Pennsylvania Child Care Industry Update

Independent Fiscal Office | Research Brief | January 2025

This research brief updates a prior brief released by the Independent Fiscal Office (March 2024) and examines industry trends since the onset of the Covid pandemic. During the past five years, Pennsylvania received approximately $1.7 billion in one-time federal child care stimulus funds which were disbursed by the Department of Human Services (DHS). In general, employers had to use funds to cover facility costs (e.g., rent, mortgage and utilities) and/or to retain or attract employees. The latest published data for 2024 Q2 show Pennsylvania private child care employment of 46,400, which now exceeds pre-pandemic levels (2019 Q2) by 1,200 (2.8%) employees. During that time, the average weekly salary for child care workers increased by 34.3% (see table, last column).

Pennsylvania Child Care Industry - Q2 Comparison

	2019	2020	2021	2022	2023	2024	'19 to '24
Number Employees (000s)	45.2	26.3	38.6	41.6	44.4	46.4	1.2
Growth Rate	--	-41.8%	46.9%	7.7%	6.7%	4.6%	2.8%
Average Weekly Salary	$449	$486	$517	$556	$584	$603	$154
Growth Rate	--	8.2%	6.4%	7.5%	5.0%	3.3%	34.3%
Wages Paid in Quarter[1]	$263.4	$166.0	$259.5	$300.5	$336.7	$364.3	$100.9
Growth Rate	--	-37.0%	56.4%	15.8%	12.0%	8.2%	38.3%

Note: The child care industry employs a large share of part-time workers, and that share could vary over time, so that the growth in the average weekly salary could diverge from the average hourly wage earned. U.S. data show that the average workweek for the industry increased by 2.5% from 2019 to 2024. If similar trends held for Pennsylvania, then the cumulative increase in the implied average hourly wage (31.0%) would be lower than the average weekly salary (34.3%) due to the higher number of hours worked.

1 Dollar amounts in millions.

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Private Child Care Industry.

Three state programs provide support to the child care industry. The Child Care Services ($298 million for FY 2024-25) and Child Care Assistance ($123 million) line items in the budget subsidize child care services for low-income families through the Child Care Works program. Additionally, Act 34 of 2023 expanded the Child and Dependent Care Enhancement (CDCE) Tax Credit from 30% to 100% of the federal tax credit, and the credit is fully refundable. CDCE Tax Credits reduced personal income tax collections by $26 million in FY 2022-23 (largely for tax year 2022) and $95 million in FY 2023-24 (largely for tax year 2023). For FY 2024-25, the estimate is $125 million.[1]

Despite the employment recovery, industry affordability and sustainability concerns remain. The cost of child care has grown significantly since the onset of the pandemic, and child care services can absorb a sizable portion of family income. Between 2019 and 2024, the average price for child care in Pennsylvania increased by roughly 20%. A summary of Allegheny, Philadelphia, and the five Pennsylvania counties with the largest annual cost increase from 2019 to 2024 is displayed in the table on the next page.[2]

1 See 2024-25 Governor's Executive Budget.pdf (February 2024).

2 Estimates for 2019 based on an average of the median price of infant, toddler and preschool care from the National Database of Childcare Prices (NDCP) from the U.S. Department of Labor, Women's Bureau. Estimates for 2024 are from the same NDCP data with adjustments for inflation based on 2022 data.

Average Annual Cost for Child Care

	Center-Based Care				Home-Based Care		
County	2019	2024	Growth	County	2019	2024	Growth
Allegheny	$10,780	$12,487	15.8%	Allegheny	$8,147	$9,421	15.6%
Philadelphia	$10,833	$12,866	18.8%	Philadelphia	$8,970	$10,333	15.2%
Top 5 Growth				**Top 5 Growth**			
Sullivan	$9,412	$12,075	28.3%	Greene	$9,165	$11,701	27.7%
Perry	$9,993	$12,622	26.3%	Washington	$9,967	$12,664	27.1%
Juniata	$9,544	$11,979	25.5%	Mercer	$8,645	$10,890	26.0%
Susquehanna	$9,533	$11,954	25.4%	Lackawanna	$8,905	$11,143	25.1%
Indiana	$9,265	$11,391	22.9%	Wayne	$7,973	$9,927	24.5%
Statewide	**$9,005**	**$10,710**	**20.8%**	**Statewide**	**$7,308**	**$8,632**	**20.0%**

Note: Prices based on average cost of median price infant, toddler and preschool care in each year.

Source: U.S. Department of Labor, Women's Bureau, National Database of Childcare Prices.

Federal and state tax credits reduce the child care cost burden, and the amount of the reduction will depend on a family's income and the type of child care provider used. For a family of three that earns $30,000 per year with one child in full-time care enrolled in the Child Care Works program, the 2024 weekly copay was $29 or an annual copay of $1,450 (50 weeks). The family may have insufficient tax liability to qualify for the (non-refundable) federal Child and Dependent Care (CDC) Tax Credit, but would receive $392 in refundable CDCE state tax credit ($1,450 annual copay * 27%). This family's net child care costs would be 3.5% of income. For a family of three that earns $60,000 per year with one child in full-time care but not eligible for the Child Care Works program, the annual gross cost would be $10,710 (statewide average). The family could reduce their federal income taxes by $600 for the CDC federal tax credit and receive a CDCE state tax credit of $600, for a net cost of $9,510 ($10,710 - $1,200 federal and state tax credit), or 15.9% of family income.[3]

These illustrative examples demonstrate that the absolute and relative cost of child care will vary significantly based on family income and access to the Child Care Works program. Although average industry wage costs increased substantially since the pandemic (31%), federal and state subsidies have as well (67%). Subsidies are generally used to reimburse providers in the Child Care Works program. The funding increase facilitated a reduction in weekly copays for eligible parents, from $53 per week (150% of Federal Poverty Income (FPI) in 2019 for a family of three) to $42 (comparable 150% of FPI in 2024) per week, a 20.8% decrease since 2019. For November 2024, DHS data show 90,634 children (all ages) enrolled in Child Care Works, down from 105,032 (-13.7%) in November 2019. For children under age 5, there was an 8% (-4,350) reduction. Because data are not published on all children in child care, or the corresponding family income level, the statewide utilization rate of the program cannot be computed reliably. The current waitlist is around 100 children, but lack of local access to the program may discourage some who are otherwise eligible from applying.[4]

Staff Contact

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3 A Pennsylvania tax filer can only claim a maximum of $3,000 in childcare expenses for one child and $6,000 for two or more children.

4 Subsidy enrollment and waitlist data: See Workbook: Subsidized Child Care Dashboards (December 2024); Subsidy enrollment for under age 5: See Child Care Subsidy - Eligibility and enrollment of children under 5 years | KIDS COUNT Data Center (May 2024).