

Economy

Kicking and screaming: Child care costs persist

20 October 2026

Key takeaways

- Child care remains a growing financial burden for many households, even as growth in the median payment has moderated, according to Bank of America payments data. More families are paying more than \$2,000 per month for care, suggesting affordability pressures are becoming increasingly concentrated among households facing the highest expenses.
- Child care cost pressures vary significantly across the country. Nashville and Jacksonville, FL posted the fastest year-over-year growth among major metro areas, while New York and Washington DC saw the biggest decrease in median payment growth, according to Bank of America payments data.
- Limited supply may continue to constrain access to child care for some households. Child care employment fell 0.7% year-over-year in September, suggesting provider capacity remains under pressure and could continue to affect household finances and labor force participation.

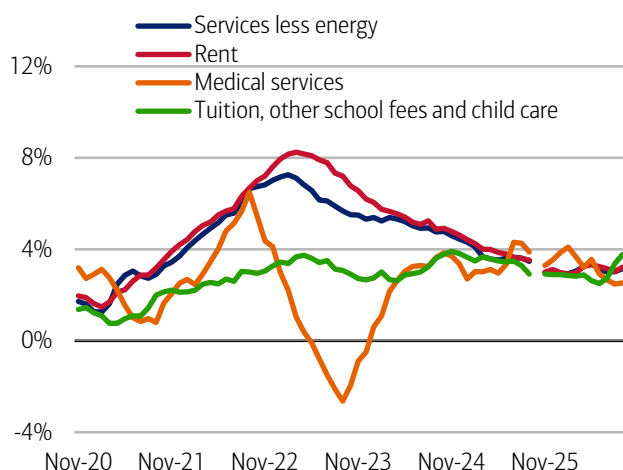
Child care costs outpace rent and medical services

Child care remains a significant expense for many families. In September, the growth in child care and other school-related fees surpassed other major household expenses such as rent and medical services, according to the Bureau of Labor Statistics (BLS) (Exhibit 1).

Yet, while child care prices continue to rise in official inflation data, median household payments have largely moderated since February, according to Bank of America data (Exhibit 2). More importantly, the growth in the number of households paying for child care has fallen since the start of 2025.

Exhibit 1: The cost of child care has surpassed other services such as rent in the consumer price index

Consumer price index by category (monthly, seasonally adjusted, YoY%)

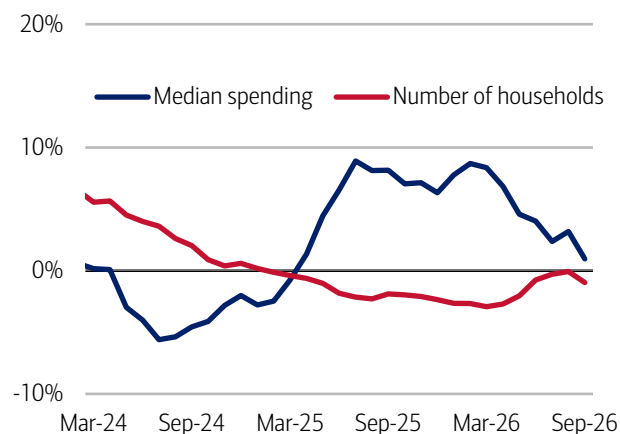


Source: Haver Analytics

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Exhibit 2: The median child care payment per household was up 1.0% year-over-year (YoY) in September but the number of households paying for child care fell 1.0% YoY

Median child care payment per household and number of households (monthly, three-month moving average, YoY%)



Source: Bank of America internal data

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Fewer lower-income households are paying for child care

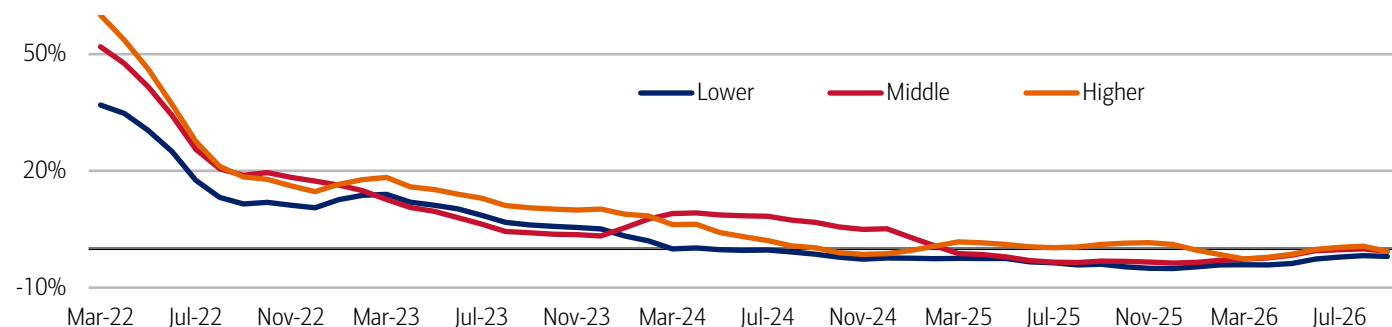
Why is Bank of America payment growth trending in the opposite direction of the Consumer Price Index? Households are likely changing the amount of care they use, which is reflected in slower growth in the number paying for child care. As more

households shift into lower-cost care (school-age, public pre-K, subsidized or free after-school programs), median payments can fall even as prices continue rising.

The decline in the number of households paying for child care may also reflect families seeking alternatives to formal care arrangements. Some may be relying more heavily on relatives, shifting parents' work schedules or dropping out of the workforce altogether to care for their children in response to elevated costs. This could explain why, among all income groups paying for care, the number of lower-income households has seen the biggest decline, falling 2.0% year-over-year (YoY) in September (Exhibit 3).

Exhibit 3: The number of lower-income households paying for child care has fallen the most, down 2.0% YoY in September

Number of households with child care payments (monthly, three-month moving average, YoY%)



Source: Bank of America internal data

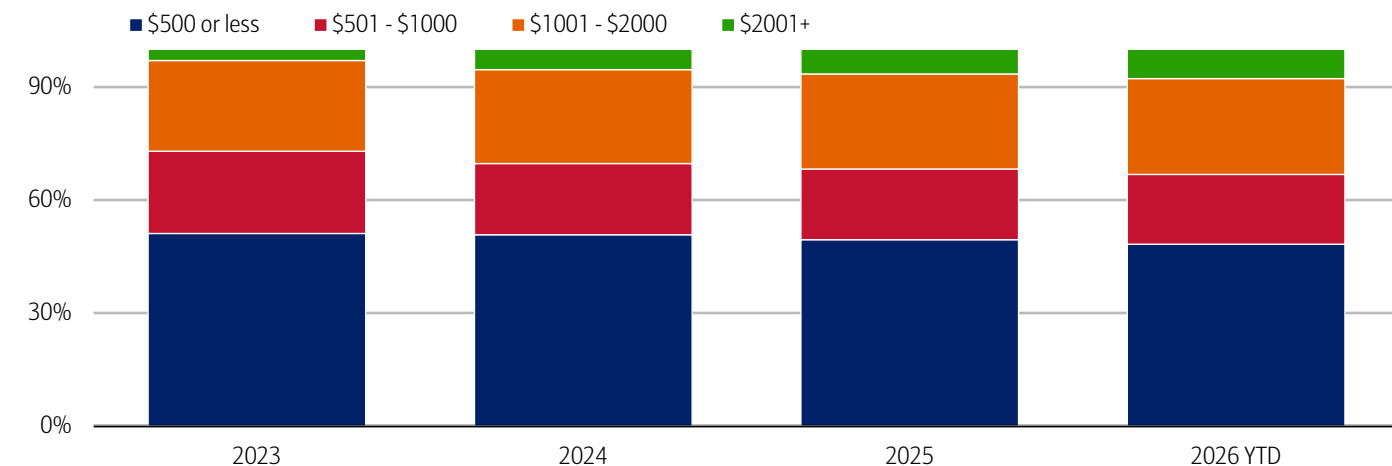
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More families face larger monthly bills

Yet even as fewer households pay for child care, the share of those shelling out more than \$2,000 per month has increased substantially (Exhibit 4). In fact, it has more than doubled since 2023, reaching 7.7% in 2026 year-to-date. Meanwhile, the share of those paying \$1,000 or less has declined, suggesting higher monthly payments are becoming more common even as the national median grows more slowly.

Exhibit 4: The share of households paying >\$2000 a month for child care has more than doubled since 2023

Monthly child care payments by amount (annual average, share of households, %)



Source: Bank of America internal data

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Rising costs take a bigger bite out of households' paychecks

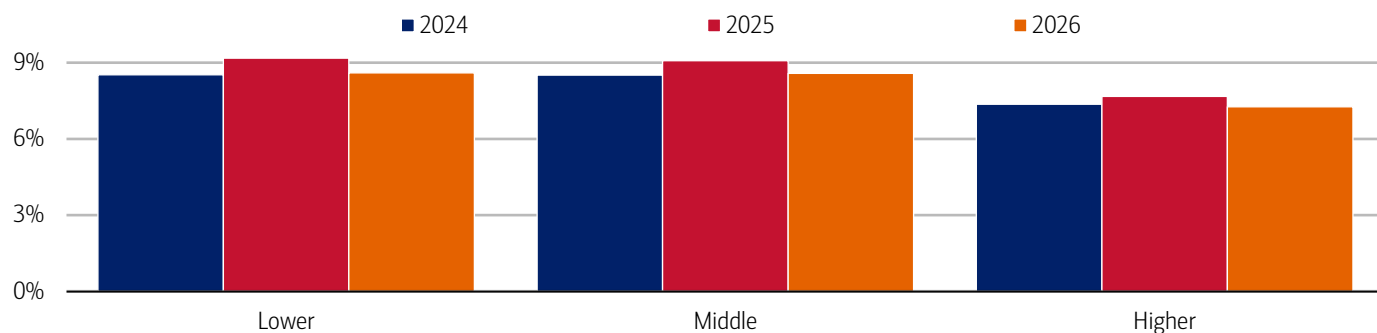
What makes child care "affordable"? According to the U.S. Department of Health and Human Services, child care is considered affordable if it accounts for no more than 7% of family income. Yet, in Bank of America data, the average child care cost was 8% in September.

While an 8% share may not appear dramatically above the federal affordability benchmark of 7%, it represents an average across households' income levels. For families in high-cost metro areas or those paying more than \$2,000 per month, the burden is likely considerably higher.

Notably, lower- and middle-income households see outsized shares of their pay dedicated to child care in Bank of America payments data, though this has moderated slightly from 2025 (Exhibit 5).

Exhibit 5: In September, the average child care payment was 8.6% of lower- and middle-income total households' pay, whereas for higher-income families it accounted for 7.3%

Average child care payment as a share of pay in September by income (annual, %)



Source: Bank of America internal data

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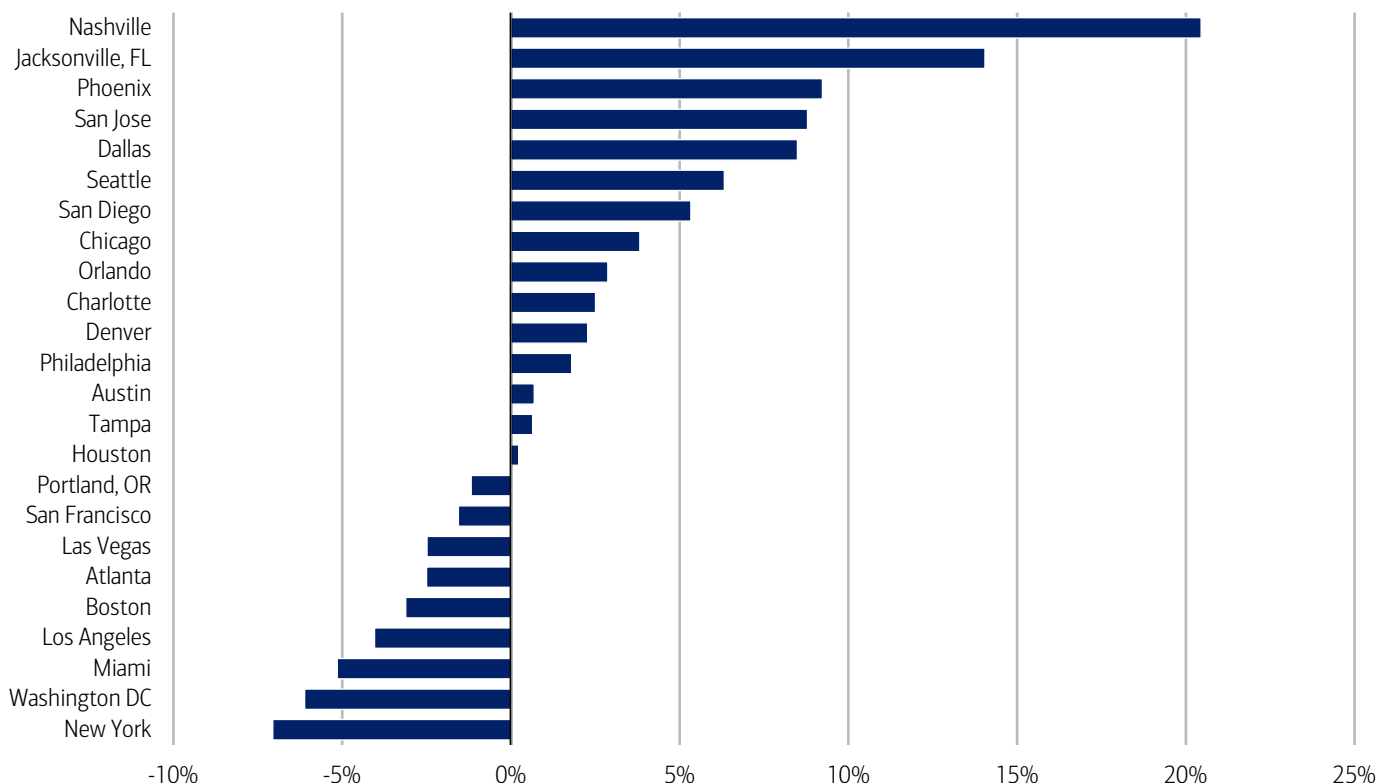
Where child care costs are climbing

Child care pressures also differ substantially by location. In Bank of America payments data, Nashville posted the fastest YoY median payment growth in September, followed by Jacksonville, FL and Phoenix (Exhibit 6). This dispersion of growth across the country suggests child care cost pressures are no longer confined to historically expensive coastal markets.

Interestingly, New York and Washington DC saw the sharpest decline in growth this year. Why might this be? The supply side of the market may help explain why – for example, New York City recently introduced universal Pre-K.¹

Exhibit 6: Nashville and Jacksonville, FL saw the greatest increase in median child care payment growth among select cities in September

Median child care payments by core-based statistical area in September (YoY%)



Source: Bank of America internal data

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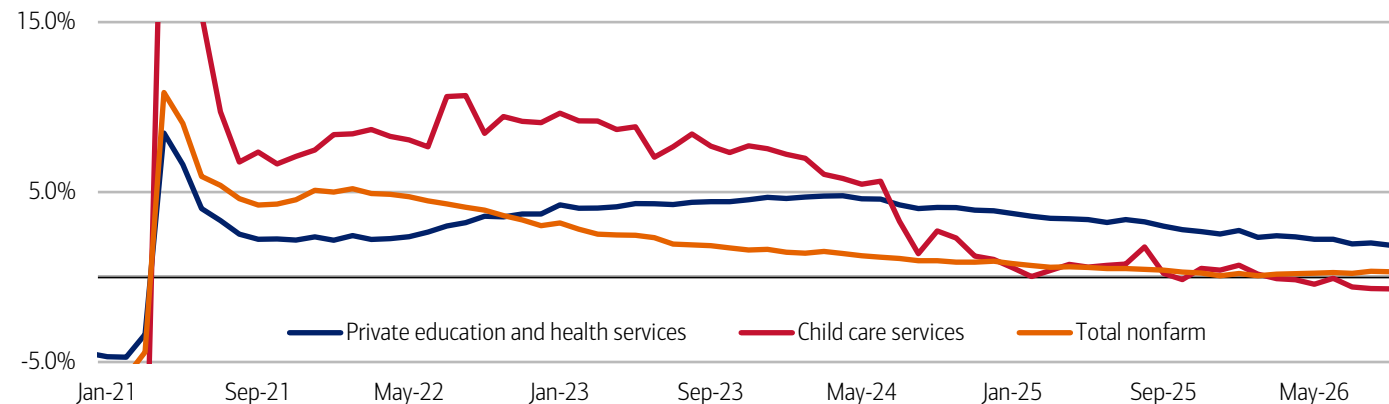
¹ NYC Public Schools. 2026. Pre-K. New York City Department of Education.

Fewer providers, higher costs

As of September 2026, employment in child care services was down 0.7% from a year earlier, suggesting the sector's workforce recovery has stalled. Fewer workers can constrain the number of available places or the hours providers offer. That may leave families facing longer searches, fewer workable arrangements or continued price pressure. In turn, access to care can influence parents' ability to enter, remain in or expand their participation in the workforce.

Exhibit 7: Employment within child care services fell 0.7% YoY in September

Employees by sector (monthly, seasonally adjusted, YoY%)



Source: Haver Analytics

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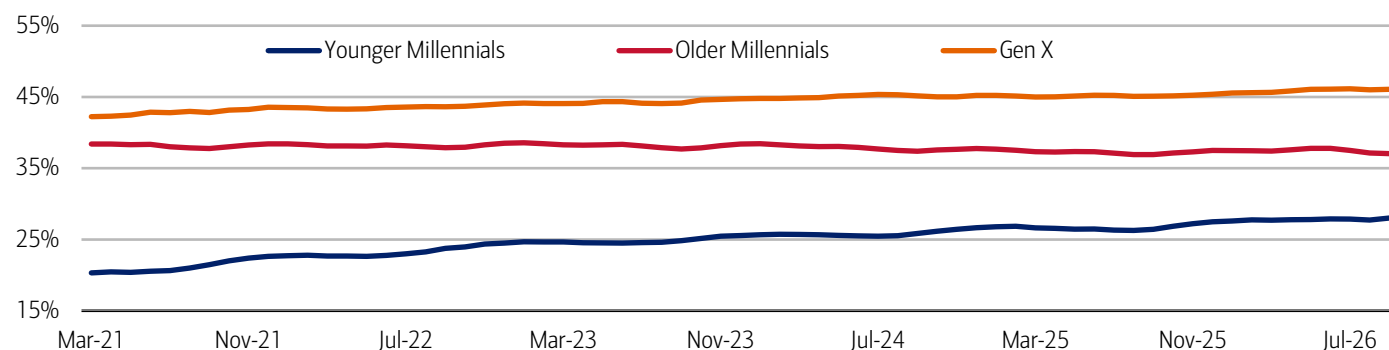
What are the economic implications of rising child care costs?

Child care costs may have important labor market implications for families with young children. Of those households paying for child care in 2026, more than half of them were Older Millennials (52%), followed by Younger Millennials (20%) and Gen X (16%), according to Bank of America payments data. This means child care costs weigh more heavily on Older Millennials.

The share of Older Millennial households receiving more than one paycheck has continued to grow from a year earlier, but the pace of that improvement has moderated over the past three months (Exhibit 8). Given that this group accounts for the majority of households paying for child care in Bank of America payments data, they may offer early signs of how affordability affects their employment decisions.

Exhibit 8: The share of Older Millennial households paying for child care that have more than one person with a paycheck has declined since 2021

Share of households with a child care payment with more than one person with a paycheck (%), monthly, three-month moving average)



Source: Bank of America internal data

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Child care challenges can weigh on women's employment

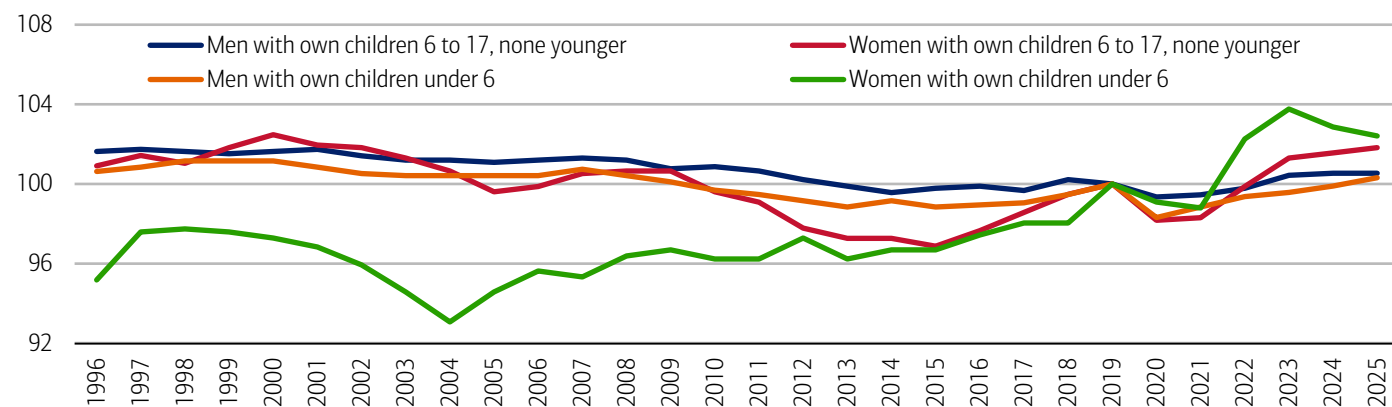
According to data from the American Time Use Survey, women continue to perform significantly more child care and household work than men, even as their participation in paid work has increased. This suggests that persistent gaps in access and affordability may have disproportionate consequences for women's employment. Indeed, the percentage of women who cited child care as a reason for temporary unemployment was nearly three times higher than men's in 2026, though the average fell from 2025, according to data from the BLS.

Yet labor force participation data indicates a more nuanced picture. Despite persistent child care pressures, mothers are participating in the workforce at rates that remain above their 2019 averages.

The strongest gains have occurred among women with children under age six, whose labor force participation rate remains well above pre-pandemic levels (Exhibit 9). Women with school-age children have also seen participation rise relative to 2019, though by a smaller margin.

Exhibit 9: In 2025, women with children under age six saw the greatest increase in their participation rate compared to the 2019 average

Annual estimates for labor force participation rates by sex and age of children (annual averages, indexed, 2019 average = 100)



Source: Bureau of Labor Statistics

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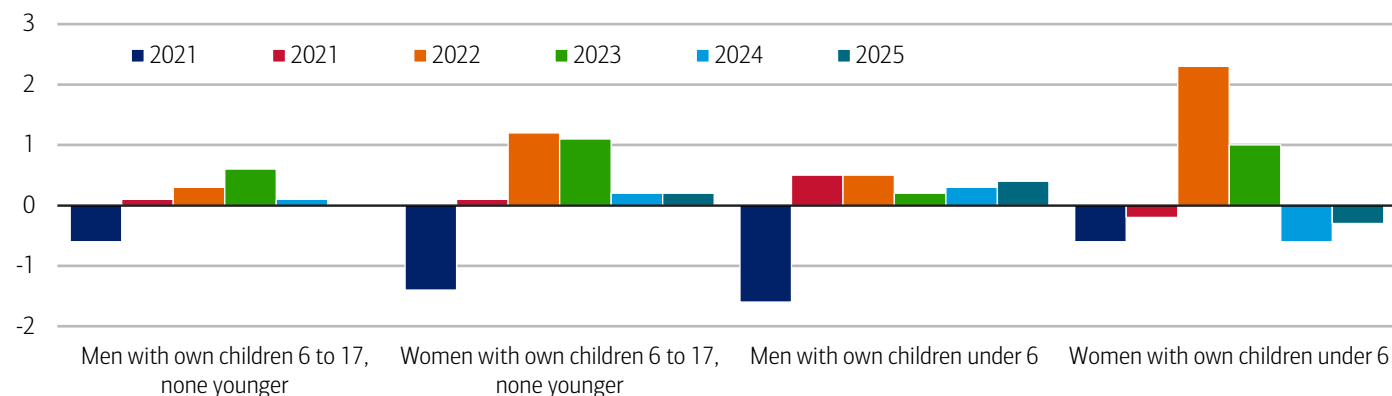
Mothers' workforce participation remains elevated, but recent gains have slowed

However, recent momentum has slowed. While mothers of young children experienced particularly large participation gains in 2022 and 2023, those have partially reversed in 2024 and 2025 (Exhibit 10).

In contrast, participation among women with children ages 6 to 17 has continued to edge higher. This signals that the post-pandemic increase in working has largely been sustained in this group, but the pace of improvement has moderated, especially for women caring for younger children.

Exhibit 10: The labor force participation rate for women with children under age six fell in 2025 from the prior year

Annual estimates for labor force participation rates by sex and age of children (annual averages, percentage point difference from prior year)



Source: Bureau of Labor Statistics

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Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Bank of America credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards is excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

If applicable, the consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level.

If applicable, any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Any reference to aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash and checks.

Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

Additional information about the methodology used to aggregate the data is available upon request.

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Sources

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Disclosures

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