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Massachusetts Losing \$2.7B Each Year Due to Inadequate Child Care for Working Families

MTF embarks on research to help policymakers address improvements in child care system where inequities have been “laid bare” by pandemic

BOSTON, MA / April 28, 2022 – According to the Massachusetts Taxpayers Foundation (MTF), lack of access to child care in Massachusetts is resulting in at least **\$2.7 billion each year** in lost earnings for individuals, lower productivity and additional costs for employers, and lost tax revenue for the Commonwealth. The announcement is the result of a new MTF report, drawing upon data from multiple surveys and various methodologies, to analyze the economic impact of insufficient access to affordable child care in Massachusetts. [Click here for Report and Executive Summary: “The Untold Cost of Inadequate Child Care”](#)

MTF’s annual estimate of \$2.7 billion breaks down as follows:

- **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.

Survey data from the U.S. Chamber of Commerce revealed that 63.4% of parents miss roughly 14 days of work a year due to child care issues. When applied to Massachusetts, this amounts to \$457 million in lost earnings across roughly 112,000 hourly workers with children under five. And about 8% of parents had to move from full-time to part-time jobs because of child care issues, equating to over 20,000 working parents in Massachusetts with children under five reducing their hours permanently, with \$1.2 billion in estimated lost wages. MTF estimates that 35,000 parents with children under five left the workforce, costing employers approximately \$563 million a year in extra rehiring and retraining expenses.

Changing workforce dynamics make solving the child care issue even more pressing. As highlighted in the report, several demographic shifts are underway in Massachusetts, such as a drop in the number of people of prime working age (20-54), a rise in the population of those over 65, and a declining birth rate. Together, these trends indicate a shrinking workforce and highlight why getting parents the support they need to participate in the labor force is crucial for the state’s economy.

“Massachusetts has both a child care problem and a workforce problem, which both need to be addressed to support an economic recovery from a global pandemic,” said **Eileen McAnneny, President of MTF**. “An affordable and accessible child care system can help us overcome our workforce challenges, promote economic growth and support Massachusetts’ reputation as a top state in which to live and work.”

“For too long, America has failed to recognize child care for what it is: an essential piece of our economic infrastructure. Just like roads and bridges, child care is fundamental infrastructure to our economy. We must finally start treating it that way - for our kids, families, and our economy,” said **Assistant Speaker Katherine Clark (MA-5)**.



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“Access to high-quality, affordable child care is a foundational component to ensure everyone can participate in our economy. It enables parents to work and businesses to thrive,” said **Bob Rivers, President and CEO of Eastern Bank**. “It is essential that we in the business community understand the responsibility we have to solve these challenges and make Massachusetts a more vibrant, inclusive place for all.”

“This report clearly demonstrates that thoughtful investment in our state’s child care system could unlock billions of dollars in economic activity that stands to benefit working families and their employers, along with the local economy,” said **Tom Weber, Eastern Bank Foundation**, and Executive Director, Massachusetts Business Coalition for Early Childhood Education.

"Children's Hospital doesn't just care for kids - we employ thousands of people, and understand the critical connection between access to child care and employee engagement, attendance and productivity," said **Kevin B. Churchwell, M.D., President & CEO, Boston Children's Hospital**, and member of the Massachusetts Business Coalition for Early Childhood Education. "I am particularly concerned about the disproportionate impact of inadequate child care on women in the workforce."

The report highlights the increasingly unaffordable cost structure of child care in Massachusetts. For example, the average cost of infant care is \$21,000 a year in Massachusetts, making it the most expensive state in the nation, only behind Washington, D.C., and well above the national average of \$15,888. Infant care in Massachusetts is more expensive than tuition and fees at a four-year public college, and 31% more costly than the average rent in the state – which is also one of the highest in the nation. Child care costs for toddlers are not much lower, averaging \$15,095 a year. A family with an infant and a toddler and earning the gross state median income would spend 39% of their income on child care in Massachusetts – more than five times what the U.S. Department of Health & Human Services deems affordable.

“Child care is an important driver of our economy, enabling parents to work and businesses to thrive, creating financial security and economic opportunity for families and children,” said **Jon Bernstein, New England Regional President, PNC Bank, and co-chair of the Massachusetts Business Coalition for Early Childhood Education**. “Yet, with clear evidence that accessible, affordable, high-quality child care offers a solution to some of our workforce challenges, we are falling far short of what is needed to support working families in Massachusetts.”

“Decades of research has shown that high-quality early education benefits young children, families and our communities. Over the past two years the connection to our economy has been made even more clear.” said **Amy O’Leary, Executive Director of Strategies for Children**, “We must ensure that Massachusetts invests in our early education and care system, including our workforce, for the short- and long-term to support every child in Massachusetts.”

Over the past few years, the issue of child care has gained momentum in national and state policy discussions. This issue gained even more attention throughout the pandemic, as the public health emergency and economic fallout turned an already dire child care situation into a full-blown crisis. Inadequate access to child care is particularly acute in Massachusetts, where demographic trends and workforce constraints have exacerbated the economic impact of gaps in child care.



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MTF is launching a series of research and reports on the child care system in Massachusetts to emphasize opportunities for improvement and represents the organization’s first foray into research on this issue. This report examines the current child care system through an economic lens, with a particular focus on how this impacts working families, employers and the local economy. Before offering specific policy suggestions at the state and local levels, the report released today provides a “landscape analysis” to assess how the current shortfalls in our system impact our families, businesses, and overall economy.

About MTF

Founded in 1932, the [Massachusetts Taxpayers Foundation \(MTF\)](http://www.masstaxpayers.com) is widely recognized as the state's premier public policy organization dealing with state and local fiscal, tax and economic policies. MTF's record of high quality research and non-partisan analysis has earned the organization broad credibility on Beacon Hill and across the Commonwealth. MTF’s mission is to provide accurate, unbiased research with balanced, thoughtful recommendations that strengthen the state's finances and economy in order to foster the long-term well-being of the Commonwealth. MTF’s unique credibility has impacted policymaking on a wide range of issues - from health care, business costs and transportation funding to tax competitiveness, capital investments and state and local finances, as well as the economic consequences of racial inequities. One of the hallmarks of MTF has been a commitment to meticulous, high quality research and clearly explained, non-partisan analysis.

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