Treasury Releases Report Showing U.S. Childcare System Overburdens Families and Causes Shortages Due to Inadequate Supply

September 15, 2021

Vice President Kamala Harris and Secretary of the Treasury Janet L. Yellen to Make Case for Build Back Better Agenda

This Will be Vice President Harris's First Visit to the Department of Treasury Since Taking Office

WASHINGTON — The U.S. Department of the Treasury released a new report today on the state of the child care market that highlights the causes and ramifications of insufficient supply, causing shortages in communities around the country. The release of the report will be announced today by Vice President of the United States Kamala Harris and U.S. Secretary of the Treasury Janet L. Yellen during an event at the Department. The Treasury Department's new study underscores the need to pass President Biden's Build Back Better agenda, which would make child care more affordable by offering universal preschool to all 3- and 4-year-old children, expanding the tax credits for child care, and providing access to high-quality child care for low- and middle-income children.

"It's past time that we treat childcare as what it is – an element whose contribution to economic growth is as essential as infrastructure or energy," Secretary Yellen said. "This is why the Biden Administration has prioritized the Build Back Better proposals, many of which are now moving through Congress. Enacting them is the single most important thing we can do to build a stronger economy over the next several decades."

The Treasury Department report, which was produced by the Office of Economic Policy and authored by acting Assistant Secretary for Economic Policy, Catherine Wolfram, describes the existing child care system in the United States, which relies on private financing to provide care for most children, and documents how this system fails to adequately serve many families.

Currently, the average family with at least one child under the age of 5 would need to devote approximately 13 percent of family income to pay for childcare. Oftentimes, parents are asked to pay for child care when they can least afford it and with little ability to borrow against their future savings to cover the costs of care for young children. This is an example of what economists describe as liquidity constraints, a classic market failure, which argues in favor of government support. Second, the spillover aspects of providing children a high-quality early educational experience – what economists call "positive externalities" – also argue in favor of providing direct relief for families.

The Biden Administration has proposed to reform the market by offering universal preschool to all 3- and 4-year-old children and expanding access to high-quality child care for low- and middle-income children. The child care plan would cut spending in half for most American families so that families do not have to spend more than 7 percent of their income on child care for young children by creating subsidized care and extending the expanded Child and Dependent Care Tax Credit. These steps would directly address the revenue shortfalls created by the market failures the report identifies: the liquidity constraints and the positive externalities associated with child care. While the existing system leads to chronic underinvestment in children and hinders many parents' ability to contribute to the nation's economy and make a solid living, a well-funded child care sector will help achieve more of our economic potential.

A link to the full report is here.

The event with Vice President Harris and Secretary Yellen will begin at 4:00 p.m. ET and can be viewed at whitehouse.gov/live