Boom in day care industry
the result of many social changes

The number of employees in the
day care industry has increased
at a much faster rate than working mothers;
five major factors are responsible

William Goodman

The daily life of preschool children in the
United States has changed dramatically
in the last 20 years. Because mothers of
young children are far more likely to work than
at any other time in the past, mother and child
now spend much less time at home.1 Furthermore,
far more relatives—particularly women—
also are employed, and have less time to spend
with nephews, nieces, young cousins, and grand-
children. For these and other reasons, young chil-
dren are more likely to attend day care centers.
During the 2 decades, employment in private-sec-
tor day care centers increased by more than 250
percent, gaining nearly 400,000 jobs and con-
tinuing to grow during two of the four recessions in
the period. No single factor influencing the day
care industry and examined here has increased
as has employment in the industry. Instead, a
combination of at least five major factors drives
demand for the services of child-care centers.

Trends in day care jobs

Employment growth in the day care industry since
1972 has been much more rapid than the growth
of most industries: overall, the number of day care
jobs has grown by approximately 250 percent, or
375,000 jobs. Growth occurred almost through-
out the 22-year period, except for the early 1980’s,
during which two back-to-back recessions oc-
curred. From early 1979 to summer of 1982,
30,000 jobs were lost in day care. Renewed
growth from fall 1982 to mid-1985 expanded the
number of jobs to above the preceding peak, and
strong growth has since continued. Unlike most
industries, child day care continued to expand vig-
ously during the recessions of 1973–75 and
1990–91. Explanations for these movements, in-
cluding the seemingly inconsistent behavior in the
various recessions, are discussed below.

Causes of growth

One way to begin an analysis of employment
growth in day care is to distinguish between
growth attributable to greater enrollment and the
effects of changes in the ratio of enrolled children
to staff. Fewer children per staff member generally
improve the quality of care. Consistent, regularly
timed estimates of the ratio of children to staff are
not available. But one publication calculates that
the average ratio of children to caregivers and
teachers in full-time centers (7 hours a day or
more) increased considerably, from 6.8 to 8.5
children per worker, between 1976 and 1990.2
Because a staff member supervised more children
in 1990, the change in the ratio pushed down
employment. If the ratio had remained unchanged,
employment in 1990 would have been greater by

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**Scope of study**

This article primarily relies on estimates of employment in day care establishments from the Bureau of Labor Statistics monthly survey of employers. These statistics are from the Current Employment Statistics program of BLS. The CES program produces estimates of employees on all nonfarm payrolls except in private households, based on a monthly survey of about 390,000 work sites.

Data from the survey appear in the monthly BLS periodical *Employment and Earnings*. CES data in this article are seasonally adjusted unless otherwise indicated.

For purposes of the survey, this article uses the Federal Office of Management and Budget's Standard Industrial Classification Manual's definition of the child day care industry, which includes private-sector "establishments primarily engaged in the care of infants or children, or in providing pre-kindergarten education, where medical care or delinquency correction is not a major element."

Including the education of the very young is appropriate, because a definite line between care and education cannot be drawn; many day care centers include education in their programs, and in earliest childhood, play and learning cannot be distinguished clearly.

This definition of the day care industry includes large and small companies doing business for profit or for other purposes, such as social good. Secular and religious non-profit organizations and for-profit companies are included.

However, a few significant exclusions apply. Government day care—for example, day care centers within public school systems, or those provided by government agencies for employees—is not included in the child day care industry data presented in this article, unless a separate, private organization performs the work of the center. In addition, if day care is provided onsite directly by an employer for its own employees' children, without the use of a contractor but as a company-owned operation, the day care personnel are not included. When care of children is offered by an individual at their own residence, without the use of any employees, the provider is not counted, as the survey measures only employment on payrolls rather than self-employed workers. Nannies and, in fact, all domestic workers also are excluded from the survey.

Because of the various exclusions, the estimates being studied do not represent all child care workers in the country. Trends in Government day care, child care provided by employers for their employees' children, care by domestic workers in the child's home, and care by entrepreneurs working in their own homes may not be exactly the same as the trends of private-sector day care centers. But an abundance of anecdotal evidence suggests that day care provided directly by employers for their own employees' children is growing fast.

Employment in the day care industry as estimated from the survey includes not only employees directly caring for children but all employees of day care companies. According to the BLS Occupational Employment Survey, 8 percent of the child care industry's employees are managers or administrators, 15 percent are clerical workers, 33 percent are teachers, and 25 percent are child care workers. The remaining 19 percent are widely scattered among a variety of other occupations.

110,000 in full-time centers alone.

Because fewer staff members now handle the same number of children, enrollment increases must account for the employment of larger numbers of teachers and child care workers in the industry. Consistent measures of total enrollment of children in day care, at regularly timed intervals, also are not available. However, an abundance of indirect evidence indicates tremendous growth in enrollment. In addition, one source concludes that enrollment in full-time early education and care increased from 900,000 children in the mid-1970's to 3.8 million in 1990.

### Why enrollment grew

Several factors caused the growth in enrollment. Although an increase in the population of children is the most obvious cause, growth in the proportion of children who are in day-care programs has had much more influence. The increasing percentage of children in day care reflects large gains in the number of their mothers who have jobs.

#### U.S. population of youngsters

In 1990, children 3 to 5 years old accounted for 52 percent of day care enrollment; children under 6 accounted for 74 percent. (See table 1.) While the growth in the populations of these age groups has been gradual, at 1 to 3 percent annually, the aggregate growth of children younger than 6 from 1972 to 1994 has been 3 million. (See table 2 and chart 1.) The number of 3-to-5-year-olds increased by 1.6 million.

If the ratio of day care center employees to all children under 6 is held constant at the 1972 rate, the increase in the population of youngsters under 6 implies relatively slight growth in employment: 22,000 day care employees, or just 6
percent of actual growth. Clearly, changes in these populations are only a minor factor in the expansion of the industry. Evidently, additional factors strongly affect demand.

Changes in the family. Children of working mothers are enrolled in centers as a primary arrangement for care nearly twice as frequently as children of mothers without jobs. As of 1990, if school is excluded as a child care arrangement, 17 percent of children younger than 13 with employed mothers were enrolled in a center as their primary arrangement; among children under 13 with mothers who did not hold jobs, 9 percent were enrolled in centers as a primary arrangement. The number and proportion of women at work have increased greatly in the last 20 years, rising from 41 percent in 1972 to 54 percent in 1993. (See table 2 and chart 1.) The proportion of working mothers of children under 6 rose by an even greater percentage: from 33 percent in 1975 to 53 percent in 1993. Mothers of children under 3 also greatly increased their participation in employment, from 28 percent in 1975 to 49 percent in 1993. (See table 1.)

In 1975, 16 percent of mothers with children under 6 did not have a spouse in the household; in 1993, that proportion increased to 26 percent. One might expect that the absence of a working husband from the household would be a major explanation of why more mothers of young children are at work, but mothers with a husband in the household increased their jobholding far more. Between mothers of young children who had husbands with them and those who did not, the percentages at work were fairly close in the mid-1970’s; but women with spouses present increased considerably in percentage employed, while those without spouses present increased only slightly in percent employed. Exact percentages, derived from Current Population Survey data, are shown in the following tabulation:

<table>
<thead>
<tr>
<th>Years</th>
<th>1975</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mothers of children under age 6:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With spouse in household</td>
<td>32</td>
<td>56</td>
</tr>
<tr>
<td>Without spouse in household</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>Mothers of children aged 3 to 5:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With spouse in household</td>
<td>37</td>
<td>60</td>
</tr>
<tr>
<td>Without spouse in household</td>
<td>49</td>
<td>55</td>
</tr>
</tbody>
</table>

Changes in needs and preferences that caused more of these mothers to go to work affected the group with a husband in the household far more than those without a husband. The group with a spouse present also is much larger. Women who live with their husbands, therefore, made the far heavier contribution to the increased employment of mothers of young children.

The number of working women in general also is important as a factor in the demand for child care: not only mothers but also other relatives who might be available to watch children become unavailable as a greater percentage of the population becomes employed. From 1972 to 1993, the overall employment-to-population ratio increased from 57.0 percent to 61.6 percent. Although the employment-to-population ratio of men decreased by 5 percent, the ratio among women increased by 13 percentage points to 54.1 percent. At the start of the latest post-recession period, from early 1991 to the end of 1993, job growth among women was greatest among 45-to-54-year-olds. Seventy-two percent of women in that age range were employed at the end of the period — implying that a great many grandmothers and older aunts are not available as they once were to watch children during the day.

While comprehensive, clear statistics are not available to show a shift from care by relatives to care in centers among all children, the Census Bureau has estimated use of various child-care arrangements by families with working mothers and children under 5 in various years. The results indicate that from 1977 to 1991, use of child care centers increased by 10 percentage points, from 13 percent of such families to 23 percent. Care by relatives other than parents dropped the most, from 31 percent to 24 percent.

In addition, 1991 results appear to have been influenced by the recession and the continued post-recession decline in employment. An abnormally large number of laid-off relatives may have been temporarily available to care for children in 1991. Results from 1990, when employment was not so abnormally depressed, may better typify the 1990’s. Indeed, 1990 shows more care in centers and less care by relatives than in 1991. From 1977 to 1990, care in centers more than doubled, increasing from 13 percent to 28 percent, as opposed to 23 percent in 1991. The following tabulation shows the primary child care arrangement in families with children under age 5 and a working mother in selected years (in percent):"}

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Child cared for by:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Father</td>
<td>14</td>
<td>16</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>Relative other than parent</td>
<td>31</td>
<td>24</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Nonrelative in child’s home</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Nonrelative in another home</td>
<td>22</td>
<td>22</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>Organized facility</td>
<td>13</td>
<td>23</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>Mother at work</td>
<td>11</td>
<td>8</td>
<td>6</td>
<td>9</td>
</tr>
</tbody>
</table>

The drop in care by nonrelatives in the child’s home is confirmed by the household survey’s estimate of child care workers in children’s homes. This estimate shows a 37-percent drop, representing a reduction of 200,000 workers from 1972 to 1993. The reduced use of child care workers in the parents’ home is related to increasing demand for the services of centers, but the relationship between the two trends is not clear. The greater availability of child care centers may decrease the need for household workers. Alternately,
household workers may be less desired by families than in the past. Or, with much larger proportions of women entering occupations in the executive, administrative, managerial, and professional specialty categories, a smaller proportion of women may be available for lower paying jobs, so household help may be harder to find.

Factors relating to cost and convenience
After 13 years of fairly steady and strong growth, the number of working mothers with children under age 6, and those of children from 3 to 5, seems to have about leveled off in the 1990's. But the number of day care workers continued to increase about as steeply as ever. (See chart 1.) Contrasting trends also occurred in an earlier period: from 1979 to 1982, as the number of working mothers increased sharply, the number of day care workers declined. These contrasts indicate that other factors have important effects on the number of day care workers.

Certain developments have, in effect, lowered the price of day care, making it more practical for some mothers of young children to work outside the home. As a result, more young mothers may have started working. In addition, among working mothers and those who remain at home, these developments also may have increased the popularity of day care centers relative to other available child care arrangements.

Government funding. Several large Federal programs pay billions of dollars for the care and education of young children outside the home, and in some large programs, the funds have increased greatly in recent years. The four largest Federal programs in this area totaled more than $5 billion in fiscal year 1994.

Project Head Start is the most heavily funded of these programs, with 1994 appropriations of $3.3 billion. Local employment in Head Start is largely in the private sector because the program funds local private organizations and local government agencies that perform the work. Head Start is intended to provide comprehensive care for poor or disabled children. Although the project began in 1965, the Congress increased funding substantially in 1990 and continued to increase it greatly in each subsequent year through 1994. (See table 2.) Chart 2 compares the program's appropriations with growth in private-sector child care jobs.

In addition to Head Start, Federal spending was increased significantly for young children in 1990 when, for the first time, comprehensive legislation regarding child care was passed. As in Project Head Start, Federal funds in other major programs are ultimately used to a great extent to pay for the services of private child-care organizations. The Child Care and Development Block Grant, which began in 1990, provides funds to the States for care of the children of poor families and to improve the quality of care. Approximately $2.5 billion was appropriated for the first 3 years, and, in 1993, the fiscal-year funding rose from $825 million to $893 million. Funding remained at that level in 1994.

The "At-Risk" Child Care Program also was created in 1990. It is designed to provide care for children of families "at-risk" of becoming welfare recipients. States must provide matching funds to receive Federal money, which so far has been available at $300 million annually.

The Family Support Act Child Care Programs started slightly earlier, in 1988. The Federal government distributes money to the States to provide child care for the children of parents receiving Aid to Families With Dependent Children benefits and working, looking for work, or in approved education or training programs, as provided in the Job Opportunities and Basic Skills (JOBS) program. The Family Support Act also provides funds for care of the children of parents

<table>
<thead>
<tr>
<th>Age group</th>
<th>Resident U.S. population, 1994 (thousands)</th>
<th>Percent growth in population, 1972-94a</th>
<th>Use of day care centers as primary arrangement, 1990b (percent)</th>
<th>Age group's enrollment as a percentage of total day care enrollment, 1990c</th>
<th>Mothers who were employedd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 3</td>
<td>11,705</td>
<td>17.2</td>
<td>12.0</td>
<td>22</td>
<td>28.3</td>
</tr>
<tr>
<td>3 to 5</td>
<td>11,906</td>
<td>15.8</td>
<td>28.1</td>
<td>62</td>
<td>199.6</td>
</tr>
<tr>
<td>Under 6</td>
<td>23,611</td>
<td>16.5</td>
<td>20.6</td>
<td>74</td>
<td>33.2</td>
</tr>
<tr>
<td>6 to 9</td>
<td>14,975</td>
<td>-3.0</td>
<td>9.1</td>
<td>21</td>
<td>52.3</td>
</tr>
<tr>
<td>Under 10</td>
<td>36,596</td>
<td>8.2</td>
<td>15.9</td>
<td>96</td>
<td>56.3</td>
</tr>
</tbody>
</table>

1 Data are from the U.S. Bureau of the Census PHL-21 document.
2 Calculated from percentages in National Child Care Survey, 1990, p. 31, and up-to-date population weights.
3 Calculated from percentages in preceding column and up-to-date population weights.
4 Data are from the Current Population Survey.
5 These mothers had no children under the age of 3.

Note: Dash indicates data are not available.

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who have increased their earnings and have been able to leave the AFDC program in the past year. Funds for these Family Support Act programs nearly doubled from fiscal year 1992 to fiscal 1994, when $745 million was available.

In addition to Federal initiatives, State and local governments provide many child care programs. The level of spending per child varies greatly by State. In addition to programs for poor children and others, State governments frequently fund onsite day care for the children of public employees by setting up a private, not-for-profit corporation that operates the center rent-free.

As State governments receive more Federal funds, their revenue may be made available for other purposes. Conversely, when Federal aid to States and localities is cut, the State or local government may find it necessary to reallocate funds from another area of spending. The curve on chart 2, which represents the number of employees in the day care industry, shows a decline in the early 1980's, when two recessions occurred, even though two other recessions, one in the mid-1970's and another in the early 1990's, had no apparent effect on day care employment, which continued to grow vigorously.

Federal outlays for education, training, employment, and social services, adjusted for inflation, represents the first related statistic examined so far that may explain why employment in the industry dropped in the early 1980's but not during the other recessions. As shown in chart 2, social spending was cut deeply in Federal budgets in the early 1980's, while this broad category of Federal spending declined less during the recession of the mid-1970's and actually increased during the 1990-91 recession. As increases in such Federal spending occurred from 1975 to 1979 and again from 1987 to 1993, day care expanded at a pace greater than the growth rate in the number of children or of jobs held by their mothers.

Tax breaks. In addition to explicit Federal spending, several U.S. tax provisions help bring day care in reach of many families. Perhaps the most important tax change was the initiation and expansion of the Earned Income Credit, which began in 1975 and was increased to a major extent in 1990 and again in 1993. Although a small amount of this credit can be claimed by low-income taxpayers with no children, it benefits primarily lower-income families with children. A credit of up to about $2,500 goes to taxpayers with earnings of $11,000 or less. The Earned Income Credit is different among such credits because when the amount claimed by a taxpayer exceeds the income tax liability, he or she is reim-

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bursed for the balance. The total amount claimed each year under this credit has increased more than five-fold since 1975, even after inflation, partially because of numerous revisions in the applicable tax rules, particularly in 1987, 1990, and 1993. (See chart 2.)

While the credit does not specifically provide for day care, the credit is often cited in literature concerning the financing of the care of young children. Low-income families use day care facilities; among children in families below the poverty line in which the mother works, 18 percent attended organized day care facilities in 1991.18

The Dependent Care Tax Credit benefits primarily a more middle-income group of families; in 1992, this credit was claimed to the greatest extent by families with incomes between $20,000 and $50,000. The credit can be claimed for expenses incurred for the care of dependents if the care is necessary for the taxpayer to be employed. After adjustment for inflation, the annual amount claimed by taxpayers about tripled from 1976 to 1988. In 1988, tax law changes removed credit for the care of children over 13 and reduced the amount of expenses that could be claimed; the aggregate annual amount claimed by taxpayers suddenly dropped and remained at roughly the same level through 1994, according to projections. But the amount claimed in 1994 was still 85 percent above the 1976 level after adjustment for inflation.19 (See chart 2.)

Since 1981, certain employer-provided dependent care has been excluded from an employee’s gross income for Federal income tax purposes. Such dependent care may be provided in the form of on-site or nearby child care facilities, reimbursement of employees for child care expenses, or reimbursement accounts that are also usable for other nontaxable employee benefits. Many employers offer such benefits; in 1993, 40 percent of full-time employees of medium and large private establishments were eligible for reimbursement accounts that could be used for dependent care.20

Private initiatives. Corporate and nonprofit organizations have made significant efforts to provide day care. The organizations represent a diverse group, including major corporations and religious and other nonprofit organizations.

Employers sometimes operate their own day care centers for employees and in other cases contract with a for-profit or nonprofit child care organization. In at least a few cases, the service also is made available to nonemployee community members. Other companies reimburse parents’ expenditures on day care or arrange discounts. Consortia of employers, in some cases also including labor unions, have started

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**Chart 1. Employment in day care industry far outpaces factors influencing demand for child care**

(Percent change in employment in day care industry and in selected factors affecting demand for child care, 1975-94.)

- **Day care employees**
- **All nonfarm woman employees**
- **Working mothers with children under 6**
- **U.S. population of children under 6**

**Note:** Shaded areas denote recession from peak to trough, as defined by the National Bureau of Economic Research Inc.

**Sources:** Current Employment Statistics program; Current Population Survey; and Bureau of the Census P-25 series of publications.

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day care centers that are located near several places of work. Cost effects

The average hourly pay in 1994 for production or nonsupervisory employees was $11.12 for the private sector and $6.83 in the day care industry. From 1972 to 1994, average hourly pay of workers in the industry, excluding managers, adjusted for inflation, declined by 10 percent. The cost of labor in day care centers is relatively inexpensive and has become less expensive over the years.

Despite the drop in real earnings of day care workers, the price of day care to consumers, as estimated in the consumer price index, rose more rapidly than general inflation in the last few years. An index of day care prices was first produced for a complete year in 1990. From 1990 to 1994, day care prices rose by 20 percent while overall consumer prices for all urban consumers rose by only 13 percent. Tax breaks and government and private day care programs, which deliver care at a below-market price as in Project Head Start, reduce costs to parents and partially account for the huge growth in day care use despite the relatively rapid inflation in the industry. The comparatively low cost of employing day care workers also helps explain the rapid growth of jobs in the industry.

Other surveys

As previously mentioned, estimates of employment from the monthly BLS survey of employers are used in this article as the primary measure of growth in employment. One advantage of this series of estimates is its relatively long history, starting in 1972 and continuing into mid-1995. Estimates from other relevant sources are available; in most cases, they differ in their scope and trend.

The Bureau of the Census estimates employment by industry, based on various Census Bureau sources. Day care services were first estimated in this program in 1988, and estimates for the industry have been produced up to reference year 1992. Census Bureau estimates, like those from the BLS survey of employers, are based on the definition of a day care establishment quoted earlier and exclude Government establishments from the sector. Over the 4-year span, this series, like the BLS survey of employers, shows growth, but not as much growth. Over the 1988–92 period, the Census Bureau program indicates a gain of 55,000 employees, or 15 percent; the BLS series shows an increase of 27 percent.

The Current Population Survey (CPS) of households also estimates employment in the child day care industry, beginning in 1983. However, the CPS (household survey) definition of child day care is broader than that of the two employer (establishment) surveys. The initial level of employment from the household survey was 418,000 in 1983, while the BLS establishment survey showed employment of 284,000.

The household survey apparently includes segments of the day care industry in which employment has grown even faster than in the segments included in the establishment surveys. From 1983 to 1993, the household survey measure of day care employment more than doubled, gaining 465,000 jobs, or 110 percent; the BLS establishment survey showed a gain of 67 percent during the period.

The household survey estimates of employees in the day care industry include government employees, self-employed workers, and private-sector wage and salary workers. (The two surveys of employers include only private-sector wage and salary workers.) Including these additional workers partially explains the differences in numbers of employees, but the household survey's estimates of private wage and salary workers in the day care industry are larger and faster growing than those of the BLS establishment survey.

One reason for the differences in initial level and trend is related to the surveys' different methods of determining the industry classification of workers. In the household survey, the classification is based on individuals' descriptions of their workplaces. Many large employers in industries other than day care provide onsite centers as a convenience to their employees. The household survey assigns the day care workers at such onsite centers to the day care industry if the workers themselves describe their workplace as a day care center. In the establishment survey, if the day care workers are directly on the payroll of the main establishment, rather than that of a separate organization, they are assigned to the main industry classification of the entire establishment.

The household survey also offers estimates of employment by occupation, including child care workers outside of private households and, separately, child care workers in the child's home. (These categories do not include all workers who supervise pre-school children; many employees of centers are pre-kindergarten teachers, a category not distinguishable in the survey from kindergarten teachers and therefore not usable for our immediate purposes.) From 1972 to 1993, individuals employed in the occupation of child care worker not in the child's residence increased from 358,000 to 1 million. (The trends of child care workers employed in the child's home were discussed in an earlier section, in connection with changes in the family.)

All the surveys show substantial increases in the day care center industry or portions of it. Rates of growth range from 4 percent a year, in the case of the Census Bureau data, to 8 percent a year in the case of the broad industry series from the household survey. The BLS establishment survey's industry estimates, which are the primary source of employment data for purposes of this article, increased by 6 percent annually, on average, from 1972 to 1994.

Outlook

Recently, the population of children has not only increased
Chart 2  **Employment in day care industry far outpaces factors influencing demand for child care.**

(Percent change in employment in day care industry and in selected factors affecting demand for child care, 1975-94)

Percent of 1972 level

<table>
<thead>
<tr>
<th>Year</th>
<th>Head Start funding</th>
<th>Day care employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>150</td>
<td>75</td>
</tr>
<tr>
<td>1974</td>
<td>225</td>
<td>150</td>
</tr>
<tr>
<td>1976</td>
<td>250</td>
<td>225</td>
</tr>
<tr>
<td>1978</td>
<td>275</td>
<td>250</td>
</tr>
<tr>
<td>1980</td>
<td>300</td>
<td>275</td>
</tr>
<tr>
<td>1982</td>
<td>325</td>
<td>300</td>
</tr>
<tr>
<td>1984</td>
<td>350</td>
<td>325</td>
</tr>
<tr>
<td>1986</td>
<td>375</td>
<td>350</td>
</tr>
</tbody>
</table>

With increasing funding for Head Start comes rising employment in child care.

Percent of 1972 level

<table>
<thead>
<tr>
<th>Year</th>
<th>Head Start funding</th>
<th>Day care employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>150</td>
<td>75</td>
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<tr>
<td>1974</td>
<td>225</td>
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<tr>
<td>1976</td>
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<tr>
<td>1978</td>
<td>275</td>
<td>250</td>
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<td>1980</td>
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<tr>
<td>1982</td>
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<td>300</td>
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<tr>
<td>1984</td>
<td>350</td>
<td>325</td>
</tr>
<tr>
<td>1986</td>
<td>375</td>
<td>350</td>
</tr>
</tbody>
</table>

NOTE: Head Start funding amounts are deflated by the 1962-84-based CPI-U.


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The number of day care employees rises with Government spending for job-related services.

Day care employees (in thousands)

Federal social spending (in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Day care employees</th>
<th>Federal social spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>150</td>
<td>10</td>
</tr>
<tr>
<td>1974</td>
<td>225</td>
<td>20</td>
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<td>1976</td>
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<tr>
<td>1978</td>
<td>275</td>
<td>40</td>
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<tr>
<td>1980</td>
<td>300</td>
<td>50</td>
</tr>
<tr>
<td>1982</td>
<td>325</td>
<td>60</td>
</tr>
<tr>
<td>1984</td>
<td>350</td>
<td>70</td>
</tr>
<tr>
<td>1986</td>
<td>375</td>
<td>80</td>
</tr>
</tbody>
</table>

NOTE: Shaded areas denote recessions from peak to trough, as defined by the National Bureau of Economic Research Inc.


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Amounts claimed for Federal Earned Income tax credits and Dependent Care tax credits, 1976–94.

**Earned Income Tax Credit**

**Dependent Care Tax Credit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Earned Income Tax Credit</th>
<th>Dependent Care Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>1978</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>1980</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>1982</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>1984</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>1986</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>1988</td>
<td>14</td>
<td>14</td>
</tr>
</tbody>
</table>


SOURCE: Joint Congressional Committee on Taxation.

10 Monthly Labor Review August 1995
but also accelerated in growth. Although future trends of most of the forces that have driven employment in the industry cannot be predicted with confidence, extensive population projections are available from the Bureau of the Census. These projections show a pattern of deceleration followed by decline in the population of young children:

<table>
<thead>
<tr>
<th>Time period</th>
<th>Percent change in population</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 to 5 years old</td>
<td>Under 6 years old</td>
</tr>
<tr>
<td>1981–88</td>
<td>6.2</td>
</tr>
<tr>
<td>1988–93</td>
<td>7.7</td>
</tr>
<tr>
<td>1993–98</td>
<td>4.8</td>
</tr>
<tr>
<td>1998–2003</td>
<td>-2.9</td>
</tr>
</tbody>
</table>

As can be seen, the recent relatively strong gains in the most relevant age groups are forecast to decelerate by 1998; these populations will fall by 2003.

While final Federal budget figures for fiscal year 1996 and later are not yet available, increases in Federal child-care spending from 1994 to 1995 is expected to slow. Federal child-care spending on certain major programs jumped by 84 percent in 1991 after expansion of the Iona Child Care, Transitional Child Care, and Head Start programs, and creation of the “At-Risk” programs and the Child Care and Development Block Grants. Since then, the combined funding of these programs and Project Head Start has been increasing by about 20 percent annually. But in 1995, their combined funding is to grow by only 3 percent.

Amounts claimed under the Federal Earned Income Credit are projected to grow vastly, by 89 percent, from 1993 to 1996. But even this growth represents a slight deceleration, as the amount claimed increased by 91 percent from 1990 to 1993. These developments suggest deceleration in day care employment. The eventual decrease in the population of young children suggests a greater deceleration or decline in employment in the industry. Although the percentage of working mothers of young children has leveled off in the last few years, projections do not exist.

In sum, the number of workers in the private day care industry has more than doubled since its employment was first estimated in 1972, increasing by nearly 400,000 jobs. The industry has been influenced by the increasing population of children; the dramatically climbing percentage of job holders among mothers of young children, and among other women; Federal, State, and local government spending on child care; increased Federal tax breaks for families with children; and many private initiatives to provide needed day care. But at least two of these factors will not continue to increase so rapidly. Federal spending on certain major child care programs is to decelerate from fiscal 1994 to fiscal 1995, although it may possibly later accelerate. Growth in the U.S. population of young children will decelerate in the next 5 years, and this population will start to decline by 2003. As a result, the industry is unlikely to sustain the rapid growth it has experienced since 1972.

Footnotes

3 Comparable estimates of total enrollees in day care for considerably separated points in time will soon be available. The National Center for Education Statistics of the U.S. Department of Education is conducting the 1995 National Household Education Survey, which, like the 1991 and 1993 surveys of that name, will generate an estimate of national enrollment in day care, and many other statistics relevant to early learning.
6 Population figures in this article are from the Bureau of the Census P-25 series of publications and PPL-21.
7 National Child Care Survey, 1990, p.29.
8 Statistics on working mothers in this article are from the Current Population Survey. Results for time periods after 1993 are not comparable to earlier results because of changes in methodology and population weights used.
9 Data from the Current Population Survey.
11 Data from the Current Population Survey. Data after 1993 are not comparable to earlier data because of changes in methodology and population weights.
13 From Current Population Survey data.
14 For further information, see Hayghe, "Are women leaving the labor force?" pp. 37–39.
17 Barbara Adolph, "Work and family benefits come of age," Government

22 From cts data.

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