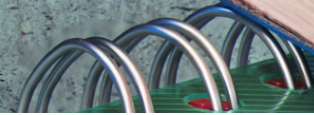


How Childcare Costs Impact Florida's Economy

July 2025



Florida
TaxWatch



INTRODUCTION

The economic significance of early childhood education is incredible and not limited to nurturing a future generation and their long-term outcomes. Access to quality child care is important for several reasons; it has proven direct development benefits for the children; it boosts workforce participation from the parents; it increases productivity in the workplace; it reduces turnover and absenteeism; and it reduces economic inequality.

A Florida TaxWatch briefing from July 2022 entitled “*How Childcare Impacts the State’s Economy and Shapes Florida’s Workforce*,” discusses the importance of child care in workforce participation rates and concludes that Florida’s economy losses more than \$1.5 billion per year due to absenteeism and more than \$5.6 billion in income. Florida still faces economic costs due to an inadequate childcare system. Florida TaxWatch undertakes this independent research to update the July 2022 briefing and estimate current costs to Florida’s economy. Florida TaxWatch will explore the effects of child care on workforce participation, explain the cost of child care in Florida and what the economy loses due to insufficient child care.

CHILD CARE IMPACTS ON WORKFORCE PARTICIPATION

Throughout Florida, there are approximately 1.28 million children under the age of six, according to U.S. Census Bureau data.¹ About 69.1 percent of these children, a total of 883,085 children, had two parents participating in Florida’s workforce (See Table 1).² Furthermore, 285,097 children (22.3 percent of the total) had only one of two parents in the labor force, and more than 109,000 children (8.6 percent of the total) had no parents in the labor force.³

TABLE 1.

Florida Children Younger Than 6 With Parent(s) In or Out of the Labor Force	
Number of Children Under 6 years:	1,278,154
Living with two parents:	796,786
Both parents in labor force	497,450
Father only in labor force	254,739
Mother only in labor force	30,358
Neither parent in labor force	14,239
Living with one parent:	481,368
Living with father:	120,328
In labor force	108,156
Not in labor force	12,172
Living with mother:	361,040
In labor force	277,479
Not in labor force	83,561
<i>Source: U.S. Census Bureau, American Community Survey (ACS), 2023 5-Year Estimates</i>	

¹ U.S. Census Bureau, American Community Survey (ACS), Table B09001: Population Under 18 by Age – Florida, ACS 2023 5-Year Estimates, retrieved on February 20, 2025

² U.S. Census Bureau, American Community Survey (ACS), Table B23008: Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents - Florida, ACS 2020 5-Year Estimates, retrieved on February 20, 2025. Note: When referring to Table 1, children in the “Father only in labor force” or “Mother only in labor force” categories are not included in the 883,085 amount.

³ Only one of two parents in the labor force = Father only in labor force + mother only in labor force.

No parents in labor force = Neither parent in labor force + father not in labor force + mother not in labor force.

It cannot be assumed that all nonparticipation in the workforce is due to childcare difficulties. A survey from 2022-23 showed that about 15.3 percent of working parents—totaling 198,465 respondents—indicated “yes” when asked by a survey if they or anyone in the family had to quit a job, not take a job, or greatly change their job because of problems with child care for children under six years of age.⁴

Workforce availability among families is also different. Pandemic-era support has ended or will soon end. While remote work and flexible schedules provide some relief for working parents, the majority still need to be physically present at their jobs. Women are shouldering a greater portion of the burden, but the impact is felt by everyone. Nationally, women with a child under three had a workforce participation rate of only 66 percent in 2023, while men in the same group had a workforce participation rate of 95 percent. Participation among women with children between six and 17 was 78 percent, while that for men was 92 percent.⁵

Family responsibilities and difficulty arranging child care were the most frequently used reasons parents of young children remain sidelined in the workforce.⁶ Labor market nonparticipation is a major cost for families and the economy, but not all parents facing childcare issues fully left the workforce. Many parents worked reduced hours or took paid/unpaid leave. This leads to decreased productivity, which can create additional challenges for local businesses dealing with labor shortages.

The U.S. Census Bureau’s Household Pulse Survey, which started during the pandemic, is a weekly snapshot of how individuals and families were affected. Now conducted monthly, the survey shows that, in Florida from August to September of 2024: more than 200,000 respondents reported having to take unpaid leave from work to care

for children; more than 146,000 people took paid leave; and 212,000 people cut work hours to care for children. In addition, more than 100,000 respondents said they left a job to care for children and 123,000 did not look for a job for the same reasons.⁷

THE COST FOR CHILD CARE

High childcare costs lead to inaccessibility for working parents in different income groups. This results in missing work, lower productivity, and higher turnover rates. According to the Economic Policy Institute, child care for an infant costs \$13,021 annually (nearly \$1,100/month) in Florida, and that of a toddler costs \$9,548 annually.⁸ According to the U.S. Department of Health and Human Services, child care is considered affordable when it costs less than or equal to seven percent of a family’s income. Child care for an infant in Florida is 24.5 percent of a working parent’s income.⁹

Not only is child care expensive for the parents, but it also is not a well-paid job for childcare providers. As of 2024, the average hourly wage for childcare workers in Florida is \$16.64, with an annual average wage of \$34,610.¹⁰ The average hourly wage across all occupations in Florida is \$30.29, almost twice that of childcare workers. In Florida, for a childcare worker to afford child care for their own children, they would have to spend 38.1 percent of their income.

4 Data Resource Center for Child & Adolescent Health, “2022-2023 National Survey of Children’s Health, Indicator 6.17: Job change due to problems with childcare, age 0-5 years,” retrieved from <https://www.childhealthdata.org/browse/survey/results?q=11286&r=11>, accessed on February 21, 2025.

5 Women Bureau of U.S. Department of Labor, “Labor force participation rate of mothers and fathers by marital status and age of youngest child,” retrieved from <https://www.dol.gov/agencies/wb/data/Labor-Force-Participation-Rate-of-Parents-by-Age-of-Youngest-Child>, accessed on March 10, 2025.

6 Federal Reserve Bank of St. Louis, “Childcare remains central to an equitable recovery,” Feb. 17, 2022

7 U.S. Census Bureau, Household Pulse Survey: Florida, Employment Table 5. Childcare Arrangements for Children in the Household, by Select Characteristics, accessed March 10, 2025. Note: Questions allowed for multiple responses.

8 Economic Policy Institute, “Child Care Costs in the United States: Florida,” retrieved from <https://www.epi.org/child-care-costs-in-the-united-states/#/FL>, accessed on March 18, 2025.

9 Percentage of income = (13,201 * 100) / 53,402, where 53,402 is the average wage of working parents with children under the age of 6 years.

10 U.S. Bureau of Labor Statistics, “Occupational Employment and Wage Statistics: Florida – May 2024,” retrieved from <https://data.bls.gov/oes/#/area/1200000>, accessed on April 24, 2025.

STATEWIDE ECONOMIC IMPACT IN FLORIDA

The total economic impact of childcare in an economy is based on factors like demographics, geographical location, and family characteristics. This analysis will assess the cost incurred or the benefits lost to Florida's economy due to absenteeism and turnover rates of working parents and their effects on other economic factors. According to U.S. Census Bureau data, there are 1,329,962 parents with children under the age of six who are employed in Florida.¹¹

WORKING PARENTS

In Florida, about 64 percent of working parents missed an average of 19 days annually for childcare-related reasons.¹² According to the same survey by the Florida Chamber Foundation, 14 percent of parents surveyed reported leaving their job voluntarily or involuntarily for childcare-related reasons.¹³ Using a previous (July 2022) Florida TaxWatch analysis, the annual income of working parents with children under the age of six in Florida is \$53,042 and the average hourly wage is calculated at \$25.50.¹⁴

To calculate the cost of absenteeism (i.e., missing work), this report combines the percentage of parents missing work and the average number of absenteeism days. Assuming 851,175 working parents (64 percent of 1,329,962) missing an average of 19 days a year creates an economic loss in income of \$3.3 billion per year.¹⁵

To calculate turnover (i.e., quitting), it is assumed that parents experiencing a loss of employment incur a cost equivalent to their average annual earnings, and employers sustain an estimated cost of turnover

roughly one-half to two times (depending on position) of a worker's annual earnings due to searching for and training new employees.¹⁶ As a conservative estimate, this analysis will use one-half of the average annual earnings to determine the economic cost of turnover. In Florida, an estimated 186,194 working parents (14 percent of 1,329,962) experience a total income loss greater than \$9.8 billion.¹⁷ The employers incur a cost of \$4.9 billion in turnover for replacing workers, which could have been avoided if working parents had access to quality childcare.¹⁸ As of 2022, Florida's state and local tax has been 9.1 percent of total annual income.¹⁹ The loss of earning—\$9.8 billion—translates to a loss of tax revenue amounting to about \$898 million per year.²⁰

It should be noted these estimated costs should be viewed as conservative estimates. Because the calculations are based on the number of working parents with young children, the impacts do not account for the foregone earnings for parents outside of the labor force due to childcare issues. Financial disruptions for individual families cascade throughout the economy, creating a multiplier effect on industries across the community. In the same manner, higher spendable income also has a multiplier effect on Florida's economy.

CHILDCARE WORKERS

As of 2024, the average hourly wage of childcare workers is \$16.64 while that of all other occupations is \$30.29.²¹ Research has shown the benefits of raising wages of childcare workers commensurate with the average wages of other occupations.²² Providing resources for childcare workers to access more training in the field, courses for them to improve their skills, and certifications for childcare workers to show their prowess are

11 U.S. Census Bureau, American Community Survey (ACS), 5-Year Estimates Public Use Microdata for Florida, accessed February 21, 2025. Note: Florida TaxWatch uses two variables "HUPAOC" (household presence and age of own children) and "WORKSTAT" (work status of householder or spouse in family households) to approximate.

12 U.S. Chamber of Commerce Foundation, "How Childcare Impacts Florida's workforce Productivity and the State's Economy," accessed on March 12, 2025.

13 Ibid.

14 Florida TaxWatch, "How Childcare Impacts the State's Economy and Shapes Florida's Workforce," July 2022.

15 This calculation assumes workers who experience absenteeism miss an average of 19 days, making an average hourly wage of \$25.50. When combined, this cost equals: 152 hours * \$25.50 hourly wage * 851,175 adults = \$3,299,154,300 economic cost.

16 Gallup, "This Fixable Problem Costs U.S. Businesses \$1 Trillion," retrieved from <https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx>, accessed on March 17, 2025.

17 To calculate the aggregate income loss for employees: 186,194 * \$53,042 (average annual salary) = \$9,876,102,148.

18 To calculate the aggregate turnover cost for employers: \$9,876,102,148 * 0.50 = \$4,938,051,074.

19 Tax Foundation, "Facts and Figures 2024: How Does Your State Compare?," retrieved from <https://taxfoundation.org/data/all/state/2024-state-tax-data/>, accessed on March 17, 2025.

20 Tax revenue loss = 0.091 * \$9,876,102,148 = \$898,725,295.

21 Supra, see footnote 10.

22 Economic Policy Institute, "Setting Higher Wages for Child Care and Home Health Care Workers is Long Overdue," November 2021.

some ways that can help increase motivation for working in child care. A higher interest in becoming a childcare worker can help indirectly raise wages through higher demand. Raising the wages of childcare workers has helped decrease turnover rates and foster greater productivity in childcare workers.²³ This could further lead to higher satisfaction for parents with the quality of child care received.

To calculate the impact of a higher spending capability for childcare workers, Florida TaxWatch uses IMPLAN software—a software that models anticipated changes in economic activity.²⁴ With a higher salary, the purchasing power of childcare workers increases, and they are motivated to spend more on goods and services in Florida. To fulfill this increased demand for goods and services, industries in Florida will require more production and more employees. These new employees will then receive a salary of their own, which further adds to the overall personal income of the state and to its economy. The economic impact on jobs, personal income, and Florida's economy, of a \$13.65 wage difference in the childcare industry can be seen in the following trickle-down effects:

- Higher salaries lead to higher spending, leading to higher demands in other sectors of Florida's economy. A higher, more livable wage for childcare workers leads to the creation of 2,800 jobs in Florida.
- The new jobs create an additional income of more than \$161 million in Florida's workforce.
- The additional events in Florida's economy lead to an increase of about \$329 million in the Gross Domestic Product (GDP) of the state.

CONCLUSION

The impact of child care, as the data suggest, is prominent on Florida's economy. Losses incurred from turnover and absenteeism of working parents can be avoided with friendlier workplace policies and higher investment in affordable child care. As an important part of the industry, treating childcare workers better financially can help maintain the workforce in child care and also add to the economy of Florida. Impactful measures that can alleviate the pressing childcare issues mentioned can further grow Florida's economy.

²³ Federal Reserve Bank of Minneapolis, "Examining Teacher in Early Care and Education," April 29, 2022. AIR, "Child Care Staff Wages: What is Needed for Retention and Recruitment?," Report Brief – May 2024.

²⁴ Authors calculations in IMPLAN. Refer to the appendix for methodology.

APPENDIX

Impact Analysis for Planning (IMPLAN) is an economic modeling software. IMPLAN is an input-output model that is used to analyze the economic impacts (outputs) of changes (inputs) by tracking how money flows through the different economic sectors. IMPLAN shows how expenditures in one economic sector “ripple” through other sectors of the economy, creating a “multiplier effect.” IMPLAN is based upon a table that shows how each industry within a given region buys goods and services from other industries. This allows IMPLAN to calculate how a change in a given sector affects the structural linkages between the other economic sectors. The current version of IMPLAN uses 536 separate economic sectors.

The wage difference of \$13.65 is calculated by subtracting the average hourly wage of childcare workers in Florida (\$16.64) from the average hourly wage of all occupations in Florida (\$30.29). To calculate the impact of a raise in wages for childcare workers, Florida TaxWatch looks at Florida specific childcare data. Using the state as our region, and “childcare workers” as our economic sector, we look at the total number of hours worked in Florida. According to IMPLAN data, a childcare worker works for an average of 1,312 hours annually. An additional \$13.65 for each of the 21,790 childcare workers in Florida, as of May 2024,²⁵ gives us an additional income of \$390,237,110.²⁶

Because this income gain will be seen in childcare workers working both part-time or full-time, we use normal distribution to divide the additional income into three household categories: Households with less than \$15,000 in income; Households with income from \$15,000 to \$30,000; and Households with income from \$30,000 to \$40,000. We choose households with income up to \$40,000 because the annual average wage for a childcare worker is \$34,610. IMPLAN’s normal distribution of the additional income is distributed into the three categories, as shown (before taxes):

Households with income less than \$15,000: 31 percent = \$120,973,504
Households with income from \$15,000 to \$30,000: 41 percent = \$159,997,215

Households with income from \$30,000 to \$40,000: 28 percent = \$109,266,391

For each category, we then enter the value after subtracting payroll taxes for Florida and calculate the final additional income gained in all three categories: \$111,719,031, \$147,757,428, and \$100,907,512 respectively. These values are then put into IMPLAN to calculate the induced effects²⁷ of higher income, as shown on page 4.

²⁵ U.S. Bureau of Labor Statistics, “Occupational Employment and Wage Statistics: Florida – May 2024,” retrieved from <https://data.bls.gov/oes/#/area/1200000>, accessed on April 24, 2025.

²⁶ Additional income = (\$13.65*1,312 hours) *21,790 childcare workers = \$390,237,110.

²⁷ Induced effects are the economic changes created by employees by spending their income on goods and services in the region.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the taxpayers of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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