

EXECUTIVE SUMMARY

Over the past few years the issue of child care has gained momentum in national and state policy discussions.¹ This has been especially true throughout the pandemic, as the public health emergency and economic fallout turned a dire child care situation into a crisis. Due to the increased focus on this issue, there has been growing interest in analyzing how insufficient child care impacts the economy. Inadequate child care access is particularly relevant in Massachusetts, where demographic trends and workforce constraints may exacerbate the economic impact of child care gaps. Over the past several months, MTF conducted a landscape analysis of recent research which used survey data to estimate the dollar figure associated with insufficient child care. Although these previous assessments are not perfect, they enable us to take various components of each to approximate the economic costs to families, employers, and taxpayers in Massachusetts.

It is likely that these figures represent a conservative estimate. As an example of why that is true, our analysis for individual costs excludes the impacts of

parents no longer in the workforce due to challenges with accurately measuring them. This approach is consistent with other research, but likely undercounts the true extent to which child care hinders economic growth. Nevertheless, this report clearly demonstrates that thoughtful investment in our state's child care system could unlock billions of dollars in economic activity from which individuals and businesses would benefit.

In fact, improving our child care system is currently at the forefront of policy discussions in the state. The Early Education and Care Economic Review Commission recently released its report identifying immediate, short-term and long-term improvements to the system. Organizations like Strategies for Children and the Massachusetts Business Coalition for Early Childhood Education are actively engaged in these efforts as well. To augment this work, MTF's focus over the coming months will transition to analyzing our system's shortfalls and the potential possibilities for policy change at the state, federal, and private levels.

MTF ESTIMATES that due to inadequate child care, **MASSACHUSETTS LOSES ROUGHLY \$2.7 BILLION EACH YEAR** in lost earnings for employees, additional costs and lower productivity for employers, and fewer tax revenues for the state. Further broken down, every year:

- **EMPLOYERS LOSE \$812 MILLION**
due to lower productivity and turnover/replacement costs.
- **INDIVIDUALS AND FAMILIES LOSE \$1.7 BILLION**
in wages from missing work or reducing their hours.
- **MASSACHUSETTS FOREGOES \$188 MILLION**
in tax revenues due to lower earnings and lost wages.

