Eakinomics: Child Care and the Congress

For parents of small children, child care is always an issue. During the pandemic, child care has seemingly become an issue for everyone, with child care at the center of difficulties in getting Americans back to work, mask mandates, and myriad other issues. Not surprisingly, where the public conversation goes, the Congress soon follows. Accordingly, child care subsidies feature prominently in the Build Back Better (BBB) reconciliation effort. In her latest, Tara O’Neill Hayes reviews the menu of child care legislation likely in the House and Senate.

But before doing so, she takes a quick crack at the scale of the potential problem. Specifically, she estimates how much more supply of day care might be needed in the United States. Supply is the key because subsidies to parents will increase the demand for child care and, in the absence of additional supply, the price of child care will only rise further.

As she emphasizes: “The cost of providing child care is largely driven by labor—young children need a lot of supervision, which has led to minimum staffing requirements of one care provider for every three, five, or 10 children, depending on age. With such ratios, a care provider’s salary is limited by the fee per child. For example, with a staff-to-child ratio of 1:4, the cost per child must be $15,000 to pay a wage of $60,000, without accounting for any of the significant overhead costs of the facility, including rent, liability insurance, furnishings, toys, administrative expenses, and so on.”

Now, you might think that $60,000 is pretty rich for a child care provider, but most proposed legislation envisions child care providers that are paid comparably to elementary school teachers. And we will need a lot more of them. There is an enormous amount of uncertainty in doing such a calculation, but Hayes estimates that 14.8 million children might need care. She then notes: “With an average staff-child ratio of 1:5, 3 million child care workers are required to fully meet demand. As of May 2019, there were only 561,520 child care workers according to the Bureau of Labor Statistics.” In short, the numbers imply that employment in child care provision must rise sixfold. That’s big numbers, and big numbers lead to big dollars: “This would cost $144 billion, plus an additional $19.6 billion to increase the wages of the existing child care staff.”