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How Do the Availability and Cost of Childcare Influence Women's Labor Market Outcomes in New England?

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Executive Summary

In the United States, mothers of children younger than school age have significantly lower rates of labor force participation than other prime-age adults (those aged 25 to 54). Observers often attribute this pattern partly to a lack of available and affordable childcare. In a 2023 national survey, parents cite "costs" and "lack of open slots" equally as the largest barriers to accessing childcare. Because they cannot access childcare, many mothers have to reduce working hours, work part time instead of full time, or leave the workforce altogether.

This report quantifies how childcare availability and cost impact labor market outcomes for mothers of young children in New England. Using detailed childcare licensing records from 2010 to 2023, we construct neighborhood-level measures of childcare supply and cost. Our regression analysis reveals that a greater supply of childcare for a neighborhood is associated with increased labor force participation and employment among mothers of young children, while a higher cost of childcare significantly reduces the likelihood that mothers participate in the labor force and secure employment.

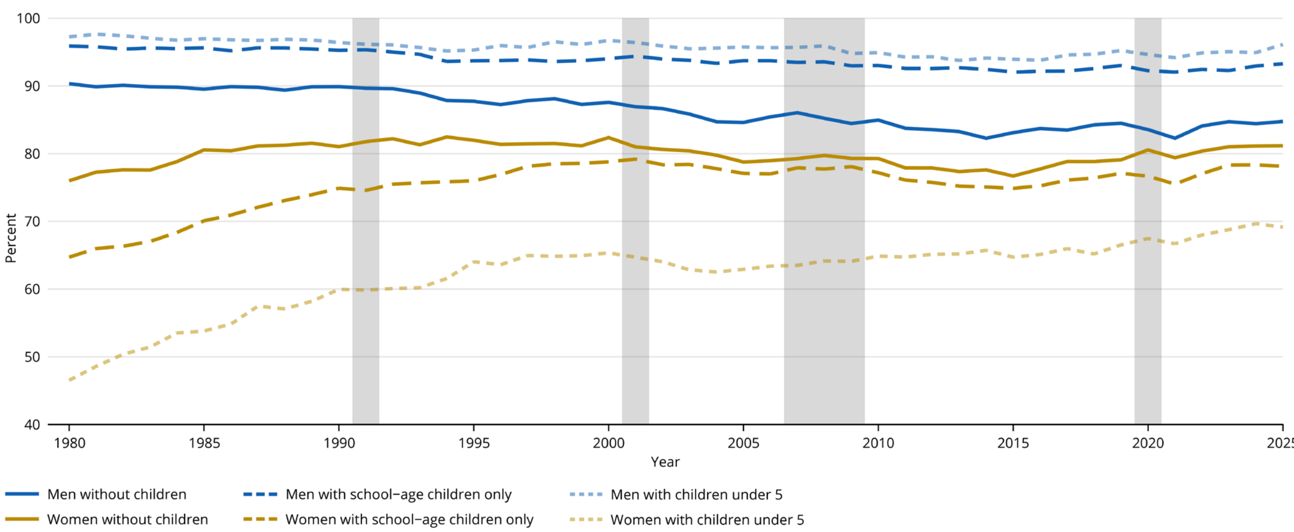
To be specific, an increase of 0.23 childcare slots per child (which is a one-standard-deviation greater supply) is associated with a 0.42 percentage point increase in labor force participation among mothers of young children. A decrease of $563 per month in the cost of childcare (which is a one-standard-deviation lower cost) is associated with a 1.91 percentage point increase in the participation rate.

The impact of childcare on the labor market outcomes of mothers of young children differs by both provider type and neighborhood context. Home-based childcare supply has a stronger and more consistent effect in non-urban and low-income areas, while center-based providers play a relatively larger role in urban neighborhoods. The cost of childcare also matters more for mothers in urban and high-income areas, where labor supply is more sensitive to prices.

The childcare industry warrants greater attention from policymakers, as increasing childcare availability and affordability can directly increase women's labor force participation, alleviate workforce shortages, strengthen household incomes, and improve fiscal health. However, persistent shortages, high prices, and the steady decline in the number of home-based providers make it clear that in its current form, the childcare system in New England cannot meet demand. The region's states are experimenting with a wide range of tools to improve the system, including loosening licensing rules, raising state reimbursement rates, offering complementary worker stipends, and shifting from attendance-based to enrollment-based payments to providers. Supporting home-based providers may require a distinct approach that could include targeted grants, shared-service hubs, and accessible training for childcare workers.

I. Introduction

Figure 1: Labor Force Participation by Gender and Parental Status



Source(s): Authors' calculations using the Current Population Survey, Annual Social and Economic Supplement (CPS-ASEC).
Note(s): The sample is restricted to prime-age adults (aged 25 to 54). "Without children" refers to adults without resident children. "School-age children" indicates the presence of resident children aged 5 to 17 only, and "children under 5" indicates at least one resident child younger than age 5. Individuals with children in multiple age categories are assigned to the youngest applicable category. The gray bars indicate recessions.

Despite progress in women's labor force participation over the decades (Goldin and Mitchell 2017), participation among mothers of young children remains low relative to other demographic groups (see Figure 1). This pattern partly reflects the fact that when available and affordable childcare is lacking, many mothers reduce working hours, turn to part-time jobs, or leave the labor force altogether. Thus, reliable childcare infrastructure is vital to supporting work opportunities.

The U.S. childcare system has long been viewed as being in crisis. According to the 2019 and 2023 Early Childhood Program Participation surveys, this crisis recently shifted from one driven primarily by affordability to one exacerbated by both high costs and a severe shortage of available slots. Nationally, "costs" were the most frequently cited barrier to accessing childcare in 2019, affecting 37 percent of parents who reported difficulty finding childcare. However, by 2023 "costs" and "lack of open slots" were cited equally, each affecting roughly 34 percent of families who either had difficulty finding childcare or were unable to find the childcare program they wanted.[1] Although these figures reflect national patterns, they underscore pressures that are especially acute in New England, where childcare costs are among the highest in the United States. Consistent with the national survey, New Hampshire Governor Kelly Ayotte noted in her 2026 State of the State address that in addition to the cost of childcare, availability is a pressing issue in

1 See Table 7 in "Early Childhood Program Participation: 2019" and Table A-8 in "Early Childhood Program Participation: 2023." The reports were published by the National Center for Education Statistics at the Institute of Education Sciences as part of the National Households Education Surveys Program.

the state. Using survey data from nearly 2,100 New England mothers of young children, Savage (2026) shows that both before the COVID-19 pandemic and in early 2022, limited access to high-quality childcare forced many mothers to reduce work hours, rely on unstable childcare arrangements, or leave the labor force.

Understanding how childcare availability and cost shape labor force participation and employment is essential for sound policy design. In this research report, we first describe the distributions of childcare supply and cost in New England and how they have changed over time. We then quantify the importance of supply and cost for the labor market outcomes of mothers of young children. Lastly, in the context of our research findings and other, related work, we discuss current childcare policies in the region.

Our findings underscore that childcare is not only a family concern but also a macroeconomic one.

Our regression analysis, which combines multiple complementary data sources, tells a consistent story. First, a greater supply of childcare, particularly home-based care, is associated with higher labor force participation and employment among mothers of young children. Second, higher childcare costs significantly reduce the likelihood that mothers participate in the labor force and secure employment. Taken together, our findings underscore that childcare is not only a family concern but also a macroeconomic one. Increasing childcare availability and affordability can directly improve women's participation in the labor force, alleviate workforce shortages, and strengthen household incomes and government budgets.

II. Childcare Supply and Cost

We construct neighborhood-level measures of childcare supply and cost. Our measures show substantial variation across states, within states, and over time. The share of home-based childcare decreased substantially from 2010 to 2023. Costs rose sharply after 2020, following the onset of the COVID-19 pandemic, even after being adjusted for inflation.

Most previous research relies on state-level or county-level measures of childcare supply and cost, overlooking the vast differences within states and counties. A simple count of childcare slots in a city, county, or state also would ignore that families typically use child-care that is close to home and sometimes cross jurisdictional boundaries for it. Therefore, we construct census-block-group-level measures of childcare supply and cost.[2]

Data Sources

We integrate several data sources, most notably childcare licensing records. Every New England state requires most childcare providers to obtain a license and records basic details about each provider such as address, start and end dates of the license, provider type (that is, center-based or home-based), and allowed capacity. Capacity is defined as the maximum number of slots allowed at any given time. Home-based providers typically serve 10 or fewer children and operate small, flexible businesses, whereas center-based providers vary in size, sometimes serving more than 100 children, and typically offer more structured programs. Centers also tend to be more expensive than home-based providers. We have access to licensing data from 2010 through 2023 for all New England states except New Hampshire, for which we have only 2023 data. Data on labor force participation and employment outcomes come from the American Community Survey (ACS) 5-year estimates. The ACS reports counts of people or households in a specified geographic unit, such as the total number of individuals or the number of individuals in the labor force who live in a particular block group. We can turn the counts into rates or percentages by dividing one count by another.

To capture access to care that is not constrained by jurisdictional boundaries, we employ an enhanced two-step floating catchment area (E2SFCA) method, a spatial model used by Davis, Lee, and Sojourner (2019), Malik et al. (2020), and others to study childcare accessibility. Using childcare licensing records, we calculate the number of childcare slots per young child within a 20-minute drive of each block group while weighting the travel time from each provider to the block group. We apply a similar method when estimating block-group-level childcare costs, using local childcare worker wages, neighborhood income levels, and the mix of providers within a 20-minute drive. This approach is well suited to the childcare sector because labor accounts for the overwhelming share of

2 A block group is a small geographic area defined by the U.S. Census Bureau that typically contains 600 to 3,000 residents. It is the smallest geographic unit for which American Community Survey estimates are published. In this report, we use the terms *block group*, *neighborhood*, and *area* interchangeably.

Table 1. Block-group-level Supply Measures, Summary Statistics

State	Childcare Supply			
	2010–2023		Point Years	
	Average	Standard Deviation	2010 Average	2023 Average
Connecticut	0.53	0.16	0.52	0.51
Maine	0.72	0.42	0.71	0.79
Massachusetts	0.55	0.14	0.58	0.53
Rhode Island	0.49	0.17	0.49	0.49
Vermont	0.84	0.42	0.86	0.84
All Five States	0.57	0.23	0.59	0.57

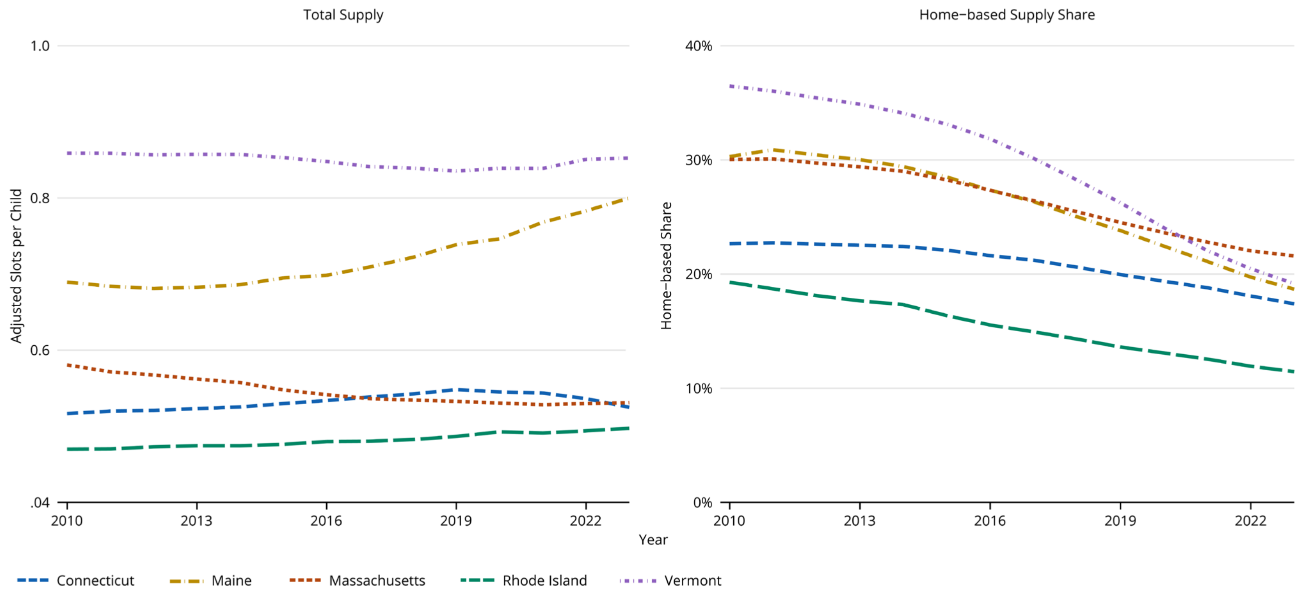
Source(s): Authors' calculations using childcare licensing data and block-group-level ACS 5-year estimates for the young-child population.

operating expenses, making wages a strong proxy for the underlying cost variation. See the Appendix for details about the E2SFCA method.

The average childcare supply in the five states for which we have licensing data for the 2010–2023 period is about 0.57 slots per child under the age of 6 (see Table 1). The standard deviation (SD), which indicates the amount of dispersion in the supply measure, is, on average, 0.23 slots per child in those five states. Vermont stands out for having the most abundant childcare supply, with roughly 0.8 licensed slots per child throughout the sample period, likely due to the state's extensive policy investments. Maine follows, while Rhode Island lags behind with the lowest supply and no significant growth over time. Massachusetts' supply decreased slightly during the sample period (about 8.6 percent). Supply also decreased in Connecticut and Vermont but to a lesser extent (about 2 percent in each state). Maine and Vermont exhibit the largest in-state variation in supply, likely reflecting an uneven distribution of providers across rural areas and urban centers.

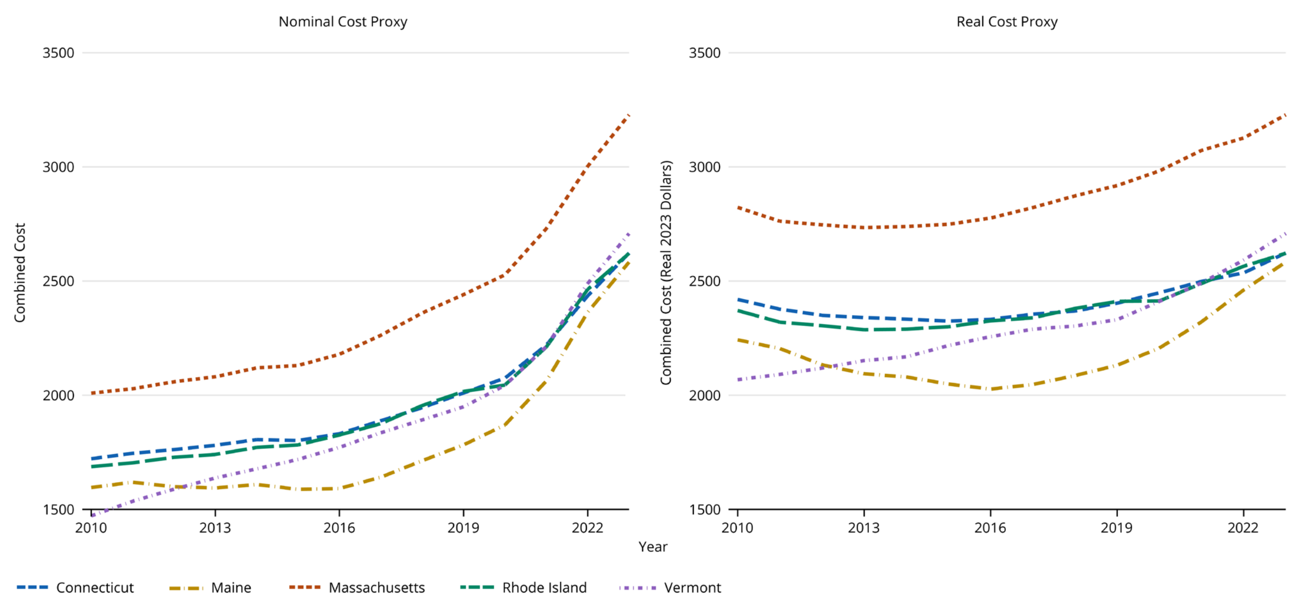
New England experienced a significant change in the composition of childcare providers during our study period. Home-based childcare supply declined in every state over time (see Figure 2). This trend could reflect aging providers, regulatory complexity, and increased real estate costs, all of which characterize the region. As a result, center-based care accounted for an increasing share of total capacity, averaging approximately 75 percent of it during the 2010–2023 period. The expansion of center-based supply signals a shift toward more structured settings but also toward higher costs.

Figure 2: Childcare Supply in New England over Time



Source(s): Authors' calculations using childcare licensing data and block-group-level ACS 5-year estimates for the young-child population.
Note(s): The lines depict population-weighted averages across all block groups in a given state.

Figure 3: Childcare Cost in New England over Time



Source(s): Authors' calculations using county-level Quarterly Workforce Indicators childcare worker wages, childcare licensing data, and block-group-level ACS 5-year estimates.
Note(s): The lines depict population-weighted averages across all block-group levels in a given state. All costs are in U.S. dollars.

Table 2. Block-group-level Cost Measures, Summary Statistics

State	Childcare Cost			
	2010–2023		Point Years	
	Average	Standard Deviation	2010 Average	2023 Average
Connecticut	1,978	537	1,727	2,626
Maine	1,791	393	1,596	2,551
Massachusetts	2,353	558	1,998	3,226
Rhode Island	1,945	301	1,686	2,620
Vermont	1,868	476	1,434	2,694
All Five States	2,136	563	1,829	2,918

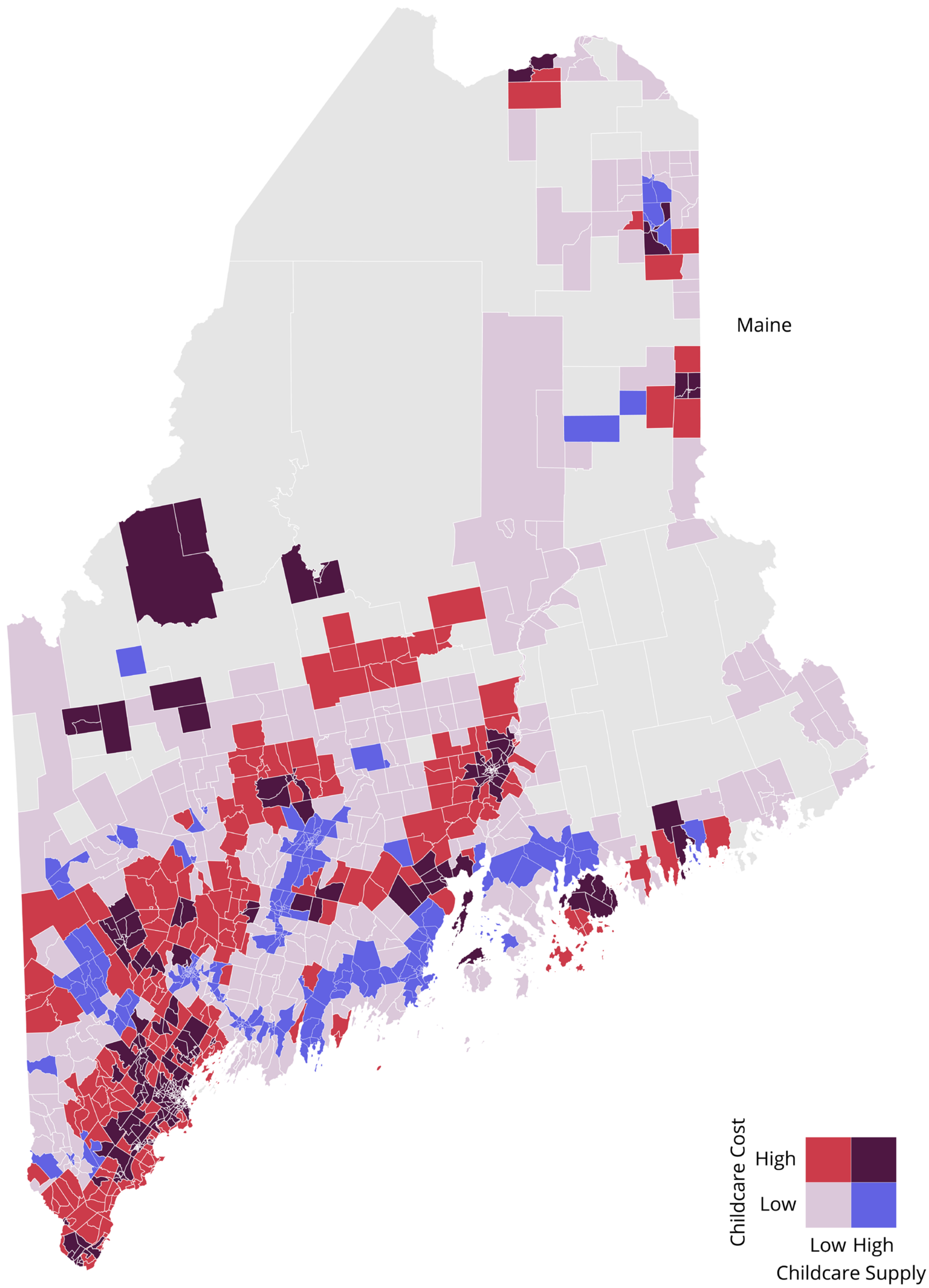
Source(s): Authors' calculations using childcare licensing data and block-group-level ACS 5-year estimates for the young-child population.

Note(s): All figures are in U.S. dollars.

Across the five states, our cost proxy was an average of $2,136 per month for the 2010–2023 period, with a standard deviation of $563 (see Table 2). Massachusetts had the highest average cost, and Maine had the lowest, possibly reflecting differences in the cost of living across states. Childcare costs surged in the region over time (see Figure 3). In particular, the nominal average monthly cost proxy increased sharply after 2020. This trend is consistent with wage growth in service occupations and general inflation during that period. However, even in real terms, our proxy for childcare costs increased noticeably after the pandemic.

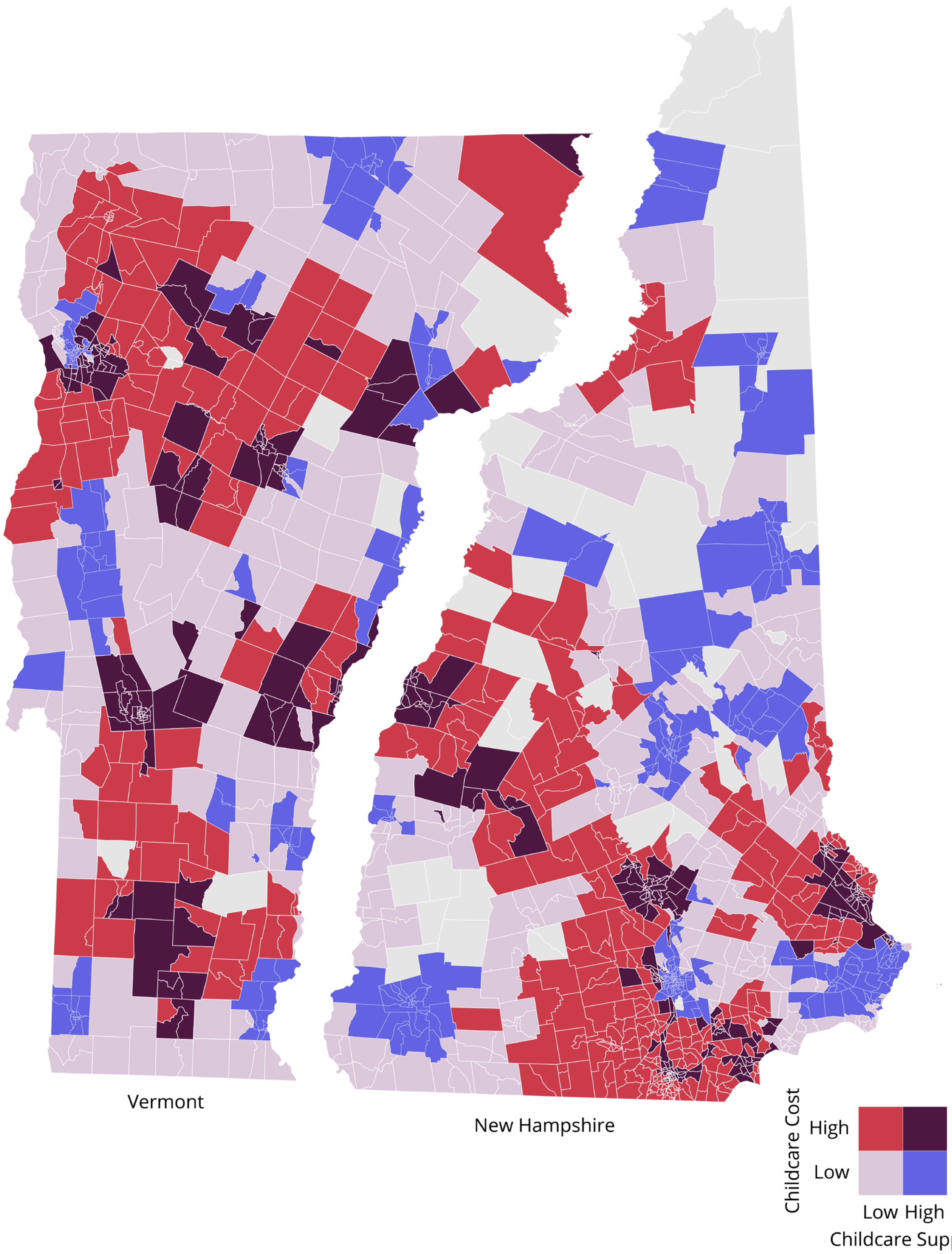
Mapping 2023 supply and cost together reveals different spatial patterns for each (see Figures 4a through 4c). The red-shaded areas in the figures represent, for each state, the most constrained block groups—those characterized by relatively low supply and high costs. They include large, often urban areas in each state. By contrast, the light-blue areas reflect block groups with greater supply and lower costs; these least constrained areas are much less prevalent. In the purple-shaded areas, childcare is expensive despite plentiful slots. In the light-pink areas, availability, not cost, likely limits accessibility; these areas tend to be more rural.

Figure 4a: Variation in Block-group-level Supply and Cost within States, 2023



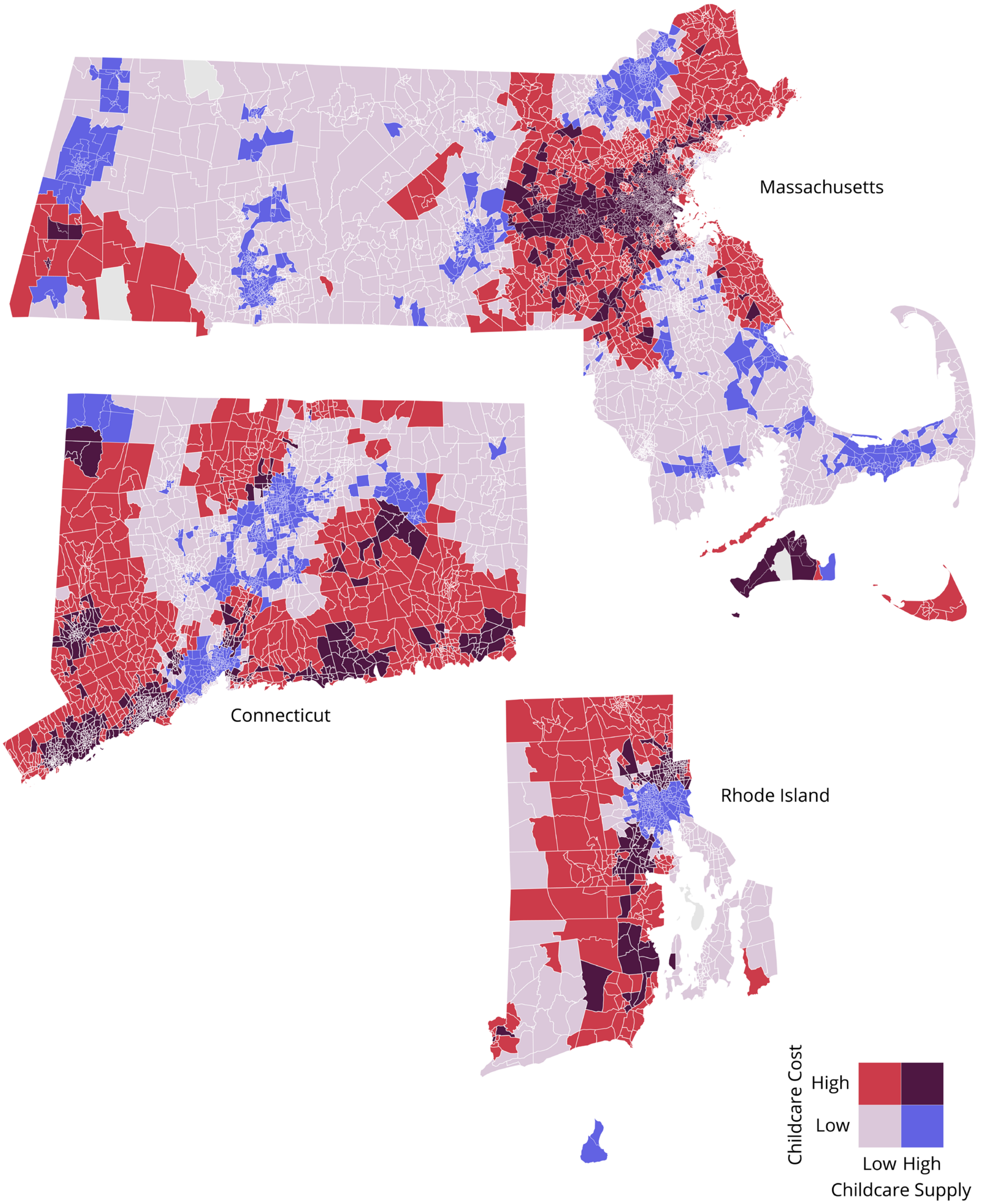
Source(s): Authors' calculations using childcare licensing data and block-group-level ACS 5-year estimates for the young child population.
Note(s): Block groups in each state are classified according to whether their supply and cost measures fall above or below the state median, yielding four categories. The red shading highlights the most constrained areas (those with relatively low supply and high costs), while the lighter blue shading marks the least constrained areas (with relatively high supply and low costs). The gray-shaded areas indicate missing cost information.

Figure 4b: Variation in Block-group-level Supply and Cost within States, 2023



Source(s): Authors' calculations using childcare licensing data and block-group-level ACS 5-year estimates for the young child population.
Note(s): Block groups in each state are classified according to whether their supply and cost measures fall above or below the state median, yielding four categories. The red shading highlights the most constrained areas (those with relatively low supply and high costs), while the lighter blue shading marks the least constrained areas (with relatively high supply and low costs). The gray-shaded areas indicate missing cost information.

Figure 4c: Variation in Block-group-level Supply and Cost within States, 2023



Source(s): Authors' calculations using childcare licensing data and block-group-level ACS 5-year estimates for the young child population.
Note(s): Block groups in each state are classified according to whether their supply and cost measures fall above or below the state median, yielding four categories. The red shading highlights the most constrained areas (those with relatively low supply and high costs), while the lighter blue shading marks the least constrained areas (with relatively high supply and low costs). The gray-shaded areas indicate missing cost information.

III. Quantifying the Effects of Supply and Cost

Our analysis shows that childcare supply and cost clearly correlate with the labor market outcomes of mothers of young children. The effect of home-based supply proves stronger and more consistent than that of center-based supply. Home-based providers are particularly crucial for non-urban and low-income areas, whereas center-based providers play a relatively larger role in urban neighborhoods.

Our study quantifies how local childcare supply and cost relate to labor force participation and employment outcomes among mothers of young children at the block-group level. Due to data limitations, we focus on women with at least one resident child under the age of 6.[3] For comparison, we also report results for women without resident children; they serve as a placebo group.

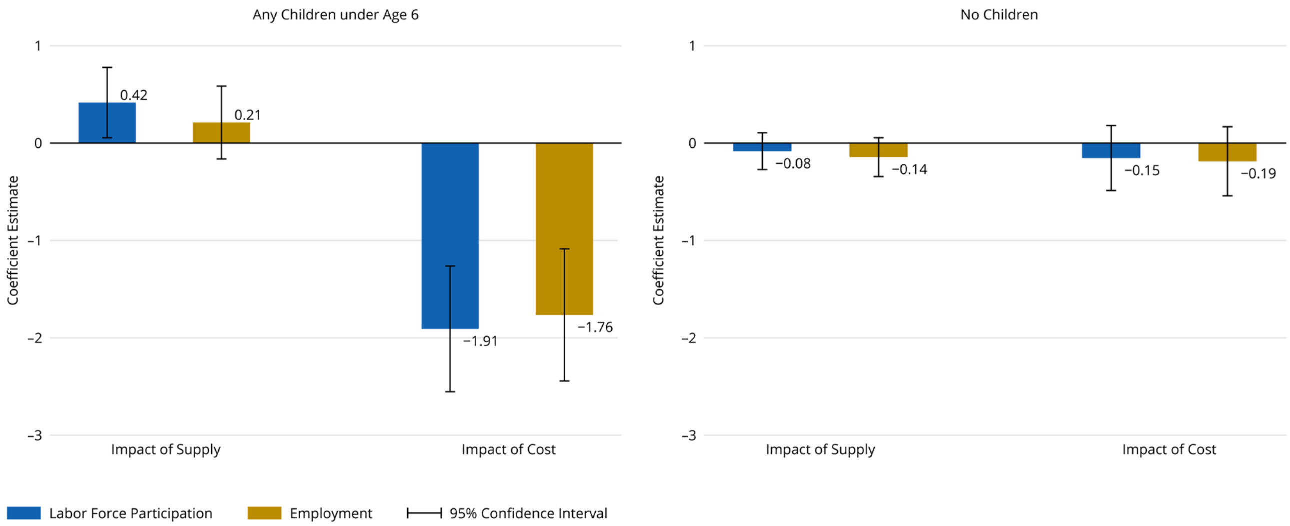
In our analysis, we regress women's labor force participation and employment rates on childcare supply and cost. We standardize the supply and cost measures so that their coefficients reflect the effect of a one-standard-deviation (1-SD) change in these measures. We control for women's educational attainment, age distribution, and marital status and also account for unobserved characteristics that were constant within counties in each year. Such characteristics include long-run trends in a county's economic structure or demographics as well as macroeconomic factors such as a recessionary period. These factors may influence women's labor market outcomes and need to be taken into account in the analysis.

Childcare Constraints Impact Labor Market Outcomes of Women with Young Children

Our results, depicted in Figure 5, indicate that greater childcare supply is clearly associated with greater labor force participation among mothers of young children, while higher childcare costs are strongly related to lower levels of participation and employment. Quantitatively, a 1-SD greater supply, which is roughly 0.23 slots per child, is related to 0.42 percentage point higher participation in the labor force among mothers of young children. In comparison, a 1-SD lower cost, which is about $563 a month, is associated with 1.91 percentage point higher participation and a 1.76 percentage point higher employment rate. The combination of a 1-SD greater supply and a 1-SD lower cost is associated with 2.33 percentage point higher labor force participation among mothers of young children. We find no significant relationship between childcare measures and labor market outcomes for women without children, indicating that the estimated effects likely operate through childcare constraints.

3 At the block-group level, the ACS reports labor market outcomes only for women aged 20 to 64 by resident-child status. Analogous measures for men are not available at the block-group level.

Figure 5: Impact of Childcare Supply and Cost on Women's Labor Market Outcomes



Source(s): Authors' calculations.
Note(s): All regressions are estimated at the block-group level using our preferred specification for constructing the supply and cost measures (a 20-minute drive threshold and a moderate decay parameter equal to two). Supply measures and cost variables are constructed as five-year moving averages and standardized to facilitate coefficient comparability. Therefore, their coefficients reflect the effect of a one-standard-deviation (1-SD) change in each measure. The dependent variable is the percentage of civilian women aged 20 to 64 who are in the labor force or employed, defined separately by child status. Covariates include the share of women aged 25 and older with a college degree or higher; the shares of women aged 20 to 34 and 35 to 49 among all women aged 20 to 64; and the share of women aged 15 and older who were never married, divorced, or widowed. All models include the interaction of county and year fixed effects. Standard errors are clustered at the block-group level.

Type of Care Matters

When we separate supply into its home-based and center-based components, home-based supply shows positive associations with both labor force participation and employment that are stronger than center-based supply's associations. A 1-SD greater home-based supply, which is about 0.09 home-based slots per child, is associated with 0.63 percentage point higher labor force participation and a 0.66 percentage point higher employment rate among mothers of young children. As noted, the effects of an increase in center-based supply are weaker.[4]

Type of Neighborhood Also Matters

Further analysis indicates that supply effects are segmented geographically and by income level (see Table 3). In non-urban and low-income areas, home-based care drives the positive effects of additional local supply, whereas center-based care plays a limited role. Center-based supply plays a relatively larger role than home-based supply in urban areas, and its influence is roughly on par with that of home-based supply in higher-income areas. This latter pattern likely reflects that centers' operating hours typically align better with full-time job schedules and that higher-income individuals may prefer formal centers (likely because centers are perceived as providing higher-quality services). Overall, home-based care supports workforce participation in non-urban and low-income areas, where affordability and flexibility are likely to matter

4 See Table 4 of Luengo-Prado and Zhao (forthcoming) for these regression results along with the results from additional robustness tests.

Table 3. Impact of Childcare Supply and Cost by Block-group Characteristics

Labor Force Participation Rate				
	Urban	Non-urban	High Income	Low Income
Home	0.17 (0.47)	0.82 *** (0.26)	0.78 * (0.40)	0.76 *** (0.27)
Center	1.11 ** (0.49)	0.14 (0.19)	0.80 ** (0.31)	0.02 (0.20)
Cost	−2.21 *** (0.48)	−1.41 *** (0.54)	−2.45 *** (0.42)	0.29 (0.55)
Employment Rate				
	Urban	Non-urban	High Income	Low Income
Home	0.35 (0.49)	0.72 *** (0.27)	0.88 ** (0.42)	0.83 *** (0.28)
Center	0.20 (0.52)	0.12 (0.21)	0.74 ** (0.32)	−0.17 (0.21)
Cost	−1.85 *** (0.51)	−1.18 ** (0.55)	−2.26 *** (0.44)	0.94 (0.58)

Source(s): Authors' calculations.

Note(s): The "Urban" specification restricts the sample to block groups with population density that is greater than 1,000 persons per square mile. "High Income" restricts the sample to block groups with a median household income that is higher than the annual median of all block groups in the sample. "Non-urban" and "Low Income" are the respective complements. All regressions are run at the block-group level using the preferred specification (a 20-minute drive threshold and a moderate decay parameter equal to two). Supply (total, home, and center) and cost variables are five-year moving averages and are standardized for interpretability. The dependent variables are the percentage of civilian women aged 20 to 64 with a child under age 6 who are in the labor force or employed. Covariates include the percentage of women aged 25 and older with a college degree or higher; the percentage of women aged 20 to 34 and 35 to 49 among all women aged 20 to 64; and the percentage of women aged 15 and older who were never married, divorced, or widowed. All specifications include an interaction of county and year fixed effects. Standard errors are clustered at the block-group level.

most, whereas centers facilitate participation among workers who live in urban areas or have higher incomes and are likely to work full time.

The negative effects of childcare costs on labor market outcomes among mothers of young children are stronger in urban and high-income block groups, whereas the impact of childcare costs is muted in low-income block groups. Low-income families and families in non-urban areas may rely more on government subsidies, informal care, or part-time arrangements, which are likely to make those areas' labor supply less responsive to childcare market prices. By contrast, high-income families generally pay the full market price for childcare, so price increases affect them more directly. Such families also tend to be more responsive to childcare costs because their jobs typically create a greater need for formal full-time care. Given their backgrounds and locations, high-income mothers typically have a broader range of labor market opportunities, but their jobs often require more predictable childcare coverage. Their costs of commuting and changing schedules may also be higher. In sum, mothers in urban and high-income areas are more likely to need to use center-based childcare to realize career opportunities. In any case, the cost of childcare can be a decisive factor in unlocking more labor supply, even when job opportunities are plentiful.

The negative effects of childcare costs on labor market outcomes are stronger in urban and high-income neighborhoods.

Overall, the results suggest that improvements in the supply and cost of childcare can translate into greater gains for women with better employment prospects. Quantitatively, the joint effect of a 1-SD increase in supply (totaling home- and center-based care) and a 1-SD decrease in cost in high-income block groups represents a 4.03 percentage point increase in labor force participation and a 3.88 percentage point increase in employment. In comparison, the joint effect in low-income block groups is a 0.76 percentage point increase in labor force participation and a 0.83 percentage point increase in employment.

In addition to including the block-group-level analysis discussed in this report, our accompanying working paper, Luengo-Prado and Zhao (forthcoming), provides complementary individual-level evidence that the availability and cost of childcare are key drivers of maternal employment and that their influence is shaped by underlying employment opportunities. At the individual level, the combined effect of a 1-SD increase in childcare supply and a 1-SD decrease in cost is associated with an increase in maternal labor force participation of 5.4 to 7 percentage points. This estimate is substantially larger than our block-group-level estimate. The difference likely reflects the presence of some attenuation in block-group estimates due to time and geographic aggregation.

Improvements in the supply and cost of childcare can translate into greater gains for women with better employment prospects.

IV. Current Policy in New England

A review of the policy landscape shows that New England states are experimenting with a wide range of tools intended to increase the supply and lower the cost of childcare. In particular, supply-side interventions—including loosening licensing rules,[5] raising reimbursement rates, and shifting to enrollment-based payments—are becoming a central focus of policy throughout the region.

Public policies are justified when childcare is viewed as a vital economic infrastructure for labor markets, equity, and fiscal health. A recent report by the U.S. Department of the Treasury presents a clear case of market failure in the U.S. childcare industry that has resulted in high costs and low supply relative to demand (U.S. Department of the Treasury 2021). Indeed, our examination of childcare in New England during the 2010–2023 period reveals imbalances among need, capacity, and cost. Our research indicates that improving both the local availability and affordability of childcare could result in tangible gains in women's labor force participation and employment.

States are experimenting with a wide range of tools intended to increase the supply and lower the cost of childcare.

In October 2024, the state of Connecticut reduced administrative burdens for childcare providers and lowered the required staff-to-child ratio for 2-year-olds from 1:4 to 1:5. Additionally, Public Act 25-82 of 2025 established a pilot program running from 2026 to 2029 that allows "large" family childcare providers to expand their capacity from nine children to 12. In July 2025, the state launched Early Start CT by combining three existing state-funded programs (School Readiness, Child Day Care, and State Head Start) into a single streamlined system. This program aims to improve families' access to high-quality early care and education services by reducing paperwork, providing more predictable pay schedules for providers, and standardizing family co-pays. Furthermore, Public Act 25-93 of 2025 established the Early Childhood Education Endowment to support the early childcare system by funding additional slots in the Early Start CT program and increasing reimbursement rates for participating providers. Beginning in October 2025, the state increased the reimbursement rate by 8 percent to help providers cover operational costs and improve staff compensation.

In 2021, Maine implemented a publicly funded stipend program to improve worker retention in the childcare sector. The program initially provided childcare workers with a monthly stipend of $200, which was funded by federal pandemic-related grants. The state later increased the stipends to $240 to $540 per month; the amount varied accord-

5 The Archbridge Institute's 2026 state childcare regulations index—which incorporates group-size limits, child-to-staff ratios, and staff education and training requirements—ranks Vermont as the most restrictive state in the nation, placing it at No. 50. It is followed by Massachusetts, Connecticut, and Rhode Island at Nos. 46, 45, and 44, respectively. Maine is also ranked near the top of the national distribution at No. 38. Even New Hampshire, the least restrictive state in the region, is ranked as No. 27. See Flowers et al. (2026) for details on the index methodology.

ing to workers' experience and educational qualifications. Additionally, recent legislation increased the number of children an unlicensed home-based provider can care for from two to three or four. Under the new law, a provider may serve as many as three children who do not live in the provider's home. The number can rise to four if at least two of the children are siblings and no more than three are younger than 2 years old.

The Massachusetts state budget allocated $475 million in fiscal year 2024 to Commonwealth Cares for Children (C3) operational grants and extended the program for fiscal years 2025 and 2026. These grants are aimed at helping centers offset operational costs and increase teacher pay. Center-based providers are expected to spend 50 percent of C3 funds on workforce investments. The state raised reimbursement rates in January 2025 and again in February 2026 to help providers cover part of the cost of care.

To expand the supply of childcare, New Hampshire created a new category for small-group childcare centers in commercial locations that went into effect in 2024. Further licensing revisions in 2025 reduced the required staff training hours and certifications and lowered the minimum square-footage-per-child requirement. The state also updated its reimbursement rates, raising them for providers serving children who are from eligible low-income families or have significant special needs. The state also shifted to enrollment-based reimbursements from attendance-based payments, ensuring that providers are paid even when a child is absent due to illness. In addition, in fiscal years 2024 and 2025, the state allocated $15 million to support the workforce of childcare providers with staff recruitment and retention, professional development, and training. In her State of the State address in February 2026, New Hampshire Governor Kelly Ayotte proposed a tax credit for companies investing in childcare for their workforce "to incentivize more businesses to consider helping meet this need for their employees."

Public policies are justified when childcare is viewed as a vital economic infrastructure for labor markets, equity, and fiscal health.

In 2022, Rhode Island implemented a 13 percent increase in center-based provider reimbursement rates. From 2022 to 2024, the state, using federal pandemic-recovery funds, offered each new home-based provider a $2,000 grant and technical assistance to support the startup process. Rhode Island also used those funds to provide worker-retention bonuses of as much as $3,000 per person per year during the 2022–2025 period. Any childcare worker who had been employed with the same provider for at least six consecutive months was eligible for a retention bonus. In addition, in July 2025, the state established a separate reimbursement rate for infant care that was 20 percent higher than the previous combined infant/toddler rate. This policy change was intended to improve infant care, which is more limited and more expensive than toddler and preschool care.

Vermont is often considered a leader in childcare policy reform in New England. In 2014, the state approved Act 166, which went into effect in 2015 and guarantees 10 hours of pre-kindergarten each week for 35 weeks per year for all 3- and 4-year-old children and for all 5-year-old children not yet enrolled in kindergarten. These guaranteed pre-K hours are delivered through a mix of public school districts and pre-qualified private providers.[6] Starting in January 2024, Act 76 of 2023 raised state reimbursement rates for both home- and center-based programs by 35 percent from their respective 2023 base rates.[7] The state also revised its attendance-based reimbursement payment system, transitioning toward an enrollment-based payment system to help stabilize providers' revenues.

Supply-side policies in the region continue to be paired with more traditional demand-side policies that focus on lowering the out-of-pocket cost for parents. Some states cap the amount that low- or moderate-income families participating in subsidy programs have to pay as a percentage of their household income. Connecticut calculates a participating family's childcare co-pay using a household-income sliding scale and caps it at 7 percent. New Hampshire also caps a family's childcare costs at 7 percent of household income. Furthermore, it eliminates childcare co-payments (after the state subsidy) for families with incomes below the federal poverty level and limits the co-payment to $5 a week for families with incomes between 100 percent and 138 percent of the federal poverty level. To speed up assistance, the state launched a presumptive eligibility pilot in 2025 that allows families to receive childcare subsidies immediately, before their applications are formally approved. States have also raised income limits or expanded eligibility so that more families can access childcare subsidies. Maine recently expanded the eligibility criterion to 125 percent of the state median income. In Vermont, families with incomes as high as 575 percent of the federal poverty level can receive some state childcare subsidies, which are calculated on a per-family basis, not on a per-child basis. Rhode Island extended its assistance program to college students, and Vermont's Act 76 of 2023 removed children's citizenship status as a factor in determining a family's eligibility for childcare financial assistance. When a participating child lacks federally eligible citizenship status, the state covers the subsidy with state funds.

The policy activity underway across New England reflects the growing recognition of the childcare sector's structural challenges.

The policy activity underway across New England reflects the growing recognition of the childcare sector's structural challenges. Our analysis underscores the central yet declining role of home-based providers and suggests that policymakers could consider offering additional support to them. Policy support may include targeted grants, subsidized training, simplified licensing and inspection processes, more friendly zoning changes, and shared-service hubs for accounting, payroll, and other business operating expenses, to name a few actionable items.

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6 Public pre-K expansion can increase capacity in high-cost, high-demand areas, particularly those where school districts have underutilized facilities due to declining K–12 enrollment. However, the expansion of public pre-K can have unintended negative consequences for private childcare providers if the public sector hires childcare workers away from private providers without increasing the overall pool of childcare workers (Brown 2019).

7 In July 2023, the state set a base rate for providers equal to the reimbursement rate paid to the providers with the highest rating in the state's Quality Recognition and Improvement System.

V. Conclusion

Our analysis shows that the labor force participation and employment of mothers with young children increase when childcare is easier to find in their neighborhood and more affordable. Adequate and affordable childcare generates benefits not only for families with young children but also for employers and state economies. Yet persistent shortages, high prices, and the steady decline in the number of home-based providers make it clear that in its current form, the childcare system in New England cannot meet demand.

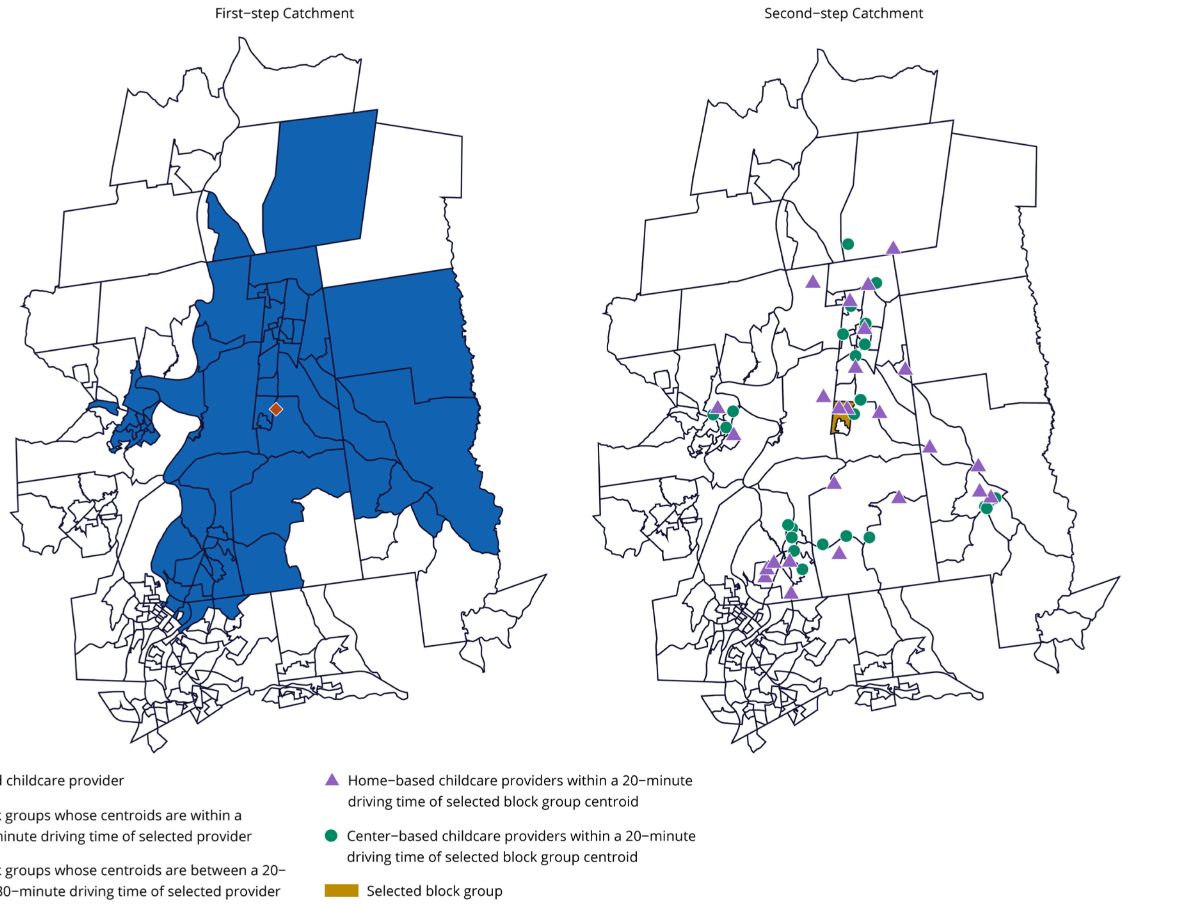
The childcare sector must navigate a delicate balance between ensuring quality and making care more available and affordable.

At the same time, the region's childcare needs are far from uniform. Rural towns and lower-income communities rely heavily on home-based providers, which often operate on thin margins and face complex regulatory hurdles. Supporting them may require practical steps such as simplified licensing, targeted grants, shared-service hubs, and accessible training for childcare workers. Urban or higher-income areas with more job opportunities may require additional center-based capacity, which is unlikely to materialize without greater compensation for workers and more predictable funding streams.

The policy changes enacted across New England suggest that policymakers increasingly view childcare as essential not only for the well-being of families but also for labor force participation, gender equity, and long-term fiscal stability. Still, the sector must navigate a delicate balance between ensuring quality and making care more available and affordable. Moving forward, policymakers should continue investing in providers and families and focus on evidence-based interventions that improve childcare availability and affordability while maintaining and strengthening quality standards.

Appendix: Methodology for Constructing Childcare Measures

Figure A1: An Illustration of the Enhanced Two-step Floating Catchment Area (E2SFCA) Framework



Source(s): Authors' calculations using childcare licensing data and ACS 5-year estimates for the young child population.
Note(s): In the first step, each childcare provider is assigned a catchment area consisting of block groups with centroids that fall within a 20-minute drive of that provider. In the second step, each block group is evaluated by identifying all providers within a 20-minute drive of its centroid. To reflect diminishing accessibility with distance, block groups (providers) farther from a provider (a block group) receive lower weights in the first (second) step. With this method, the measure of the supply available to families in a given location takes into account the competing demand from nearby households. This figure depicts a rural area in Massachusetts.

Our method for constructing childcare supply measures involves two steps (see Figure A1 for an illustration). In the first step, focusing on providers, we calculate the number of children under 6 years of age living within a 20-minute drive of each licensed provider.[8] These children are weighted based on how close their residence block groups are to the provider, with children in closer proximity receiving a higher weight and those farther away receiving a lower weight.[9] We then calculate each provider's supply-to-children ratio by dividing its licensed capacity by the nearby weighted child population. The second step focuses on

8 We use child counts at the block-group level from the five-year estimates of the American Community Survey.
9 For more information about the weighting function, see Luengo-Prado and Zhao (forthcoming).

each neighborhood (block group). We identify all providers within a 20-minute drive of the block-group centroid. By weighting each provider's supply-to-children ratio by its proximity to the block-group centroid, we calculate the weighted average of providers' supply-to-children ratios, which yields a measure of adjusted childcare supply for the neighborhood. We calculate separate measures for total supply, home-based supply, and center-based supply. Our supply measure is best interpreted as an upper bound because providers can and often do enroll fewer children than the legal maximum (see Miller-Bains, Yu, and Bassok 2025).

We construct a cost proxy following a similar approach. Complete provider-level data on childcare prices are not available. However, because the childcare sector is highly labor intensive and wages are the largest expense category,[10] we use wage data to create a cost proxy. In the first step, we start with county-level average monthly earnings of private-sector childcare workers from the U.S. Census Bureau's Quarterly Workforce Indicators (QWI). To create a price proxy for each licensed provider, we adjust these earnings to reflect income levels in the provider's catchment area relative to county income levels based on an assumption that providers in higher-income areas can charge more. We also adjust these earnings by provider type using county-level home-to-center price ratios.[11] The adjustment is warranted because centers typically charge higher prices than home-based providers. In the second step, the cost of childcare for each block group is calculated as the weighted average of the adjusted labor costs of the providers within the block group's catchment area. The weights account for each provider's supply-to-children ratio and the travel time from that provider to the block group. In both steps, the catchment area is defined by a 20-minute drive.[12] Our cost proxy therefore signals more affordability pressures with higher values.

10 See, for example, Figure 2 in Workman (2018), which documents that wages and salaries are 52 to 63 percent of the expenses of childcare programs, based on U.S. averages.
11 We use the National Database of Childcare Prices to calculate these county-level ratios.
12 For more technical details, see Luengo-Prado and Zhao (forthcoming).

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