

# The Economic Role of Paid Child Care in the U.S.

## Glossary



### **Best-Fit Line**

A best fit line through a scatter plot of data best expresses the linear relationship between those points. The straight line provides the best approximation of the relationship between the data points. The slope of the line provides a quantitative estimate of both the direction and magnitude of the relationship. Best fit lines are also commonly referred to as trendlines or linear regression lines.

### **Birth Rate**

Measures of the birth rate reflect the number of births in a population over time (typically one year). Commonly used measures of the birth rate include the crude birth rate and fertility rate.

### **Child and Dependent Care Tax Credit (CDCTC)**

The Child and Dependent Care Tax Credit is a federal tax credit available to pay for the care of eligible children and adult dependents (qualifying persons) to enable taxpayers to work, look for work, or attend school. The credit is calculated based on income and covers a percentage of expenses incurred for the care of qualifying persons. For tax year 2021, the American Rescue Plan Act of 2021 extended the credit up to \$4,000 for one qualifying person and \$8,000 for two or more qualifying persons and made the credit temporarily refundable.

### **Child Care Cost Burden**

The child care cost burden of a household reflects expenditures on paid child care as a percentage of household income. This measure reflects the notion that the cost burden of child care is best measured relative to ability to pay. The cost burden is calculated as child care expenditures divided by total household income. Burden can be measured on a per child basis or for all children in a household.

### **Children of Child Care Age**

Children ages 14 and under are considered most likely to participate in formal or informal child care. The group of children of child care age is divided into two groups in the report: younger children ages 0 to 4 and older children ages 5 to 14. This definition follows the Current Population survey which measures paid child care usage for children ages 14 and under.

### **Civilian Non-Institutional Population**

The civilian non-institutional population measures those persons ages 16 and older and their children not on active duty in the Armed Forces or residing in institutions (e.g., correctional institutions or long-term care facilities for the aged).

**Cost-of-Living**

Cost of living reflects differing prices across geographic areas for a range of typical living expenses including housing, food, energy, and other items. Measures of the cost of living are often used to compare how costly it is to live in one geographic area versus another. Cost of living adjustments are made in the report using state-level regional price parity (RPP) indexes produced by the Bureau of Economic Analysis (BEA) along with the national implicit price deflator to adjust for national price changes over time.

**Crude Birth Rate**

The crude birth rate is the number of births per 1,000 population in a geographic area.

**Current Population Survey (CPS)**

The Current Population Survey, also commonly referred to as the household survey, is a sample-based monthly survey of about 60,000 eligible households. It provides a comprehensive body of data on the U.S. labor force by demographic and labor force characteristics.

**Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC)**

A widely used supplement to the Current Population Survey is the Annual Social and Economic Supplement (ASEC) conducted by the Census Bureau every February, March, and April. The supplement collects data on health insurance coverage, work experience, income from all sources, receipt of noncash benefits, poverty, migration, geographic mobility, and other special topics. The CPS ASEC also collects data on the number of children in paid child care and the expenditures of households and families using paid care. Use of the ASEC requires a tradeoff from monthly to annual data but provides a broader sample and larger universe than the basic CPS.

**Educational Attainment**

Educational attainment refers to the highest level of education that an individual has completed. Attainment is often measured using the number of years of education completed, especially when used to describe the average attainment across the population of a geographic region. Attainment is distinct from the level of schooling that an individual is attending currently.

**Elasticity**

Elasticity is an economic concept used to measure the percentage change of one economic variable in response to a change in another. The response is deemed elastic (or highly responsive) if the resulting change in a variable is more than proportional to the initial change and inelastic (or not highly responsive) if less than proportional.

**Employment-Population Ratio**

The employment-population ratio (or employment ratio)

is a measure of labor force attachment that measures the share of the population activity employed. The ratio is calculated as the number of employed workers divided by the civilian noninstitutional population. The employment ratio does not consider unemployed workers as attached to the labor force. As a result, the employment ratio is far more volatile than the labor force participation rate across the economic cycle.

**Family**

A family is defined in the Current Population Survey (CPS) as a group of related individuals who are all members of the same household. Multiple families can be domiciled within the same household.

**Female Labor Force Participation Rate**

The female labor force participation rate measures the rate of participation of women in the labor force.

**Fertility Rate**

The fertility rate is the number of births per 1,000 women ages 15 to 44 in a geographic area.

**Great Recession**

The Great Recession refers to the steep decline in economic activity associated with the U.S. recession lasting from December 2007 to June 2009, as well as downturns in national economies globally. It is the longest recession in the post-World War II period and generally considered the most significant economic downturn since the Great Depression.

**Household**

Survey data from the Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) are organized using samples of households or dwellings. A household is defined as all persons who occupy a single dwelling unit. A dwelling unit is a room or group of rooms intended for occupation as separate living quarters and having either a separate entrance or complete cooking facilities for the exclusive use of the occupants. In a small percentage of cases, multiple family units occupy a household.

**Household Income**

Household income represents all combined forms of gross income, both earned and unearned, for all members of a household ages 15 and over.

**IPUMS-CPS**

IPUMS provides census and survey data from around the world integrated across time and space. IPUMS integration and documentation makes it easy to study change, conduct comparative research, merge information across data types, and analyze individuals within family and community context. Data and services are available free of charge. IPUMS CPS harmonizes microdata from

the monthly U.S. labor force survey and the Current Population Survey (CPS), covering the period 1962 to the present. Data include demographic information, rich employment data, program participation and supplemental data on topics such as fertility, tobacco use, volunteer activities, voter registration, computer and internet use, food security, and more. IPUMS-CPS, University of Minnesota, [www.ipums.org](http://www.ipums.org).

### **Labor Force**

The labor force includes all persons in the civilian noninstitutional population classified as either employed or unemployed. The labor force does not change as individuals move from employment to unemployment, and vice versa. The labor force changes only when new entrants enter the labor force or existing participants exit.

### **Labor Force Attachment**

Labor force attachment is a general economic term referring to a person's status as a participant in the labor force. Persons attached to the labor force include those either employed or unemployed. Those who are unattached do not participate in the labor force. The two most widely used measures of the degree of labor force attachment for the population of a geographic area are the labor force participation rate and the employment-population ratio.

### **Labor Force Participation Rate**

The labor force participation rate is the most widely cited measure of labor force attachment and is calculated as persons in the labor force (either employed or unemployed) divided by population (civilian noninstitutional) ages 16 and over. In other words, it captures the percentage of the population of a geographic area that is either employed or looking for work. The inclusion of the unemployed is the key characteristic of the participation rate versus the employment-population ratio, another popular measure of labor force attachment.

### **Labor Force Status**

Labor force status measures the degree of labor force attachment for persons ages 15 years and older. Persons are generally classified as either in the labor force or not in the labor force. Those in the labor force are further classified as either employed or unemployed. Many persons are not in the labor force due to school, retirement, health, personal choice, and other factors. Members of the Armed Forces are excluded from most measures of work status.

### **Maternal Labor Force Participation**

Maternal labor force participation refers to the labor force participation of women with children.

### **Median Household Income**

For households, the median income represents the level

of household income where half the households in a geographic region (including those with no income) earn more and half earn less. Median household income is also referred to as the midpoint of the income distribution or the 50th percentile of household income.

### **Outlier**

An outlier is an observation or data point that differs significantly from others in the same sample. Outliers can be due to measurement error or may simply reflect unusual and unexpected behavior among the observations in the sample. Outliers are sometimes excluded from the data set to gauge the sensitivity of any statistical findings to the presence of the outlier(s).

### **Paid Child Care**

Paid child care is defined in the report as any form of child care arrangement for a child ages 0 to 14 for which a parent makes a direct expenditure on care to enable them to work. This follows the definition of paid child care used in the Current Population Survey (CPS). Paid options can include both formal and informal care arrangements such as neighbors or friends, which may or may not be regulated by states.

### **Per Capita Income**

Per capita income measures the amount of income earned per person in a geographic region. Per capita income is commonly used as a measure of standard of living of the population in a region.

### **Personal Income**

Personal income includes all forms of income that persons receive in return for their provision of labor, land, and capital used in current production and the net current transfer payments that they receive from business and from government.

### **Prime Working Age Women (ages 25-54)**

Women of prime working age are those ages 25 to 54 who actively participate in the labor force. These women are more likely to participate in the labor force than younger and older women and have likely completed pre-career education and training.

### **Public Preschool Education**

Public preschool includes a range of publicly funded early childhood education programs accessed by children before they begin compulsory education at the primary school level. Public pre-kindergarten (or Pre-K) programs are commonly available to children ages 4 to 5 in many states (i.e., 5-year-old children not yet enrolled in public kindergarten). In some states, public preschool also serves 3-year-old children. Publicly funded preschool could be located in a school or in a mixed delivery setting such as child care centers and family child care homes depending upon state or local school district decisions.

**Quartile**

A quartile is a statistical tool used for summarizing data by dividing the observations into four groups that are more-or-less of equal size. Data is often ranked along some measure of the value of the underlying data and then assigned to quartiles. As with other forms of quantiles (e.g., terciles, quintiles, deciles, etc.), quartiles provide a convenient means of comparing data across grouped intervals.

**Real Personal Income**

Personal income calculated at its nominal, or current, value and then adjusted for the effects of inflation over time is deemed real personal income. At the state level, an additional adjustment is made to nominal personal income to reflect state-level differences in cost-of-living when calculating real personal income. The cost-of-living adjustments are made using Regional Price Parity (RPP) indexes developed by the Bureau of Economic Analysis.

**Subsidies and Cost Offsets**

Several federal and state subsidies, tax credits, and other forms of cost offsets are available to assist families in meeting the cost of paid child care. Subsidies and offsets examined in the report include those provided through the

Child Care and Development Fund (CCDF), the Temporary Assistance for Needy Families (TANF) block grant, and the Child and Dependent Care Tax Credit (CDCTC).

**Unpaid Child Care**

Some families may use unpaid child care, which reflects time children spend out-of-the-home. However, for purposes of this report, only the use of paid child care was reviewed. The report compares the average income of families with children age 14 and younger that use paid child care compared to families with children of the same age that do not use paid child care. The same analysis is also included for families with children under age 5 that use paid care compared to families with children under age 5 that do not use paid care.

**Women of Working and Childbearing Age (ages 18-54)**

The population of women ages 18 to 54 are of both working age and childbearing age. These women are the most likely to use paid child care services for children ages 0 to 14. This measure captures a broader group of women than prime working age women (ages 25-54) by including younger women ages 18-24 who are typically of childbearing age.

## Abbreviations and Acronyms

BLS	Bureau of Labor Statistics
BEA	Bureau of Economic Analysis
CCDF	Child Care and Development Fund
CDCTC	Child and Dependent Care Tax Credit
CED	Committee for Economic Development of The Conference Board
CPS	Current Population Survey
CPS ASEC	Current Population Survey, Annual Social and Economic Supplement
ECPP	Education Early Childhood Program Participation
HHS	US. Department of Health and Human Services
IPUMS-CPS	IPUMS-Current Population Survey
IRS	Internal Revenue Service
NIEER	National Institute for Early Education Research
RPP	Regional Price Parity
SIPP	Survey on Income and Program Participation
SPM	Supplemental Poverty Measure
TANF	Temporary Assistance for Needy Families