



Economics & Child Care: Where Are We Now and Where Do We Go?

EXECUTIVE SUMMARY

July 2025



Buffett Early Childhood Institute
at the University of Nebraska

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Child Care Aware® of America and the Buffett Early Childhood Institute at the University of Nebraska co-hosted a Roundtable on Economics and Child Care in October 2024, in Omaha.

Twenty economists and early childhood experts from across the country gathered to discuss the challenges facing the child care field and examine how to use what we have learned to improve the child care system. (See Appendix for a list of participants.)

Much is known about the science of early childhood, particularly brain development, and the crucial importance of early experiences. Still, the United States struggles with how to pay for the quality of care that is known to impact a child for a lifetime. Participants focused on potential barriers to improving both the supply and demand for child care as well as affordability, while ensuring the highest possible quality for children. Multiple factors were considered, including direct subsidies to families, parental leave, and tax policies.

The Roundtable conversation was framed around five unanswered questions that are barriers to moving forward in building a comprehensive system that truly meets the needs of those who depend on it: families, businesses, providers, and, most of all, the children who receive care. The five questions were:

1. **Parents and choice:** What is affordable for parents and what can we use to measure affordability? How much does cost impact or limit parent choice?
2. **Regulations, cost, and quality:** What is the impact of regulations on cost, specifically ratios and education requirements? What is the role of government in establishing quality program standards and workforce requirements and pay?
3. **Demand-side and supply-side strategies:** What is the impact of public subsidies on the market, and at what scale can they influence cost or availability of care? What approaches can specifically address the supply deficit?
4. **Who benefits and who pays:** What or who does child care impact, and who benefits (parents, businesses, the economy, etc.)? Should child care be a shared responsibility, and if so, by whom (parents, businesses, local, state or federal public funds)?
5. **Family leave and tax policy:** Who benefits from family leave and tax policy? How can tax policy support parent choice?

Throughout the discussion, there were several recurrent themes. Participants focused on the lack of early learning data, the cost, quality, and general shortage of child care, and the challenges faced by the child care workforce. Several areas of consensus emerged, including:

- The current child care system fails to meet the needs of families, providers, and businesses. To have a viable child care system we must have options that meet the varied needs of families, especially work hours, and the care must be affordable. To achieve this, we need both supply-side and demand-side investment strategies that are tied to quality and are sustainable, transparent, and accountable. Deregulation will not solve the problems of child care inaccessibility and high prices.
- Since child care benefits accrue not only to children and families, but also to businesses and the broader economy, there is a public good aspect to child care. Parents alone cannot bear the responsibility for ensuring there is enough high-quality child care. Investments from federal, state, and local governments are required.
- There are multiple goals for child care and determining which should be prioritized would lead to better informed decision making.
- We need better definitions and assessments of quality. Improving child care quality will require robust, sustained investments that support a range of child care options and parental choice, while supporting a well-prepared and well-compensated child care workforce. Policymakers should ensure that public investments are tied to the quality of care children receive.
- To adequately project appropriate funding levels, policymakers also need to better understand the current child care funding landscape. While federal investments are relatively clear, the levels of state and community funding are less well known. Furthermore, program-level funding is not reported in any consistent manner.
- Studies are needed to examine the offset in the need for child care if paid parental leave were available, including how it would impact child care supply.

The Roundtable conversation called attention to the interconnectedness of child care and the economy in multiple important ways. The five unanswered questions posed in this report are barriers to building a stronger child care system. A more expansive examination of these questions, bringing together economists, child care experts, and others, as well as translating lessons learned for policymakers, are important next steps.

Note: Roundtable participants attended as individuals, and their comments do not necessarily reflect the position of their organizations.

Participants also identified several areas for future study and analysis:

- There are several factors that influence the availability of child care and parent decisions about care. These include the price families face, the cost to provide care, demand, family income and affordability, employment, regulations, and existing supply. Understanding changes in any one of these measures and how they impact the child care system is important to determining future policy recommendations.



Appendix: Roundtable Participants

HOSTS:

Linda Smith

Director of Policy, Buffett Early Childhood Institute at the University of Nebraska

Susan Gale Perry

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Walter Gilliam

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