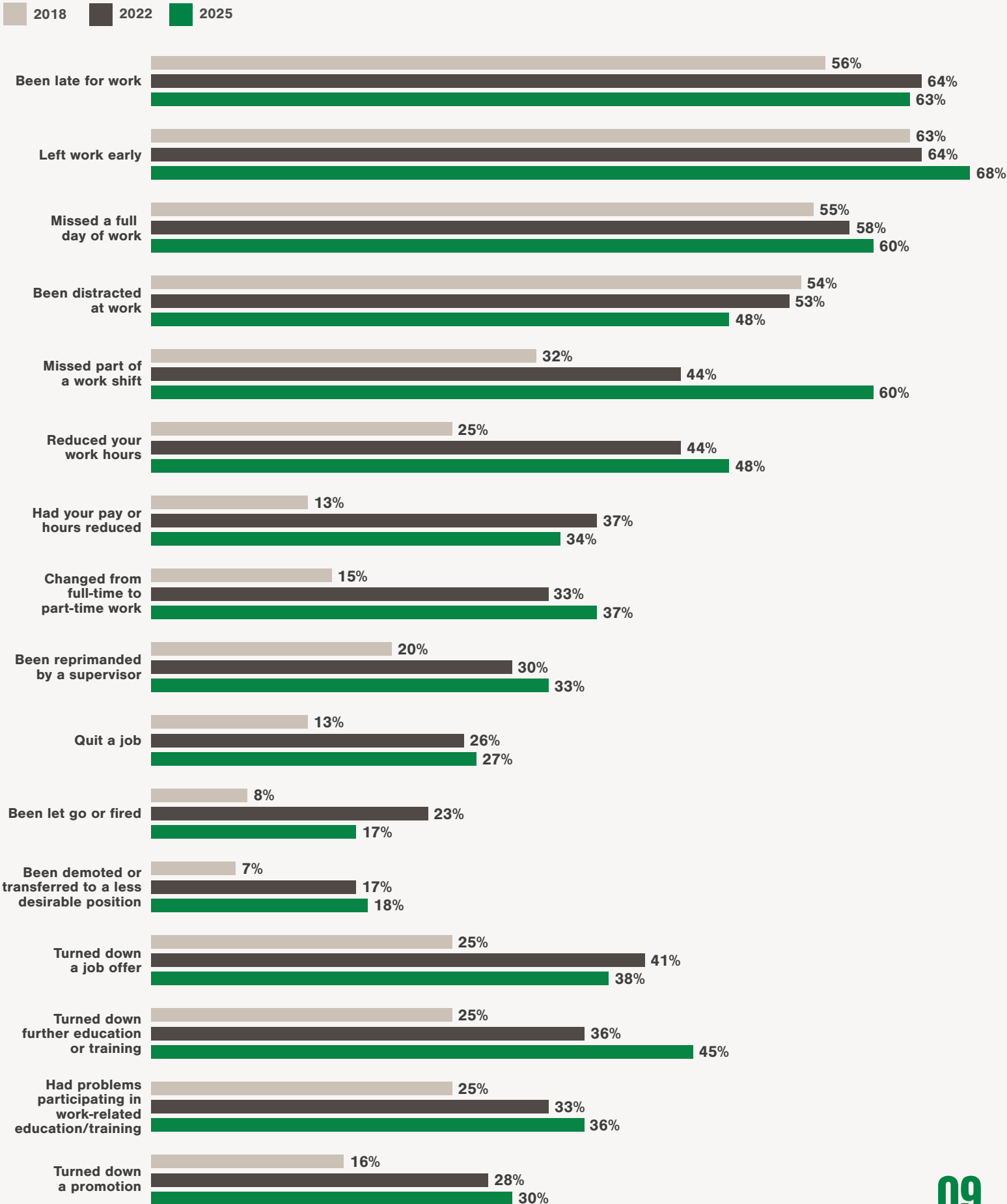
Individual Parents	Businesses	Taxpayers
Lost earnings now from lower productivity, quitting/firing, and less time in the workforce Extra costs of job search to match work with child care Lost earnings in the future from less work experience and fewer skills	Lost revenues now from lower output Extra costs due to absenteeism, disruptions, rehiring Lost revenue in the future due to lower workforce capital	Lost revenue now from lower incomes Smaller federal and state tax base and revenue Lost revenue in the future due to weaker economic growth

burdens were only modestly affected by child age, with challenges of availability, affordability, and quality seen for families with children under age 3 and those with children under age 5. There were also similar impacts on parents' work lives across the two age groups. Thus, the economic impacts were similar for parents of children under age 3 and those with children under age 5.

The impacts and costs of insufficient child care are escalating over time

Similarly, the percentage of parents reporting disruptions to their work due to child care challenges was examined for the subsample of families with children under age 3 in the current study, to allow for a comparison to results obtained in 2018 and 2022. **Findings revealed that the percentage of parents reporting work disruptions due to child care challenges has grown over time, across nearly all impacts assessed.**

Work impacts of insufficient child care over time, parents with children under age 3





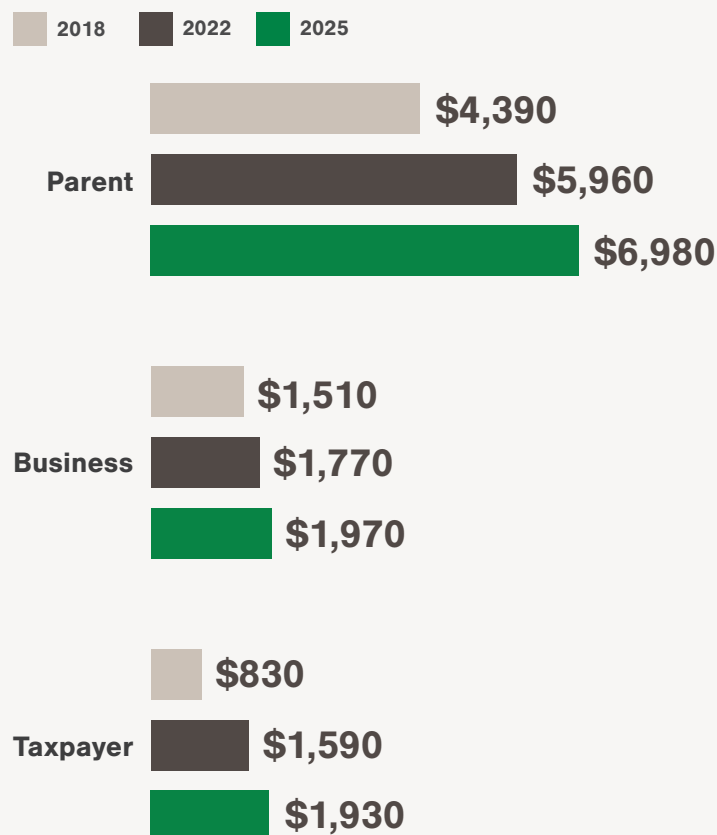
In addition, the economic burden of work disruptions has increased over time.

Comparisons between current and past economic impacts are most accurately made by examining per-parent figures, because the number of young children in the U.S. has been decreasing over time, along with the number of working parents (although percentages have remained fairly stable).⁹ The results show that parents' economic burden due to insufficient child care has increased 58 percent since 2018 and 17 percent since 2022.

Related, businesses have also seen increased burdens over time; taxpayer burden has also grown substantially (doubling since 2018).

These findings suggest that insufficient policy action over the past seven years has significantly worsened the child care crisis and its resulting economic impacts. Recent trends, such as the end of COVID-era federal relief funding and cuts in state budgets, suggest that the situation could become even more dire moving forward, unless policymakers make a concerted effort to change course.

Economic burden of child care problems over time, per parent (children under 3)



All figures in 2025 dollars

Conclusion

Parents of young children often have difficulty finding affordable, high-quality child care so they can work and support their families. The practical and economic consequences of insufficient child care are enormous, impacting parents, employers, and taxpayers. Losses currently total \$172 billion every year. As ReadyNation data from the past seven years shows, a failure to strengthen the country's fragile child care infrastructure will lead to more and more economic damage to employers, workers, and taxpayers.

The business leaders of ReadyNation call on federal, state and local policymakers to better-support families' ability to find affordable, high-quality child care. Because the challenges in the child care system are multi-faceted and interconnected, solutions must be the same, addressing child care supply, child care workforce compensation, child care subsidy rates and coverage, and more. Effective, well-funded policy initiatives, as well as continuing innovations at the federal, state, and local levels, will yield a child care system that will improve life outcomes for millions of children today and strengthen the workforce and economy both now and in the future.

Congress provides bipartisan support to families' need for child care through subsidies (i.e. the Child Care and Development Block Grant and other programs), and through the tax code. State governments support child care through efforts such as state subsidies and quality rating systems. Local governments have become more important players in recent years, with many supporting their own child care initiatives. Businesses play a role as well, through on-site child care, funding for employees or to child care providers, and advocating for sound child care policies. Private entities, such as faith-based organizations, also offer assistance. Given the widely varying fiscal, political, and policy environments among the states, solving the nation's child care crisis will likely continue to require such an all-hands-on-deck approach.



Endnotes

- 1** The eligible population depends on the number of children in the family, the number of parents in the family, and the labor force participation rate. These estimates are weighted from Census population data on children aged 0-5 (Census, 2025). Adjustments for household composition (twins, siblings, non-parent families) and labor force participation reduce the number of parents who are affected (CDC, 2025).
- 2** Buffett Early Childhood Institute. (2025). Child care gaps assessment. <https://childcaregap.org/>
- 3** Child Care Aware of America. (2025). Child care in America: 2024 price & supply. <https://www.childcareaware.org/price-landscape24/#PriceofCare>
- 4** Center for the Study of Child Care Employment. (2024). Early childhood workforce index 2024. <https://cscce.berkeley.edu/workforce-index-2024/#report>
- 5** Bishop, S., Beakey, C., Watson, S., & Garrett, T. (2019). Want to grow the economy? Fix the child care crisis. <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis>
- 6** Bishop, S. (2023). \$122 billion: The growing, annual cost of the infant-toddler child care crisis. <https://www.strongnation.org/articles/2038-122-billion-the-growing-annual-cost-of-the-infant-toddler-child-care-crisis>
- 7** For details on the survey and economic analyses, see the accompanying technical report at: <https://www.instituteforchildsuccess.org/cost-child-care-crisis/>
- 8** National Academies of Science, Engineering, and Medicine. (2019). A roadmap to reducing child poverty. <https://www.nationalacademies.org/projects/DBASSE-BCYF-16-05>
- 9** KIDSCOUNT. (2025). Child population by single age in United States. <https://datacenter.aecf.org/>
- 10** Estimates were calculated by examining the proportion of the US Gross Domestic Product (GDP) each state represents. Due to the method of deriving the cost estimates (i.e., multiplying each state's percentage of the national GDP by the total national \$172 billion impact) the estimated costs for each state are relative to its GDP. U.S. Bureau of Economic Analysis. (2025). Gross Domestic Product, Interactive data tables, Table 1.1.5. Gross Domestic Product. <https://www.bea.gov/itable/national-gdp-and-personal-income> Estimates reflect the policy context as of late 2025 and are likely to change if new policies have positive or negative impacts.

Appendix

Estimated annual economic impact of the child care crisis by state¹⁰

State	Economic Impact	State	Economic Impact
Alabama	\$1.9B	Montana	\$516M
Alaska	\$344M	Nebraska	\$1.0B
Arizona	\$3.3B	Nevada	\$1.5B
Arkansas	\$1.2B	New Hampshire	\$688M
California	\$24.9B	New Jersey	\$5.0B
Colorado	\$3.3B	New Mexico	\$860M
Connecticut	\$2.2B	New York	\$13.6B
Delaware	\$516M	North Carolina	\$5.0B
District of Columbia	\$1.0B	North Dakota	\$516M
Florida	\$10B	Ohio	\$5.3B
Georgia	\$5.2B	Oklahoma	\$1.5B
Hawaii	\$688M	Oregon	\$1.9B
Idaho	\$688M	Pennsylvania	*
Illinois	*	Rhode Island	\$516M
Indiana	\$3.1B	South Carolina	\$2.1B
Iowa	\$1.5B	South Dakota	\$516M
Kansas	\$1.4B	Tennessee	\$3.3B
Kentucky	\$1.7B	Texas	\$16.2B
Louisiana	\$1.9B	Utah	\$1.7B
Maine	*	Vermont	\$344M
Maryland	\$3.3B	Virginia	\$4.6B
Massachusetts	\$4.6B	Washington	\$5.2B
Michigan	\$4.1B	West Virginia	\$688M
Minnesota	\$2.9B	Wisconsin	\$2.6B
Mississippi	\$860M	Wyoming	\$344M
Missouri	\$2.6B	TOTAL, US	\$172B

*Indicates full, state-specific study forthcoming, so no estimate provided here

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