COMPTROLLER OF MARYLAND

STATE OF THE ECONOMY SERIES: CHILD CARE AND THE ECONOMY

DECEMBER 2024

In January 2024, the Comptroller of Maryland released the agency's inaugural State of the Economy report that examined economic trends in Maryland compared to the U.S. and neighboring states. It analyzed a range of factors impacting Maryland's post-pandemic economy, including private sector job growth, housing costs and inventory, domestic and international migration, and the child care industry. This Child Care & the Economy brief is part of a series that further explores key findings highlighted in the State of the Economy report to provide analysis and information to policymakers and the public.

Key Findings

Maryland's labor force participation rate (LPR) has dropped by more than any other state since the onset of the pandemic (February 2020). National research establishes a clear link between increased access to quality, affordable child care and increased labor force participation among parents, especially women with young children. Child Care & the Economy explores challenges and opportunities in Maryland's licensed child care industry – which is currently undergoing significant changes due to new investments in child care scholarships and implementation of the Blueprint for Maryland's Future – within the context of bolstering the state's labor force and economic growth.

Labor Force

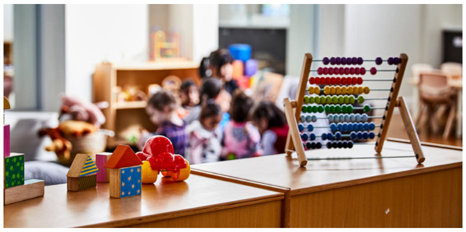
Prime-age working women between 25-45 years old now have a higher LPR than prior to the pandemic, with single moms with children under 6 years old seeing the largest gains. However, the LPR among women with only young children still lags behind women without children, and far behind men with young children.

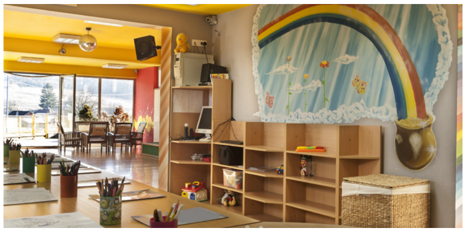
The LPR for married women with children under 6 remains below pre-pandemic levels and 17 percentage points below married fathers with children under 6, which is counter to national trends that have seen increased LPR among married women with young children coming out of the pandemic.

Workforce

Between 2019 and 2022, the number of child care workers in Maryland fell by an estimated 27%, putting the state in the top 10 for sharpest declines in workers nationwide during that time period.

There are several challenges to restoring the child care workforce to pre-pandemic levels, including low wages and lack of benefits; more experience and training requirements compared to other similarly paid positions in sectors such as retail, hospitality, and warehousing; and greater options to pursue alternative career paths given that Maryland has more job openings per job seeker than in surrounding states and the U.S.





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Programs & Capacity

Since February 2020, the total number of licensed child care providers in Maryland has decreased by 15.5% (-1,235 providers), and the total licensed child care capacity in Maryland has fallen by 5.5% (-12,165 slots, or seats).

Closures have been concentrated among family care providers, which are individuals or businesses licensed to offer care in their homes for up to 12 children. There are equity implications to the sustained decline in family care providers: they tend to be more affordable, offer more flexible hours, and located more conveniently in residential areas.

Overall capacity, or slots, for children under 5 years old is unchanged from 2020 to 2024. However, there are likely variations in capacity among infants (0-18 months), toddlers (18-24 months), and preschoolers (2-4 years old). Access to more data is needed to fully understand these trends.

Available data indicate that the types of businesses operating child care centers, which are licensed programs operated in a regulated facility with capacity to serve many children, appears to be shifting with an apparent increase in child care center programs within independent schools or nonprofit organizations and relatively fewer businesses operating one or more locations that solely or primarily provide child care services.

Costs

Center-based infant care is the costliest type of child care in Maryland, with an average annual cost to families of $19,906, compared to $14,320 for family-based infant care, ranking 6th and 7th most expensive in the nation, respectively. At this cost, center-based infant care represents 13% of the median income for a married couple and 41% of the median income for a single-parent family in Maryland.

Between 2020 and 2023, care for infants in centers increased by 23% and by 35% for infants in family-based care. A key cost driver is the teacher-to-child ratio, which is lower for infants in Maryland than other states. Accounting for inflation, total wages in Maryland have not grown since the fourth quarter of 2020, meaning that child care cost increases are not offset by wage increases.

Most child care providers are small businesses operating on tight profit margins – usually less than 1% – with less than one month of operating costs available. Pandemic-era factors and economic shocks such as inflation and worker attrition compounded their long-term challenges.

The Child Care Scholarship Program is helping address affordability for parents and sustainability for providers. The Program has been expanded significantly under the Moore–Miller administration, with $605 million invested into the program over the past two fiscal years.

Economic Impact

Access to child care is associated with improved productivity, increased state revenues, and greater economic security and earnings potential for women.

Over the long-term, research indicates that quality early childhood education is linked to improved education and economic outcomes.

Continued expansion of Maryland's licensed child care industry, especially for children under 5 years old, is essential to equitably growing Maryland's economy and keeping Maryland competitive in both the short and long term.

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