

Bellevue University

The Crisis of Childcare Costs in America

Ashley Mayo

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Introduction

For many families in the United States, childcare is one of the largest household expenses, often exceeding rent or mortgage payments (U.S. Department of Labor, 2024). The rising costs have created a financial strain on working parents, forcing many—especially mothers—to reduce work hours or leave the workforce entirely. According to Child Care Aware of America (2023), childcare expenses have increased at a rate far exceeding wage growth, making it nearly impossible for low- and middle-income families to afford quality care. The financial burden is so severe that in some states, full-time childcare costs more than in-state college tuition (Economic Policy Institute, 2023).

This paper explores the financial burden on families, regional disparities in childcare costs, and the economic impact of unaffordable childcare. Additionally, it discusses potential policy solutions, including increased subsidies, employer-sponsored childcare, and Universal Pre-K. By understanding the depth of this issue, policymakers, businesses, and advocates can work together to create a sustainable and equitable childcare system.

The Rising Cost of Childcare

Childcare costs have skyrocketed over the past two decades, disproportionately affecting single-parent households and low-income families. The federal government suggests that families should spend no more than 7% of their income on childcare (U.S. Department of Health & Human Services, 2023). However, most families spend between 20% and 40% of their income, far exceeding what is considered affordable. The financial strain forces parents into difficult decisions. Many either cut back on work hours, rely on family members for informal childcare, or take on debt to afford daycare services.

One of the key challenges parents face is childcare costs are highest when children are at their youngest. Infant and toddler care require lower child-to-teacher ratios, stricter safety

regulations, and more hands-on supervision, making it significantly more expensive than preschool care (Economic Policy Institute, 2023). This added burden disproportionately affects mothers, who are often the ones who reduce their work hours or leave their jobs entirely when childcare becomes unaffordable (U.S. Department of Labor, 2024).

Where a family lives significantly impacts how much they pay for childcare. In Massachusetts, Washington, and California, parents pay between \$290 and \$520 per month per child, while in Mississippi, Alabama, and South Dakota, childcare costs can be as low as \$85 per month (National Database of Childcare Prices, 2022). This sixfold difference is driven by factors such as higher wages for childcare workers, stricter regulations, and increased demand in urban areas.

In states with higher costs, parents often have fewer options, as waitlists for daycare centers can be long, and in-home care providers may be scarce. Conversely, in lower-cost states, more informal childcare options, such as family-run daycares, reduce expenses but may lack the structure and regulation of licensed centers. The result is an unequal system where families in different states experience dramatically different levels of financial strain when accessing childcare.

The high cost of childcare does not only affect families; it also impacts the overall economy. Studies show that nearly 2 million parents left their jobs in recent years due to childcare challenges (Economic Policy Institute, 2023). The majority of these parents are women. The “motherhood penalty” where women’s earnings and career progression slow down after having children, is directly linked to the lack of affordable childcare (U.S. Department of Labor, 2024).

Beyond the individual workforce impact, businesses suffer when employees cannot access childcare. When parents are forced to leave their jobs or work reduced hours, companies face higher turnover rates, lost productivity, and the costs associated with hiring and training replacements (Women's Bureau, 2020). The broader economy also takes a hit, as fewer working parents mean reduced consumer spending and lower tax revenues. If childcare were more affordable and accessible, workforce participation would increase, boosting both household income and economic growth (Economic Policy Institute, 2023).

Several key findings emerge from this analysis. Childcare is unaffordable for most families. The cost burden is significantly higher than the federal affordability benchmark, with many parents struggling to afford care without financial assistance (U.S. Department of Health & Human Services, 2023). Additionally, toddler care is more expensive than preschool, placing an even greater financial strain on families with young children. The lack of affordable infant and toddler care forces parents, especially mothers, to make difficult career sacrifices (Economic Policy Institute, 2023). Finally, high childcare costs have long-term economic consequences. Workforce participation declines when parents cannot afford childcare, leading to lower household earnings, increased reliance on government aid, and reduced economic growth (Women's Bureau, 2020).

While the crisis is severe, solutions exist. Expanding childcare subsidies, encouraging employer-sponsored childcare, and implementing Universal Pre-K are all policies that have been successfully implemented in some states and could be expanded nationwide.

Recommendations for Policy Change

To address the childcare crisis, policymakers and businesses must take targeted actions to improve affordability and accessibility.

Increasing childcare subsidies would provide immediate financial relief to working families. Currently, only 1 in 6 families who qualify for assistance receive it (U.S. Department of Health & Human Services, 2023). Expanding access to subsidies would lower out-of-pocket costs and help more parents stay in the workforce.

Employers should play a greater role in supporting working parents. Businesses can offer on-site childcare, childcare stipends, or flexible work arrangements to ease the burden on employees. Companies that invest in childcare solutions experience higher employee retention, lower absenteeism, and greater productivity (Women's Bureau, 2020).

Universal Pre-K has proven to be one of the most effective solutions in states that have implemented it. Families in states with Universal Pre-K save an average of \$8,000 per year, significantly reducing early childhood education costs (Economic Policy Institute, 2023). Universal Pre-K programs also lead to better educational outcomes for children and increased workforce participation for parents.

Addressing the childcare crisis requires a coordinated effort from policymakers, businesses, and individuals. Lawmakers should push for increased funding for childcare subsidies and expanded early education programs. Employers must recognize that supporting working parents is not just a benefit, but a necessity for retaining talent. Parents and advocates should continue to demand change through policy engagement and grassroots efforts.

By taking action today, we can ensure that no parent has to choose between financial stability and quality childcare. A future where childcare is accessible, affordable, and high-quality is within reach—but it requires commitment and advocacy from all sectors of society.

Conclusion

Childcare is one of the biggest financial challenges faced by American families. The costs are unsustainable, the disparities between states are severe, and the consequences for parents and the economy are undeniable. However, the data clearly shows that policy interventions can make a difference.

A nationwide investment in childcare subsidies, employer-sponsored care, and Universal Pre-K could ensure that families no longer have to struggle just to afford quality care for their children. The question we must ask ourselves is simple: Can parents afford to work?

The answer should always be yes.