CENTER FOR THE AMERICAN FAMILY

The Fair Care Marketplace: Building a New Care Economy

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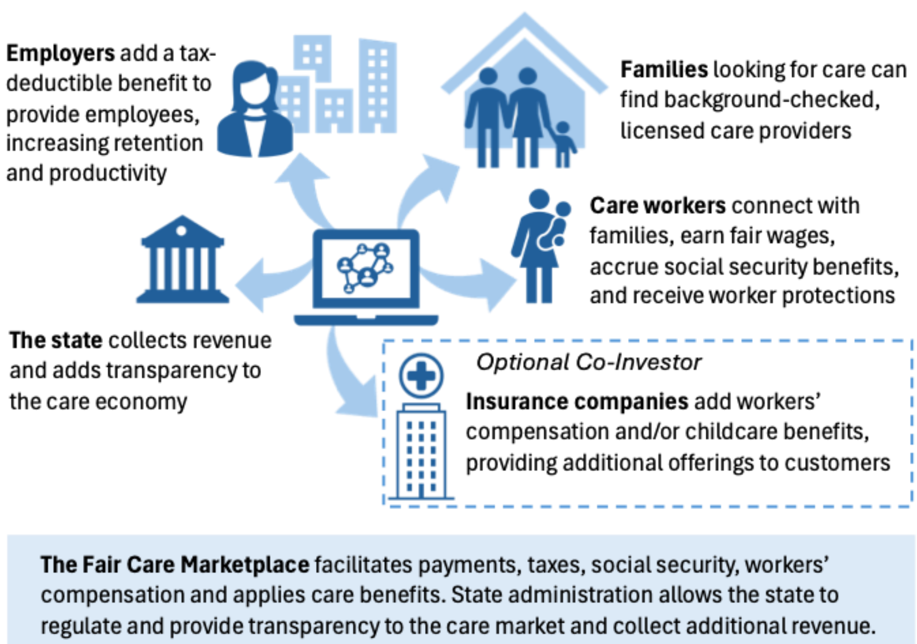
Executive Summary

This report outlines a model to modernize the care economy. The current market for providers and families to buy and sell care is a failed one. Quality care is too expensive for families who need it, and yet care providers are some of the lowest-paid workers in the nation.

The Fair Care Marketplace is a proposal for a new care economy for states, with benefits for all stakeholder groups:

- **For families,** connections to *only* background-checked, licensed, affordable, quality care providers and legal working arrangements (unlike current commercial platforms)
- **For care workers,** connections to legal work arrangements, fair wages, and worker protections
- **For employers,** tax-deductible benefits for employees, increasing retention and productivity, and a centralized platform for employers and families to access and use benefits (including dependent-care Flexible Spending Accounts (FSAs)).
- **For states,** transparency to the care economy, additional state revenue, and higher wages for lower-income constituents, decreasing dependency on government safety net programs.
- **For insurance companies** (optional)**,** the ability to bundle family care benefits with other benefits packages. These added or premier product offerings could expand insurance companies' market share and competitiveness in the employer-provided or state insurance market.



This centralized platform will connect families with licensed, background-checked care providers while automating payment processing, tax collection, and regulatory compliance. States will benefit from the formalized regulation of services currently purchased on the gray market. This proposal explores the current state of the failed care market, the framework for a Fair Care Marketplace, and the proposed benefits of the marketplace for states and other stakeholders.

Why a Fair Care Marketplace? The Care Industry as Market Failure

The Fair Care Marketplace is a proposal to fix the failed care market by capturing value and sharing its costs across working families, care workers, states, and the private sector. Assessment of the current failed care market below makes the case for states adopting a more efficient market, such as the Fair Care Marketplace.

Families Need Care, But Can't Afford It

Everyone needs care at some point. Many healthy adults rarely think about the cost, accessibility, and quality of care they will inevitably need–until they have to pay for it. At that point, individuals and families encounter the tremendous cost, and market failure, of the care economy in the United States.

If it seems like caregiving responsibilities have ballooned in the last few decades, they have. More working people are spending more time caregiving for their family members since the 1990s (when statistical tracking of caregiving responsibilities began). Throughout this proposal, these family care providers as referred to as "family caregivers".

According to the Rosalynn Carter Institute for Caregiving, the United States has seen growth in:

- The number of people engaged in family caregiving
- The number of weekly hours spent caregiving
- The difficulty of caregiving tasks
- Family caregivers' labor force participation rate

Not only has the nature of the work changed, but the profile of the caregiver has, as well. The Institute's report, "Invisible Overtime: What employers need to know about caregivers," explains this transformation: "In contrast to previous generations when caregiving was mainly provided by stay-at-home mothers, wives, and daughters, today tens of millions of family caregivers are employed, and most are working full-time."[1] The social and cultural expectation for mothers, wives, and daughters to do most of the care work within a family persists in the United States (**63% of the unpaid care work in the United States is done by women[2]**). Now, they must earn a living or contribute to the family income as well. Women who are family caregivers spend an average of 300 unpaid hours per year providing care.[3]

[1] Lerner, Debra. "Invisible Overtime: What employers need to know about caregivers". Rosalynn Carter Institute for Caregiving. January 2022.
[2] US Bureau of Labor Statistics. American Time Use Survey, 2024.
[3] National Partnership for Women and Families analysis of American Time Use Survey, 2024.. Based on an hourly wage of $16.38, the midpoint between mean wages for child care workers and home

But women are not the only ones providing care. The caregivers' gender gap has narrowed, especially since the coronavirus pandemic. Men perform approximately a third of the unpaid care work in the United States[4], particularly regarding child care. Since the 1970s, men have quadrupled their contributions to child care in the United States.[5] Since the 1960s, parents have been spending more time with their kids overall, as trends in parenting have shifted to more intensive parenting.[6] This trend toward more intensive parenting illustrates how unpaid care work has increased in quantity and complexity for families since the 1970s, while earnings pressure has compounded.

The majority of families in the US are dual-income (even those with small children);[7] it has been that way for decades.[8] In 2024, 49.6% of married-couple families had both spouses employed. Mothers of young children, however, are more likely to work part time when their children are young. 76% of mothers with children under 6 years old work full time compared to 81% of mothers of older children. Fathers of older and younger children are equally likely to work full time.[9] While women entering the workforce have made dual-income families more common since the 1960s, the rising cost of living and housing prices relative to real wages make single-income households out of reach for many families, particularly those who also need care. The rising cost of care makes the calculus more complex, however, as some women see their entire salaries going to pay someone else for care of their loved ones.

While the majority of family caregivers are also working (over 60%)[10], caregiving comes with professional costs outside of their caregiving responsibilities. According to data from AARP & National Alliance for Caregiving, these employed **family caregivers average 20 hours of caregiving work per week in addition to their regular jobs**. Not surprisingly, the majority (61%) report caregiving disrupts their employment: 53% reported starting work late or leaving early, 15% reduced their working hours, and 14% took leaves of absence.[11] In a 2019 survey, **approximately one third of family caregivers voluntarily left a job due to their caregiving responsibilities.**[12]

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health/personal care aides per hour (Bureau of Labor Statistics, Division of Occupational Employment and Wage Statistics).

[4] Ibid.

[5] Altintas, E., & Sullivan, O. (2017). Trends in one-thirdfathers' contribution to housework and child care under different welfare policy regimes. Social Politics, 24, 81–108.

[6]Gonalons-Pons, Pilar and Ansari-Thomas, Zohra. "The Social Division of Care Work Time Over Half a Century" *Demography*. April 1, 2025

[7] US Bureau of Labor Statistics. Employment Characteristics of Families Summary-2024. April 23, 2025

[8] Beattie, John. Ku, Thomas, ed. The Economics Review at New York University. *Why are Dual-Income Families on the Rise?* December 5, 2023.

[9] US Bureau of Labor Statistics. Employment Characteristics of Families Summary-2024. April 23, 2025

[10] AARP & National Alliance for Caregiving. Caregiving in the United States 2020. Washington, DC: AARP. May 2020.

[11] Ibid

[12] Fuller, J. B., & Raman, M. (2019). The Caring Company. Harvard Business School.

Depending on a family's care needs, in-home care may be more cost-effective than a nursing home or center-based care, but it is not cheap. In-home health aides can cost as much as $34/hour or $77,792 annually.[13] While Medicare and Medicaid can cover some costs of home health services, plans vary by state and may not cover the totality of personal services like bathing, dressing, cleaning, or 24-hour care.[14] Additionally, Medicaid is poised to lose funding for the foreseeable future, and families will face those impacts in their care coverage.

How could care both be so expensive for those needing it and paying such low wages to those doing care work? Why is caring for our most vulnerable (and some of the most precious people in our lives) not compensated with the dignity of a living wage?

Families cannot continue to shoulder the overwhelming responsibility of providing and paying for care alone – and they know it. According to the Care.com Cost of Care survey, **87% of parents supported expanded tax credits for care expenses, and 79% supported employer-subsidized caregiving benefits.**[15] Families overwhelmingly support both employer and government intervention to alleviate the exorbitant cost of care that families have had to shoulder themselves. The Fair Care Marketplace would provide families the governmental and employer support they need, while also delivering fair wages for care workers, and adding revenue and care market transparency for states.

Forging a Care Coalition

The Fair Care Marketplace brings together three distinct groups that require care: the elderly, people with disabilities, and young children. Individually, these groups have their own causes and advocates and do not regularly lobby state legislatures together. Forging a coalition among these groups can potentially amass enough political will to change their states' care economies. Below is a discussion of the distinct experiences of these groups and the common challenges they have finding quality, affordable care.

Growing Older and Poorer: The Cost of Aging in a Failed Market

By 2060, the population of adults over 65 will nearly double. The population of those over 85 will nearly triple. On the one hand, this is good news – people are living longer. As nearly one in four Americans becomes older than 65, the amount of adults needing specialized and acute care (including care at home) will increase substantially and our care system must adapt to these population changes.[16]

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[13] Estimated per industry standard of 44 hours/week for 52 weeks. CareScout and Genworth Cost of Care Survey 2024.

[14] Medicare Home Health Coverage, American Council on Aging. Medicaid and Home Health Care & Non-Medical, In-Home Care

[15] Reed, Sheri. 2025 Cost of Care Report. Care.com

[16] Shreya D, Fish PN, Du D. Navigating the Future of Elderly Healthcare: A Comprehensive Analysis of Aging Populations and Mortality Trends Using National Inpatient Sample (NIS) Data (2010-2024). Cureus. 2025 Mar 11;17(3):e80442. doi: 10.7759/cureus.80442. PMID: 40225437; PMCID: PMC11986089.

Yet the population of adults 18-64 is not following the same growth trend and is likely to remain relatively constant.[17] Additionally, the US birth rate as hit a historic low–1.6 children per woman (well below the 2.1 rate for replacement needed to maintain the country's population without immigration).[18] These trends toward population decline present what analysts at American Enterprise Institute call an "existential crisis." Without maintaining its population, the US can expect a smaller workforce with declining growth and prosperity to support its aging population.[19] These trends will have enormous ramifications for population health and health care policy, as older adults are more likely to experience chronic health conditions and an increased level of treatment and care, placing additional strain on an already strained health care system.

Home health services for the elderly are usually only covered by Medicare on a short-term basis and must satisfy specific health-related terms and financial terms. Medicaid provides some care, but the benefits vary by state. Most private health insurance plans do not cover home health services. That means the hourly costs of home health care that are not covered by Medicare, Medicaid, or private health insurance plans must be paid by the recipient. Additional personal care that is not medical (bathing, transportation, etc.) is usually not covered (as mentioned with disability care above). Families often rely on a patchwork of friends, relatives, volunteers, and community or center-based alternatives to fill in gaps in care.[20]

Recipients of Medicaid must also meet financial terms for coverage, causing families to spend down income and burn assets to earn and maintain eligibility for nursing home coverage. Provisions in the One Big Beautiful Bill Act of 2025 will also add administrative requirements and more frequent paperwork updates for participants to keep Medicaid coverage. Cuts to Medicaid include slashing provider payments, likely resulting in even fewer providers accepting Medicaid and increased cost-sharing and premiums for patients. These changes are likely to result in millions losing insurance coverage and access to health care.[21] As Medicaid cuts go into effect and benefits are rolled back, subsidizing care access—particularly preventive, home- and community-based services—can lower health and disability claims, improve policy retention, and mitigate the systemic and family costs associated with Medicaid spend downs, higher premiums, and out-of-pocket costs.

Adding Insult to Injury: The Cost of Disability in a Failed Market

Disability-associated healthcare expenditures account for over a third of national healthcare spending.[22] Living with a disability comes with additional direct and indirect costs.

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[17] U.S. Census Bureau. Older Population and Aging. [Dec; 2024]. 2023.
[18] Joyce A. Martin, M.P.H., Brady E. Hamilton, Ph.D., and Michelle J.K. Osterman, M.H.S. "Births in the United States, 2024" July 2025.
[19] Jesús Fernández-Villaverde. "Rapid Fertility Decline Is an Existential Crisis" American Enterprise Institute. February 11, 2025
[20] National Institute on Aging. Services for Older Adults Living at Home. Accessed September 10 2025.
[21] "Changes to Medicaid, the ACA and other key provisions of the One Big Beautiful Bill Act" American Medical Association. October 14, 2025.

[22] Disability and Health Data System. Healthcare Cost Data. Center for Disease Control. April 3, 2025.

Direct costs are expenses directly related to having a disability, of which care is only one of the many costs, though it can be one of the highest.[23] The out-of-pocket healthcare costs (including personal care) associated with disabilities are more than twice of those for people without disabilities.[24]

In-home care can be as expensive as $33/hour, with 24-hour care costing over $700 daily, depending on the care needs and required professional skills of the care worker.[25] Care for persons with disabilities can vary in complexity and range of supports, including everything from home care nursing, to medication administration, to physical therapy. This can also cover personal care like grooming, bathing, transportation, and adult day services. While some individuals benefit from Home and Community-Based Services (HCBS) programs, which can help relieve some of the cost burden from individual families, the cost is still immense even for those families participating in these programs.[26]

In an attempt to quantify some of the indirect and hidden costs of disability facing American families, Federal Reserve Board staff members developed a conceptual framework and study. They found that families with disabled adults typically see a web of challenges:

- An earnings penalty for paid labor
  Example: A disability may preclude someone from getting higher-paying jobs, working full-time hours, or from working at all.

- Higher costs to care for the disabled member(s):
  Example: Health care costs are higher for disabled persons

- Care work by the non-disabled partner displaces time for other household production
  Example: Instead of cleaning, cooking, or laundry, the non-disabled partner spends time at home providing care for the disabled partner

- Household production capacity for the disabled adult is reduced
  Example: The nature of the disabled person's disability keeps them from performing all of the household tasks, like cleaning an upstairs floor if they cannot use stairs safely.[27]

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[23] Goodman, Nanette, Morris, Michael, Morris, Zachary, McGarity, Stephen. The Extra Costs of Living with a Disability in the U.S. — Resetting the Policy Table. National Disability Institute. The University of Tennesee, Knoxville. Stony Brook University. October 2020.
[24] Kennedy, J., Wood, E.G., & Frieden, L. 2017. Disparities in Insurance Coverage, Health Services Use, and Access Following Implementation of the Affordable Care Act: A Comparison of Disabled and Nondisabled Working-Age Adults. INQUIRY: The Journal of Health Care Organization, Provision, and Financing. 54: 1–10.
[25] Guzman, Susanna. How Much Does In-Home Care Cost in 2025? A State-by-State Guide
A Place for Mom. April 4, 2025.
[26] Merchant, Zofsha, Erin Troland, and Douglas Webber (2024). "The Hidden Costs of Disability," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, January 10, 2025, https://doi.org/10.17016/2380-7172.3686.
[27] Ibid

With these challenges, families with disabilities often pay for domestic help beyond disability care, like a house cleaner, babysitter for non-disabled children, or eating meals out/ordering meals in.[28] Care workers provide critical relief to family caregivers who already do a significant amount of invisible, unpaid labor.

Indirect costs of having a disability include foregone wages based on discrimination, underemployment, or even the lost wages from family members who step in to care for family members with disabilities instead of working additional hours.

Paying More for Care than Rent: The Cost of Parenthood in a Failed Market

Parents who can afford child care spend a significant portion of their income (or dip into savings) to pay for outside care. According to Care.com's 2025 Cost of Care Report, **parents are dedicating 40% of their income to paying for care** (often more than rent) and managing five different care arrangements (on average). The financial strain is immense–those surveyed said they had depleted, on average, 29% of their savings on child care alone.

For families who pay for child care, assessing quality of care can be difficult and quality metrics vary by state (if they have state quality metrics at all). Licensing is one primary indicator. For licensed centers, demand frequently far exceeds supply. According to US Census Bureau data and CDC projections, the US will need 3,000 new nursing homes by 2030 to meet demand for its aging population.[29] And while fifty years of research has proven high-quality preschool has positive effects on children well into their adult lives[30], access to quality early education at an affordable price remains elusive for many families. Center-based child care, particularly in cities, is expensive and spots are limited (see chart below). The indicators of quality in these centers are precisely why they are inaccessible–licensing which requires trained staff, adherence to strict regulations, and maintaining low staff-to-child ratios.

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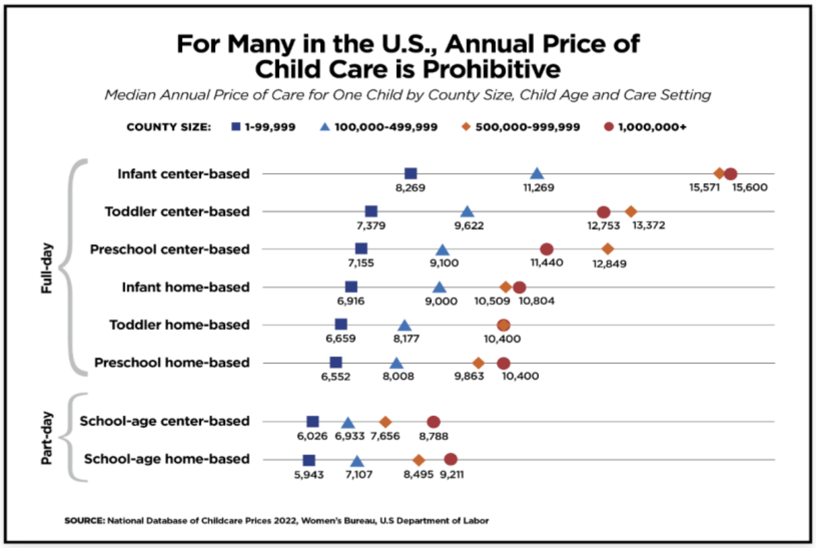
[28] Ibid

[29] Shuman, Taylor. "How Will America's "Silver Tsunami" Impact Demand for Nursing Homes?" SeniorLiving.org April 23, 2025.

[30] Barnett, W.S. (1995). Long-term effects of early childhood programs on cognitive and school outcomes. *Future Child.* 5 25. Heckman, J.J. (2006). Skill formation and the economics of investing in disadvantaged children. Science. 312 1900-1902.



When center spots are not available or feasible for families, finding home-based care or bringing care inside their own homes is a common next step. Home-based care providers, usually operating within their own homes, often do not have to adhere to the same state regulations as centers and cannot compete with the funding and resources available to centers. While these programs are more affordable, their quality is often lower than center-based care. High quality early care and education (ECE) programs exceed basic health and safety requirements and provide positive relationships with educators, challenging and developmentally appropriate curricula, and continuing training and education for educators. These factors develop children's cognitive and social-emotional skills.[31] One study, for example, found children in Head Start and center-based programs had higher vocabulary skills than those in home-based programs.[32] Yet for many families, center-based care may be impractical. Parents with shift-work or who live in remote or rural areas, for example, may not have the option to use centers. Finding quality care then, outside of a center, may be the only option.

Many families decide it does not make economic sense to pay that much for child care or they prefer for their children to be at home. For children under 6 years old who were not enrolled in kindergarten, 45% of them were in the care of at least one parent, without any other weekly non-parental care arrangement. Said differently, **nearly half of children under 6 who were not in school were primarily under a parent's care. For infants under 1 year of age, 60% were with a parent full-time.**[33] For newborns, infants, and children who require 24/7 care, there is no

[31] Davis Schoch, A., Simons Gerson, C., Halle, T., & Bredeson, M. (2023). Children's learning and development benefits from high-quality early care and education: A summary of the evidence. OPRE Report #2023-226. Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.
[32] Feller, A., Grindal, T., Miratrix, L., & Page, L. C. (2016). COMPARED TO WHAT? VARIATION IN THE IMPACTS OF EARLY CHILDHOOD EDUCATION BY ALTERNATIVE CARE TYPE. *The Annals of Applied Statistics*, *10*(3), 1245–1285.
[33]Hanson, Rachel, Bobrowski, John. Early Childhood Program Participation: 2023.October 2024. Institute of Education Services. National Household Education Surveys Program, US Department of Education.

option other than to provide that care. Some employers provide (and some states mandate) paid family leave for the critical 12-week postpartum period, though this is not federally mandated. Many families, regardless of provided leave or time off, find their work arrangements to be insufficiently flexible, so many parents decide to stop working or dramatically reduce hours. Since women are often the primary caregivers, these professional costs disproportionately affect women.

The professional costs for women after becoming parents have been called the "Motherhood Penalty," resulting in decreased earnings and job prospects.[34] These indirect professional costs to growing and caring for a family destabilize families and the economy in the following ways:

Lost Wages: In 2024, according to Census Bureau data, the mother-father pay gap was about 35%, which leads to an estimated $400,000 difference in earnings over a career.[35] In families where mothers are sole or primary breadwinners, this difference can dramatically affect quality of life, standard of living, and even dependence on social programs. As women are attaining college degrees at higher rates[36] and make up the majority of the college-age workforce[37], the systemic underpayment of women in jobs requiring a college degree has ramifications for the federal economy overall. As wages decrease, so does consumer spending, economic growth, and productivity. Income inequality increases, making poverty increasingly difficult to escape.[38]

Labor Participation Rate: In 2024, according to the Bureau of Labor Statistics, mothers of young children were less likely to participate in the labor force, with 68.3% of mothers with children under age 6 working or looking for work, while over 31% elected to stay home. By contrast, fathers with young children were *more likely* to participate in the labor force than fathers with older children (94.9% versus 92.5%) though both groups' rates remain over 90%.[39] While fathers' participation in the labor force is encouraging, mothers leaving the workforce completely can reduce the likelihood of their re-entering the workforce, increase their likelihood for underemployment and/or lost wages, and have lasting impacts to family economic wellbeing.[40]

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[34] Correll, S. J., Benard, S., & Paik, I. (2007). Getting a Job: Is There a Motherhood Penalty? American Journal of Sociology. https://doi.org/4493004
[35] Gailey, Alex. "The motherhood penalty: Motwell-beingonhers earned 35 percent less than fathers in 2024." Bankrate. 09 May 2025, .
[36] Fry, Richard. "Women now outnumber men in the U.S. college-educated labor force" Pew Research Center. September 26, 2022.
[37] Parker, Kim. "What's behind the growing gap between men and women in college completion?" Pew Research Center November 8, 2021.
[38] Bivens, Josh. "Inequality is slowing U.S. economic growth" Economic Policy Institute. December 12, 2017
[39] Bureau of Labor Statistics. *Employment Characteristics of Families – 2024*
[40] Correll, S. J., Benard, S., & Paik, I. (2007). Getting a Job: Is There a Motherhood Penalty? American Journal of Sociology.

Economic Impact: When a woman who makes even a modest income exits the workforce, a family's economic stability suffers. If she leaves the market before earning enough labor market credits, she could lose Social Security retirement benefits or Social Security Disability Insurance (SSDI) if she becomes disabled. The cost of turnover affects her employer, who has to spend 50% to 200% her salary to recruit, hire, and train her replacement. Gallup research estimates turnover costs US businesses $1 trillion annually.[41] For states, this leads to decreased spending in state and local economies, decreased tax revenue, and an increase in dependency on government safety net programs.[42] On a community-wide scale, the effects of underemployment and unemployment increase poverty rates, which come with a host of issues like inadequate or low-quality housing, underfunded schools and recreational opportunities, decreased access to transportation, reduced employment opportunities and increased crime.[43] Underemployment and unemployment also have public health implications, as it is linked to declines in physical and psychological health. [44]

But what if parents cannot afford to stop working or reduce their hours? According to the Bureau of Labor Statistics, **only 31% of mothers and 5% of fathers of young children report that they are not working.[45]** How is that possible when parents also report that the majority of infants and nearly half of children under 6 are with a parent full-time? There has to be more to the story.

Enter the "gray market". The gray market is the informal care economy of friends, relatives, neighbors, and nonrelatives who are either unpaid or paid under the table to provide care. Gray market caregivers and care workers do not just provide child care but all kinds of care work, including elder care and disability care, as well. As mentioned above, quality of care outside of licensed centers is inconsistent. Gray market providers can ensure a child's safety and well being, but often lack the training and resources to provide the stimulating environment and curriculum that centers provide. Knowing that center-based care is not the solution for every family, improving and expanding quality metrics for non-center-based care should be a priority to create consistent gains in early childhood development.

The Challenge of the Gray Market

The rate of informal care workers hired directly by households is difficult to measure in the aggregate. Most formal estimates do not include gray market workers and are therefore far

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[41]McFeely, Shane and Wigert, Ben "This Fixable Problem Costs U.S. Businesses $1 Trillion" Gallup. March 13, 2019.

[42] Schwabish, Jonathan. "State Unemployment Programs Will Likely Face Budget Pressures Because of Federal Layoffs" Urban Institute. April 3, 2025.

[43] Belle, Deborah and Bullock, Heather E. SPS,SI Policy Statement: The Psychological Consequences of Unemployment. Society for the Psychological Study of Social Issues.

[44] Pratap P, Dickson A, Love M, Zanoni J, Donato C, Flynn MA, Schulte PA. Public Health Impacts of Underemployment and Unemployment in the United States: Exploring Perceptions, Gaps and Opportunities. Int J Environ Res Public Health. 2021 Sep 23;18(19):10021. doi: 10.3390/ijerph181910021. PMID: 34639322; PMCID: PMC8508259.

[45] US Bureau of Labor Statistics. Employment Characteristics of Families Summary-2024. April 23, 2025

undercounting this working population. States have varying employment laws and regulations for hiring in-home workers, which can be a burden for both the family and the care worker. Without the proper incentives, families and care workers can find it easier –and cheaper–to use informal "off the books" care agreements where they do not pay required taxes, buy workers' compensation plans, or register and report the way some states require. But there are costs to this practice. Families and care workers who engage in illegal employment agreements can face fines, penalties, and back taxes. The potential professional costs of hiring gray market care gained national attention with "Nannygate", when Supreme Court nominee Zoë Baird lost her nomination because she illegally hired a nanny and chauffeur and failed to pay Social Security taxes for them.

Given the consequences, it is understandable why families and care workers would not report these informal arrangements to any government agency. While we do not have clear data on gray market care arrangements, we know the size of populations needing care and that the demand far exceeds the supply of accessible, affordable, professional care workers. To fill in this gap, care for our most vulnerable populations (young children, the elderly, and disabled persons) is a mix of *unpaid* and *underpaid* care. For example, nearly a third of households seeking care for persons with dementia hired gray market care, 65% of the households combined this hired, paid care with unpaid care (either friends, family, or volunteers).[46] A market this inefficient comes with substantial personal and professional costs to working families, care providers, and our most vulnerable populations.

As mentioned previously, according to the Department of Education, 55% of children under 6 years old who were not enrolled in kindergarten had some supplemental non-parental care arrangements. Of those 55%, more than half of them were cared for outside of a daycare center, either by a relative (34%) or someone unrelated (17%). The younger the children were, the more frequently they were in homes outside of center-based care. For infants under 1 year of age, 40% of them had non-parental care arrangements–a little over half were with a relative, and 24% were at home with a nonrelative, outside of a care center.[47]

These non-parental care arrangements are not always formal working agreements. According to Care.com's *2025 Cost of Care Survey*, the parents responding reported managing an average of five care arrangements, not only including child care but also care for aging parents, disabled family members, etc. These care arrangements include relatives, friends, volunteers, and members of the community. Still, in addition to spending approximately 22% of their household income on child care, parents are spending an additional 18% on these additional care arrangements like babysitters, nannies, or relatives. While not all of these non-parental care

[46] Shih, R. A., Friedman, E. M., Chen, E. K., & Whiting, G. C. (2021). Prevalence and Correlates of Gray Market Use for Aging and Dementia Long-Term Care in the U.S. *Journal of Applied Gerontology*, *41*(4), 1030-1034. https://doi.org/10.1177/07334648211023681 (Original work published 2022)
[47]Hanson, Rachel, Bobrowski, John. Early Childhood Program Participation: 2023.October 2024 .Institute of Education Services. National Household Education Surveys Program, US Department of Education.

arrangements are paid, spending an average of 40% of household income on care is too much–often more than rent or a mortgage.[48]

With children, the quality of care matters tremendously. Longitudinal studies like Perry Preschool Project and Abecedarian Project have shown that high quality center-based care delivers results far beyond the academic, providing lasting positive effects on IQ, preventing chronic disease and obesity in adulthood, and fostering better social and economic outcomes well into adulthood. These projects note societal impacts, as well, like a higher likelihood of getting married and a lower likelihood of engaging in criminal activity or being incarcerated.[49] The risk of informal care arrangements is that, while they may be more affordable, the quality is hard to measure and enforce. While center-based care may not be the solution for every family, expanding access to licensed, trained, professional early childhood care workers would inevitably increase the quality of care in these private or home-based care settings.

Underpaid and Overworked: The Cost of Working in a Failed Market

In addition to families who need care, important members of a care coalition are care workers. Outside of the *unpaid* labor of friends, families, neighbors, and volunteers, there are a few segments of the *underpaid* labor pool of care workers that can be derived, though data sets are incomplete with informal care arrangements. About 20% of the nation's jobs pay under $15 per hour. Care workers represent some jobs with the largest quantity and share of jobs paying under $15.[50] Workers employed in private households without contracts, formal employment agreements, and/or workers' compensation face even greater exposure to exploitation, wage theft, or underpayment, as they often feel they have no recourse when their employer takes these actions. According to a survey of workers by Domestic Workers Alliance, 84% of domestic workers do not have a written agreement with their employer. 76% of them receive no pay if their employer cancels on them after they show up for work.[51]

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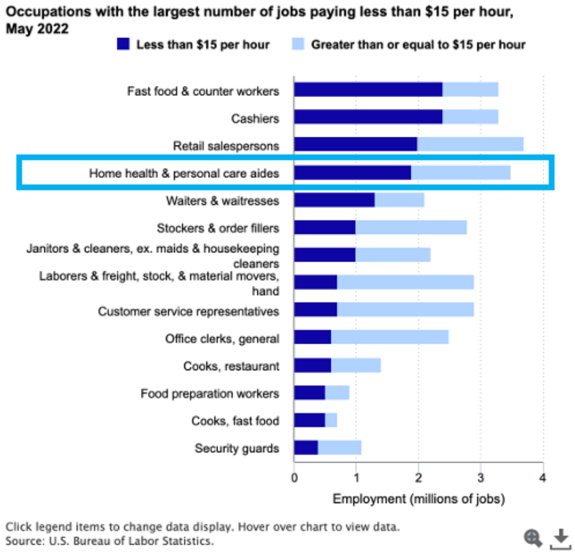
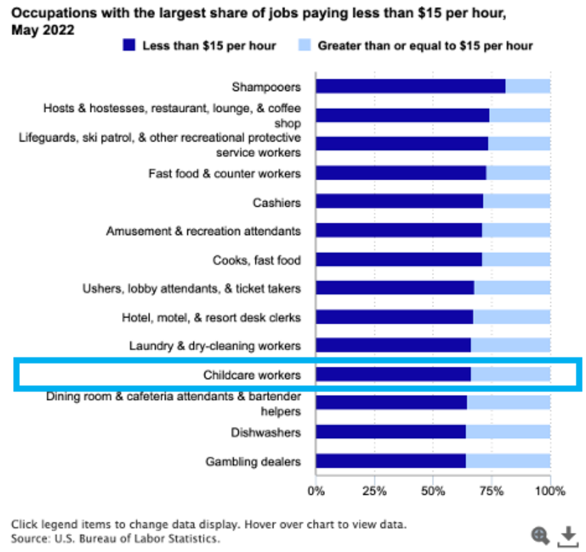
48 Reed, Sheri. 2025 Cost of Care Report. Care.com
49 Heckman, J.J. "Early Childhood Education: Quality and Access Pay Off" The Heckman Equation.
50 Mattingly, Andrew and Watson, Audrey. Bureau of Labor Statistics. *A Look at Jobs Paying Less Than $15.00 Per Hour.* September 2024.
51 National Domestic Workers Alliance. 2021 Survey of Domestic Workers.





Direct Care Workers

The Bureau of Labor Statistics formally classifies direct care workers as those who work as personal care aides, home health aides, and nursing assistants for older adults or people with disabilities. These workers may be employed in private homes, residential care settings, nursing homes, or hospitals.[52] In 2024, there were approximately 4 million home health and personal care aides working in the United States.[53] Home care workers earn approximately $14.50 per hour on average, but work fewer hours on average than full-time workers ($20,599 annually). Home care workers frequently have inconsistent scheduling and less structured job arrangements, which can add flexibility, but can lead to fewer hours worked overall.[54] Nearly half (46%) of home care workers work under 35 hours per week.[55] A significant proportion of care workers have earnings under the federal poverty line and use social safety net programs (see chart below).

[52] Scales, Kezia, and Stephen McCall. PHI. *Understanding the Direct Care Workforce: Key Facts and FAQ*.
[53] U.S. Bureau of Labor Statistics (BLS), Division of Occupational Employment and Wage Statistics (OEWS). 2024. (Accessed August 2025)
[54] BLS OEWS, 2024.
[55] Direct Care Workers in the United States: Key Facts 2024. PHI

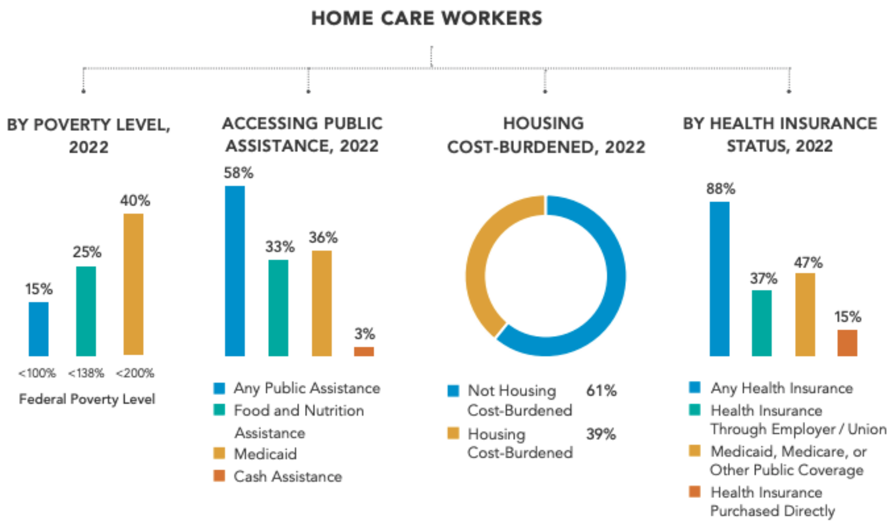


Chart Source: Ruggles, Steven, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rodgers, and Megan Schouweiler. 2024. *IPUMS USA: Version 15.0 American Community Survey, 2022.* Minneapolis, MN: IPUMS. https://doi.org/10.18128/D010.V15.0; Analysis by PHI (March 2024). The percentages shown in the health insurance chart are rounded to the nearest whole percentage and the percentages for specific forms of coverage in the health insurance chart do not total 88 percent because workers may have more than one source of coverage.

Child Care Workers

The Bureau of Labor Statistics formally measures child care workers (520,180 in 2024[56]) but does not include self-employed workers or those who are gray market workers. Often, families and individuals go to private provider services or marketplaces like Care.com to find gray market care. This measure is likely an underestimate as a large percentage of nannies and babysitters of young children are paid in cash, and these workers usually do not pay taxes on that income.

Child care workers average $13.42 per hour ($27,920 annually). Of the jobs paying under $15 per hour, many of them have seen real wage increases in recent years, yet jobs in early childhood fail to keep pace with increases in other sectors.

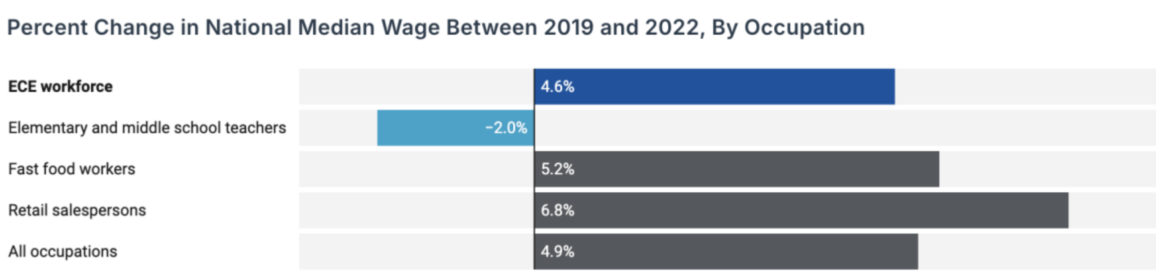


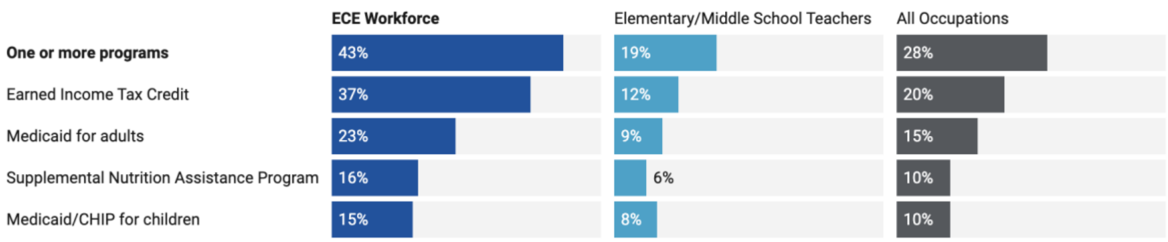
Chart: © 2024 Center for the Study of Child Care Employment • Source: Authors' analysis of American Community Survey public use microdata, retrieved from IPUMS USA. • Get the data • Created with Datawrapper

[56] BLS OEWS, 2024.

Compared to other education jobs, early childhood workers make 60% less on average than their counterparts in elementary and middle schools.[57] Often, child care providers cannot afford the child care at the centers in which they work. As more school districts expand pre-K offerings in public elementary schools, many early childhood teachers take the opportunity to be paid significantly more as public school elementary school teachers in a pre-K program.

As districts add universal free pre-K programs, the older children in early childhood programs leave for a public option. In early child care centers, older children subsidize the cost of care for infants and toddlers (whose ratios of care provider to child are higher), so when they exit for public pre-K, the costs of care for younger children rise even higher. This drain of teachers and students to public schools exacerbates talent supply and cost issues that families and child care centers already face.

Early Educator Families Participating in Public Safety Net Programs, 2021



Note: TANF serves very few individuals in the ECE workforce and more broadly, so it is excluded from the figure. We do count TANF participation, however, in estimating households participating in "one or more programs."

Chart: © 2024 Center for the Study of Child Care Employment • Source: Participation estimated using the public cost model analyzed by the UC Berkeley Center for Labor Research and Education. For more information on the model design and data sources, refer to Appendix 2 • Get the data • Created with Datawrapper

Immigrant Workers

Immigrants lacking status are more likely to be underpaid and face workplace violations than their American counterparts.[58] They are particularly susceptible in lower-wage jobs, including care work. Immigrants comprise 28% of the direct care workforce for long-term care. This includes 300,000 noncitizen immigrants.

Immigrants are approximately one-third of the home care workers.[59] Private households often do not verify citizenship status or engage in formal employment arrangements, so these numbers likely underestimate the number of care workers employed privately. Because current immigration policies threaten immigrants with arrest and deportation, states will have to fill gaps in care when workers are deported, detained, or stop going to work for fear of these actions.

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[57] Center for the Study of Child Care Employment. Early Childhood Workforce Index 2024.

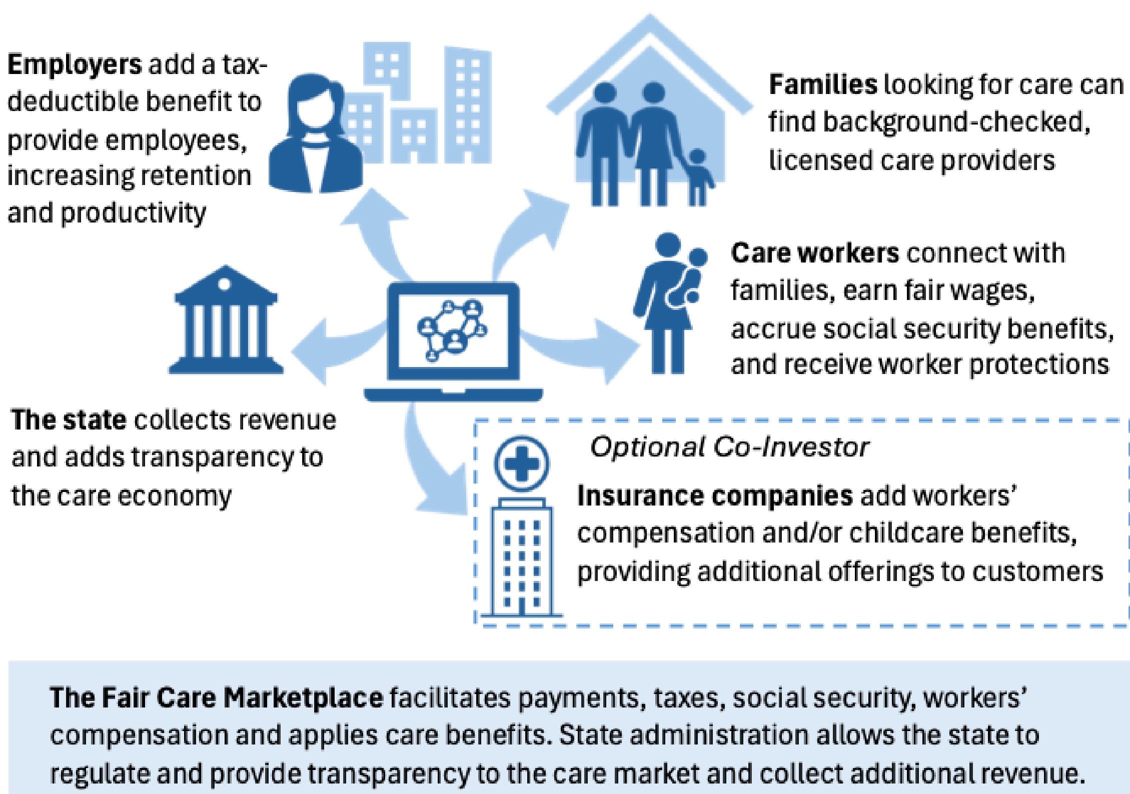
[58] Bernhardt, Annette, Milkman, Ruth, Theodore, Nik, Heckathorn, Douglas, Auer, Mirabai, DeFillippis, James, Gonzalez, Anna Luz, Narro, Victor, Perelshteyn, Jason, Polson, Diana, and Spiller, Michael. National Employment Law Project. *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities.* September 21, 2009.

[59] Chidambaram, Priya and Pillai, Drishti. Kaiser Family Foundation. *What Role Do Immigrants Play in The Direct Long-Term Care Workforce?* April 2, 2025.

The Fair Care Marketplace seeks to rectify the market failure and undervaluation of care work, raising care workers' wages and decreasing their dependence on public safety net programs. In the Fair Care Marketplace, employers would contribute toward the benefits they receive in productivity and retention when their employees have reliable care.

Fair Care Marketplace: Proposed Platform Structure and Features

The proposed Fair Care Marketplace model is a state-administered digital platform connecting care providers and families seeking care services. Employers, families, care workers, and insurance companies all register on the state Fair Care Marketplace digital platform to source, coordinate, and pay for care work. The platform integrates payment, licensing verification, background checks, regulatory compliance, and employer benefit administration into one automated system. Many of these services exist in the private sector but fail to integrate all components, especially state regulations and compliance. For example, companies like Care.com serve as a private marketplace to connect care workers and families, but fail to pass the muster for state-standard background checks, certification, and licensing validation. Companies like Poppins Payroll help families facilitate contracts and pay arrangements with care workers that remain compliant with local, state, and federal taxes, but do not help them comply with all state regulatory processes, like acquiring workers' compensation and registering arrangements with the state. States also do not collect revenue on the transactions completed through these private companies.



For Families

Families needing care will complete an online profile, including an assessment of their care needs. One major shortcoming of the current market is that care centers do not have the capacity for the neediest or most vulnerable in need of care. Home care may be the best solution for families who have high complexity care demands, like for infants or persons with significant disabilities. Still, policy discussions mostly prioritize care centers, which are neither practical nor cost-effective for many families. In a Fair Care Marketplace, however, a family searching for nanny services for an infant will designate the times of day when care is needed, what kind of credentials they are looking for, how soon they need care, and if their child has any special needs. Families can also include their budget constraints (with a floor of the minimum wage) and upload their insurance and/or employer benefits information, integrating with employer benefits administration.

Families looking for care can find background-checked, licensed care providers

An algorithm on the platform will then match families to providers based on location, availability, family needs, and provider skills. The system will include comprehensive background checks, including criminal history and verification of references. Credentialing and continuing professional education certification can also be administered through the platform. The system will provide secure messaging, scheduling, and payment systems. The platform will also allow workers' compensation enrollment, protecting the family's liability and pooling risk with other families on the platform.

Upon receiving care services, families will be invited to rate and review care workers as a mechanism for quality assurance.

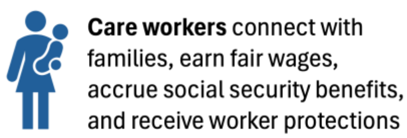
Features for Families
• Individualized family profile with care assessment tailored to meet their needs • Algorithm matching families to providers based on location, availability, family needs, and provider skills • Secure messaging, scheduling, and payment systems • Workers' compensation enrollment protects the family's liability and pools risk with other families on the platform. • Review and rating mechanisms for quality assurance • Employer benefit integration and subsidy tracking • Comprehensive background checks, including criminal history and verification of references

Benefits for Families
Improved Quality of Care ● Reduced financial stress about care arrangements ● Professional support ● Enhanced safety through provider verification **Reduced Care Costs** ● Combined state and employer subsidies can reduce costs by 60-90% ● Transparent pricing and automated payment processing ● Enhanced access to quality, vetted providers ● Legal employment arrangements

For Care Workers

Care workers (including home-based or child care centers) create profiles on the Fair Care Marketplace platform that include the services they provide, certifications, qualifications, and their fees. Individuals can set a desired hourly wage with a floor of minimum wage. Centers can provide prices for the services and programs they offer.

Certifications, background checks, references, and credentials will be verified by the state system. Licensing, professional certifications, skills assessments, and training credentials can be accessed through the portal. Streamlining administrative processes can also reduce barriers to entry for small community care businesses or home care centers. Individuals and small businesses can continue their education and training via the portal to improve the quality of their care and the prices they can ask for their services.



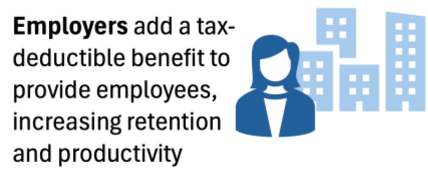
Workers will be able to access formal employment contracts, social security benefits, and secure payment through the platform. Workers will also be able to access workers' compensation benefits on a state plan with pooled risk and resources. With the combination of family payments, families' employer payments, state and federal subsidies, and insurance provider contributions, care workers will be able to secure higher wages, while also providing more affordable care for families. The platform may also link to an affordable state health insurance plan, pooling the risk of care workers. Technical assistance provided by the state can help with the platform. State-registered work arrangements can add legitimacy to working relationships and prevent wage theft, underpayment, or exploitation. For workers, this platform provides much-needed wage increases, benefits, and stability.

Features for Care Workers
• Personalized profile matching workers to care work that is appropriate to your location, skills, and background • Formalized employment contracts for more work stability • State licensing and professional certification • Skills assessment and training credentials • Workers' compensation enrollment to provide worker protections

Benefits for Care Workers
Higher Wages, Security, and Benefits • Platform-enforced minimum wages above state requirements • Automated tax compliance and Social Security credit • Workers' compensation and health insurance coverage/integration • Professional development opportunities **Business Support** • Administrative task automation • Professional marketing and client matching • Dispute resolution services • Access to steady employment opportunities

For Employers

Employers register with an employer account on the state platform. Employers can submit payment of benefits directly through the portal to fund and bank their employee care benefits. The state platform is also where they can view, edit, update, and administer employee care benefits. Employers can verify employee eligibility and enrollment within the state platform, disburse and track benefits. Benefits can include tax-advantaged benefits like HSA/FSA integration or a care stipend. Employers and employees will be able to access secure messaging and payment systems through the portal. Employers will also be able to report on the use of benefits through the portal. Some employers already provide care benefits through private providers like Care.com, these benefits could be administered through the Fair Care Marketplace instead.



Employee Care Benefits

The platform allows companies to subsidize employee care costs, creating a competitive advantage in talent acquisition and retention while supporting working families. Employers providing care benefits have seen positive ROI from gains in retention, reduced absenteeism, and productivity improvements. According to a report from BCG and Moms First, companies realized ROI ranging from 90-425%. The same study found that retaining as few as 1% of eligible employees can cover the full cost of providing care benefits. For example, Etsy, the e-commerce company based in Brooklyn, offers employees $4,000 annually in child care benefits, which employees can use with contracted providers in care centers, at home or with a private care plan. Of surveyed parents working at Etsy, **82% of them said this benefit was a deciding factor in choosing their employer**.[60] Clearly, child care benefits can be a differentiating recruiting and retention tool for attracting and keeping working parents as employees.

Employers have several options designing care benefits packages for their employees:.

Employee Care Benefit Models

Direct Subsidy

- Employers contribute a fixed dollar amount per employee annually (ex: $2,000-$10,000 based on state and local market)
- Funds can be applied automatically via the platform to reduce the cost of care for employees
- Subsidies would qualify as tax-deductible business expenses for employers
- Benefit would be tax-free compensation for employees (up to IRS limits)

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[60] Emily Kos, Kelsey Clark, Nicole De Santis, and Tyler Joseph. "child care Benefits More Than Pay for Themselves at US Companies" March 26, 2024.

Percentage Match

- Employers match employee care expenses up to a set maximum amount (ex, 50% of $3,000-$7,500, maximum determined by employer and state/local market)
- Like saving for retirement, employees can contribute to a bank of care dollars they can carry over and save for until they need them
- Encourages shared employee and employer investment
- Flexibility for company size and budget

Tiered Benefit

- Employer determines different subsidy levels based on employee tenure, position, etc. (ex: $1,500 for 1-3 years of service, $5,000 for 3-5 years of service, $10,000 for 5+ years of service)
- Increased benefits over time could increase retention and make employees think twice before leaving

Tax Advantages

Federal Incentive Options	State Incentive Options
• Subsidies are tax-deductible business expenses • Reduces corporate tax liability • Potential for qualified employee benefits classification • Possible dependent care assistance program (DCAP) tax advantages	• Offer additional tax credits for participating employers (ex, 25% credit) • Enhance benefit for small or medium-sized businesses (ex, 40% credit for companies < 50 employees) • Additional credit for companies that service underrepresented communities • Economic development incentives for businesses relocating to participate

Employers and insurance companies can share care benefit funding and administration responsibilities through insurance company-developed plans. Coordination with insurance companies that also administer care benefits is available through the platform, though employers can also decide to contract with insurance companies to control all care benefit administration instead.

Features for Employers
• Corporate accounts for participating employers to manage employee benefits • Employee eligibility verification and enrollment • Automated benefit disbursement and tracking • Tax-advantaged benefit processing (HSA/FSA integration) • Reporting capabilities

Benefits for Employers
Competitive Advantage • Differentiation in talent acquisition market • Enhanced employee retention and productivity • Improved company reputation as a family-friendly employer **Cost Efficiency** • Tax-deductible expense with potential state tax credits • More cost-effective than equivalent salary increases • Predictable budgeting with capped contributions **Administrative Simplicity** • The platform handles all administrative complexity • Minimal HR overhead required • Integration with existing payroll systems

For Insurance Providers

Insurance providers can add care supplemental benefits for employer-provided plans. Offering a matching care credit, premium discount, or care stipend multiplier can boost employer benefits. As some employers already provide parental leave benefits, insurers could bundle leave and care to ease transition back to work. Insurance companies could also include workers' compensation plans or options for families to supplement care workers' protections (as prescribed by some states). Insurance providers could also provide care worker health insurance plans, pooling care worker risk statewide and selling it on the platform. These products could compete with state-administered plans. Insurance companies would benefit from expanded market share and revenue from new product offerings. Care also serves as a preventive care measure, reducing claims and utilization of high-cost care like hospitalization, institutional care, and emergency benefits.

Insurance companies add workers' compensation and/or childcare benefits, providing additional offerings to customers

Options for Insurance Benefits

- Care Benefit Riders: Supplemental plan to health, life, or disability policies, members can add annual care stipends redeemable in the Fair Care Marketplace (ex: $5000 annually for “Family Care Credit” for preventive or respite care)

- Claims-Linked Subsidy: For care procured through the Marketplace, insurer pays part of the cost as a covered service. This can reduce the duration of claims and allow workers a speedier return to work. (e.g. a member hires a care worker at a discount for their spouse recovering from surgery instead of providing that care themselves)

- Premium Incentives: Employers offering Fair Care Marketplace benefits receive group-rate discounts (similar to wellness program incentives)

- Pooled-Risk Care Fund: Insurers contribute to a shared “care fund” administered by the Fair Care Marketplace to offset costs for low-income or high-need families

Features
• State-administered platform eliminates cost of and need for proprietary platform • Access to new markets • Facilitated, secure, and automated payment system

Benefits
Increased Revenue • Additional product offerings increase competitiveness • Complementary offer to existing paid leave customers • Supplemental revenue from the expanded market share of new product offerings

For States

Upon launching the Fair Care Marketplace platform, the state gets immediate transparency in a formerly gray market. A centralized platform for care providers operating within the state would allow states to understand the labor market, report on their population, and better target policies and economic development incentives. If the state invests in the platform, it could collect revenue from a number of steps, including registration for all parties, fees on payments or disbursements, fees on platform and integration maintenance, and automated tax withholding and remittance (including federal, state, and local taxes). States could also collect revenue on premiums for a state-sponsored workers' compensation or health insurance plan for workers. This transparency will also inspire confidence and trust among families and care workers because the state has oversight over the quality and fair compensation for care work.

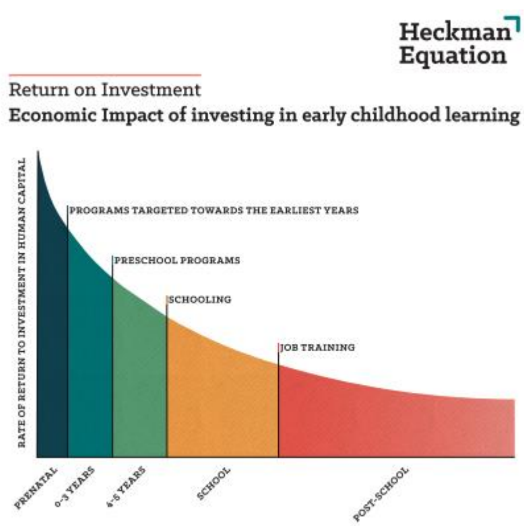
The state collects revenue and adds transparency to the care economy

States that already subsidize child care can also divert funds from additional revenue to qualified in-home care purchased through the Fair Care Marketplace platform. Adding employer and insurance company contributions could account for significant savings to the state, if the state is already subsidizing care. In addition to state savings, families could also benefit from a reduction in care costs, while also paying living wages to care workers. Revenues could also supplement direct investments into additional or expanded early childhood offerings.

Economic Development Benefits

Improving Outcomes for Children

As mentioned previously in this report, there is a well-documented connection between high quality ECE and positive outcomes for children well into adulthood. Children who participate in high quality ECE are more likely to continue their education, graduate from high school, and earn higher incomes. These outcomes have economic and societal impacts as well, because children who attend high quality ECE programs are less likely to be chronically ill or obese, less likely to be involved in the criminal justice system, and less likely to earn below the poverty-



Heckman, James J. (2008). "Schools, Skills and Synapses," Economic Inquiry, 46(3): 289-324 line.[61,62,63,64,65,66,67] In developing its future workforce, states have a vested interest in giving children the best opportunities to succeed. Investments in early childhood have the highest returns of any other skills or education-related intervention.[68]

Increasing Labor Force Participation Rates
Expanding care options increases labor force participation rates, as supplemental care frees up family caregivers to allocate more time to work. In the current macroeconomic context, labor force participation has been falling for over twenty years. As the Baby Boomer generation ages out of the labor market, younger, smaller generations have failed to keep up with the demand for labor. The US must increase the labor force participation rate of prime-age workers (25-54) to head off inflation and recession.[69] Yet parents, mostly mothers, are leaving the workforce at record rates. In the first half of 2025, more than 400,000 mothers of young children left the workforce – the steepest decline in over 40 years.[70-72] To reverse this trend and bring more prime-age workers back into the workforce, family caregivers need the options and flexibility of affordable, accessible care.

Increasing Wages, Reducing Costs for Social Safety Net Programs
Bringing care workers' wages up to a living wage will not only raise the standard of living for care workers and their families, but it will have a direct positive impact on the state and local economies. Concerns about states and municipalities bearing the burden of implementing living wages have not played out empirically. Neither have concerns about profitability and costs to private enterprise. Employers of minimum-wage workers actually see a decrease in turnover and an increase in productivity, which offsets some costs of wage increases. Once living wage policies have been implemented, families of minimum wage workers have seen improved quality of life, increased consumer spending, and reduced financial stress. Lower wage industries, particularly home health care, have seen increases in employment when the wages

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[61] Campbell et al., 2012
[62] García, J. L., Bennhoff, F. H., Leaf, D. E., Heckman, J. (2021). The dynastic benefits of early childhood education. Working Paper No. 2021-77. Becker Friedman Institute.
[63] Bartik, T. J., Gormley, W., & Adelstein, S. (2012). Earnings benefits of Tulsa's pre-K program for different income groups. Economics of Education Review, 31(6), 1143-1161.
[64] Anders, J., Barr, A. C., & Smith, A. A. (2023). The effect of early childhood education on adult criminality: Evidence from the 1960s through 1990s. American Economic Journal: Economic Policy, 15(1), 37-69.
[65] Deming, D. (2009). Early childhood intervention and life-cycle skill development: Evidence from Head Start. American Economic Journal: Applied Economics, 1(3), 111- 134.
[66] Garces, E., Thomas, D., & Currie, J. (2002). Longer-term effects of Head Start. American Economic Review, 92(4), 999-1012.
[67] Anders et al., 2023
[68] Heckman, James J. (2008). "Schools, Skills and Synapses," Economic Inquiry, 46(3): 289-324
[69] Edwards, K. A., Ph. D. Labor Economist. (2023, September 20). "Child Care Since the Pandemic: Macroeconomic Impacts of Public Policy Measures" [PDF]. U.S. Senate Subcommittee on Economic Policy. U.S. Senate Subcommittee on Economic Policy.
[70] Prewitt, Lucie. "Labor Force Participation Tracker: Parents with Children Under 5" University of Kansas.

are raised to a living wage.[71] While there is limited reliable data on how a living wage impacts in-home employment arrangements, it would make sense that they would follow similar trends.

Increasing Support for Small Businesses

Many affordable child care options are home-based child care centers, facilities operated out of an owner's home. These options are often more affordable than larger facilities. With thin margins, these small business owners (often women) were barely getting by before the pandemic. Then with the pandemic and subsequent loss of state and federal funding from the American Rescue Plan to support these centers, many of these small business owners cannot afford to stay open. Many of these centers are in rural communities where there are limited child care alternatives.[72] By streamlining administrative business costs and processes, ensuring regulation compliance, and supplementing and facilitating payment, the Fair Care Marketplace could help support these small businesses stay open.

Attracting New Business

The Fair Care Marketplace would make states attractive to businesses for several reasons. First, care infrastructure like this boosts workforce availability. It expands the labor pool and retains caregiving employees. Access to a quality labor pool is a primary driver of business investment.[73]

As mentioned previously, employers see positive return on investment by providing care benefits in attraction of employees, retention, and productivity. By sharing the infrastructure and costs with the state, insurance companies, and other employers, organizations can offer this benefit at a lower cost than they would setting up a care benefit on their own. Tax incentives can also lower costs and attract organizations to states, as discussed below.

Tax Incentives

Beyond platform and operational costs, states may choose to introduce tax incentives to encourage employer participation. Options include general employer tax credits for companies that provide care benefits, as well as targeted credits for small businesses with fewer than 50 employees that face proportionally higher costs. States can also offer credits to businesses employing underrepresented communities or to small, women-owned, and minority-owned businesses to offset expenses while reducing turnover and boosting productivity. Finally, as part of broader economic development strategies, states could create incentives for companies that relocate or expand participation in the marketplace, tying business recruitment to workforce stability.

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[71] Chapman, Jeff and Thompson, Jeff. The economic impact of local living wages. The Economic Policy Institute. February 15, 2006

[72] Semuels, Alana. "Why So Many Child Care Centers Are Closing." Time. August 15, 2025.

[73] Adriance, Shira, Barai, Nikita, Hallas, Jenna, Morrissey, Taryn, Soref, Wendy, Warner, Mildred, "Economic Development Strategies to Promote Quality Child Care" Department of City and Regional Planning, Cornell University.

Options for Tax Incentives:

- Employer tax credit - a credit for employers providing their employees with care benefits
- Small business tax credit for companies with fewer than 50 employees - a separate credit for small businesses that provide these benefits (as the burden is higher for smaller businesses with fewer employees)
- Credits for companies representing underrepresented communities - In areas where businesses employ members of underrepresented communities, providing care benefits to employees allows them to keep their jobs and stay employed despite family members needing care
- Credits for small, women-owned, or minority-owned businesses - Credits for these businesses offset some of the cost of providing these benefits while also granting them the opportunity to realize benefits of lower expected turnover and higher productivity with care benefits to employees
- Tax or economic incentives for businesses relocating to participate in the marketplace - As part of a state's economic development strategy, recruiting employers who will provide care benefits to their employees so employees have job stability when care needs arise. As a result, the state's economy would be more stable

State Subsidies

States have several options for how to fund care subsidies and the Fair Care Marketplace platform. From a federal perspective, states are allocated funds that can be funnelled to care programs and initiatives.

Subsidy Calculation Methodology

- Determine state median income for family of four
- Calculate care costs as percentage of family income
- Set subsidy levels to limit family care costs to affordable percentage of gross income
- Adjust for state cost of living and existing program funding

Federal Funding Opportunities

- Child Care and Development Fund (CCDF)
- Temporary Assistance for Needy Families (TANF) funds
- Social Services Block Grant (SSBG)
- State innovation waivers for existing programs

States also have other sources of funding that could provide revenue to the program.

State Funding Sources

- General fund allocation
- Platform-generated revenue
- Employer payroll tax (fractional percentage on participating employers)

- Redirected existing child care program funds
- Economic development incentives and tax credits

Revenue Optimization Strategies

- Graduated employer participation incentives
- Premium service tiers for higher-income families
- Corporate partnership programs
- Grant funding for pilot programs and expansion

Features
• Single source of registration for care providers operating within the state • Integrated payment platform • Automatic tax withholding and remittance (federal, state, local) • Workers' compensation premium collection and distribution • Platform maintenance fee collection • Transaction fee collection • Employer subsidy processing and administration • Transparency for the state, employers, providers, and family

Benefits
Revenue Generation • Multiple revenue streams via transaction fees, licensing, and tax collection • Economic formalization of substantial underground care economy • Enhanced federal matching fund opportunities **Market Regulation and Public Safety** • Comprehensive oversight through mandatory registration and background checks • Quality control and consumer protection mechanisms • Reduced risks in informal care arrangements **Economic Development** • Competitive advantage in business attraction and retention • Increased workforce participation and productivity for family members • Valuable labor market data for policy development • Higher wages for lower wage workers **Decreased Costs** • With higher wages, reduced dependency on poverty programs • Workers' compensation and health insurance benefits decrease Medicaid costs of care in emergency room visits

Considerations Prior to Implementation

Market Analysis Framework
Prior to implementing a Fair Care Marketplace, states should perform a market analysis to understand their unique care labor markets and the care needs for families. While this list is not exhaustive, some elements of a state's care economy to consider include:

Care Market Assessment
A Care Market Assessment will take into a account the scale and magnitude of the care market in the state, as well as the total costs incurred and dollars spent on care (privately, among families and individuals, and also state dollars). Some figures may require estimation, particularly for care purchased on the gray market.

Factors estimating the care market include:

- Current average costs for care
- Number of families receiving care
- Number of families receiving assistance from the state to acquire care
- Current state budget allocation for care programs
- Informal care market size estimation

Care Worker Wage Analysis
In calculating the dollars spent in the care economy, the state must also do an analysis of care workers' wages across job settings and descriptions (as defined by the Bureau of Labor Statistics). This includes grey economy jobs and wages that are often not reported on taxes.

- Average hourly wages for care workers (including within child care centers, adult day care centers, hospitals, family centers, and as private care providers)
- Gap analysis between state/federal minimum wage and living wage calculations
- Study of informal vs. formal employment patterns (ex: frequency of care workers working outside the formal labor market and ramifications of informal employment over a lifetime or career)
- Gaps in workers' compensation for informal care workers

Because care work is often underpaid, the gap analysis between minimum and living wage, specific to state and local costs of living is crucial. States should identify living wages across the state and target those wages for care workers participating in the Fair Care Marketplace platform. The state should run its cost analysis both for meeting current wage expectations (minimum wage) and living wage expectations and make efforts to close that gap through the digital platform by receiving contributions from families, employers, insurance companies, and state subsidies.

State-Specific Considerations
Additionally states should look at their economic, demographic, regulatory, and geographic landscape when assessing its care market. Challenges accessing care, or connecting care

workers to families who need care cannot be mitigated by a digital platform alone. Geographic limitations and transportation barriers may limit the accessibility of care and care workers in some areas. While families struggle to access care across the nation, state income levels vary, as well as affordability of care. States must also be mindful of the federal funding they receive around care and any requirements they must satisfy to get matching federal dollars.

Regulatory Compliance and Considerations

Quality Assurance
Any digital care marketplace for procuring care work must also comply with existing regulations in the care market. The Fair Care Marketplace must meet or exceed current regulations for standards of care, as well as uphold or improve the monitoring and quality thereof. The marketplace will centralize and formalize care quality assurance by allowing:

- Provider performance standards and monitoring
- Family satisfaction measurement and feedback systems
- Dispute resolution and complaint handling procedures
- Regular program evaluation and improvement processes

Regulatory bodies and state authorities who manage disputes resolution and case management will be connected, as applicable and in compliance with laws, to the marketplace to perform their duties.

Legislative Requirements
While states have differing roles and authorities vested within state legislatures, any systems implementation must work with the legislature to ensure compliance with state law. Legislatures may prescribe, oversee, or delegate any of the following, depending on their authority:

- Statutory authority for platform operation and fee collection
- Provider licensing and background check standards
- Platform governance structure and oversight mechanisms
- Consumer protection and dispute resolution procedures
- Platform implementation oversight and quality assurance

Privacy and Data Protection
A state technology platform must ensure the highest caliber of privacy and data protection, as the information included in the platform is extremely sensitive and must be secure. Bank account information, payment information, personal identifying information, tax information, and social security numbers are just a few sets of data that could be stored or access in this platform. Any platform created by the state must demonstrate:

- Compliance with state and federal privacy laws
- Robust cybersecurity measures for sensitive information
- Data sharing protocols with employers and government agencies
- Individual privacy rights and data portability

Cost Estimation Process

To gather estimates for project cost, budget, and duration, states can go through an RFI and RFQ process sourcing vendor information and quotes for project discovery, design, implementation, and support. A structured cost estimation process will strengthen budgeting and procurement. States should begin with a detailed definition of technical requirements, working with in-house IT professionals to shape the scope of the system. Vendor market research should follow, drawing on both large firms and boutique providers. The research should be conducted in close coordination with state procurement officials to ensure compliance with procurement protocols. Cost benchmarking against comparable state projects will add realism to estimates, particularly when supplemented with examples and guidance from peer states. Analysts must also factor in state-specific complexity, such as integration challenges or unique tax incentives. Finally, budget experts should apply appropriate contingency margins to cover unforeseen costs, ensuring that projects remain both viable and resilient over the long term.

The development of artificial intelligence (AI) technology could also potentially reduce the cost and timeline of implementation. States are already exploring how to get the most out of AI technology. In the 2024 legislative session, state legislatures reviewed over 150 bills regarding government use of AI. Governors in over 10 states have issued executive orders to study and explore AI for streamlining government processes or benefits administration.[74] Because technology and AI tools have rapidly expanded in only a few years, states should consider if AI or other technological advancement could help reduce implementation or operational costs of a digital marketplace.

Benefits Beyond Revenue

While the Fair Care Marketplace generates sustainable revenue for states, its greatest impact goes far beyond assets to the state's balance sheet. By formalizing the care economy and expanding access to affordable care providers and their services, the platform improves job quality and wages for low-income workers, strengthens labor force participation (especially among parents and family caregivers), and reduces turnover costs for employers. These gains translate into higher household incomes, increased consumer spending, and a healthier state economy, all while lowering long-term reliance on public assistance. In short, investing in the care marketplace multiplies fiscal returns and raises overall economic productivity.

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[74]Canada, Chelsea, Clark, William, and Hooshidary, Sanam. National Conference of State Legislatures. *Aritificial Intelligence in Government: The Federal and State Landscape.* November 22, 2024

Implementation Considerations

Estimated Implementation Timeline
While each state will have its own variations of budget and timeline based on their own teams' estimations, an estimated timeline below can help set expectations on the duration and cost of the platform development and support.

Phase 1: Infrastructure Development (~Months 1-12)
The first year will focus on design and development of the Fair Care Marketplace. During this period, the platform will be integrated with existing state systems, and tested through a pilot program in select regions. Pilots will be paired with ongoing stakeholder engagement, training, and communications to gather critical feedback and ensure the system meets the needs of families, providers, and employers alike.

Phase 2: Provider and Employer Onboarding (~Months 13-18)
In the following phase, attention will shift to onboarding care providers and employers. This phase includes registering and verifying providers, launching an employer pilot program, and integrating a background check system to ensure safety and trust across stakeholders. Training programs will also be rolled out to help providers and employers make effective use of the platform.

Phase 3: Full State Launch (~Months 19-24)
By the end of the second year, the Marketplace will move into a full statewide launch. Families will be able to register and access services directly, supported by a broad marketing and public awareness campaign. Performance monitoring and optimization will ensure the system runs smoothly as usage grows.

Phase 4: Maintenance and Continuous Improvement (Ongoing)
Once the full state system has gone live, the Marketplace will enter a stage of maintenance and continuous improvement. Regular updates and enhancements will be introduced, informed by user data and policy feedback. The platform will also deepen integration with other state programs and gradually expand to new employer segments, ensuring that it remains responsive, effective, and sustainable over time.

Additional Considerations for States
Each state should build its Fair Care Marketplace to reflect its own economic realities, regulatory frameworks, and political environment. If desired, states can adopt wage floors to account for differences in cost of living, scale subsidy levels to match median incomes, and design employer incentives that reflect the local business climate. The platform can also be aligned with existing child care and elder care programs to maximize efficiency and avoid duplicate efforts and programming.

According to regulations, the marketplace can integrate with each state's existing licensing and background check systems, health insurance exchanges, tax collection, and payment processing mechanisms. States can also coordinate with other state benefit programs to create a more unified system of support for families and workers.

Finally, the platform is designed to adapt to the political and policy priorities of individual states. While all families need care regardless of political affiliation and care should be a nonpartisan issue, messaging can be tailored to the local political environment, and implementation can be phased in to match state capacity. Coalition-building with key stakeholder groups will further ensure that the marketplace is not only technically sound but also politically viable and widely supported.

Additional Applications for the Fair Care Marketplace

The Fair Care Model does not have to be limited to private care providers. The Fair Care Marketplace could also include child care centers, family care centers, adult day care centers and other domestic workers.

Conclusion

The Fair Care Marketplace presents an opportunity for states to modernize its care economy and earn revenue while generating benefits for all stakeholders. This framework provides a scalable, adaptable model that can be customized to fit states' unique economic conditions, regulatory environment, and policy priorities.

Integrating employer care benefits and insurance providers will create powerful public-private partnerships, address affordability challenges, and reduce families' existing financial burdens without shifting the full cost to states and their taxpayers. The combination of state, employer, insurer, and family contributions will make high-quality care accessible across income levels while ensuring care workers receive living wages.

This framework will help states transform their care economies, demonstrating how innovative policy approaches can address critical social needs while also generating positive economic returns. The platform establishes a foundation for sustainable, scalable care services that benefit families, workers, employers, and state governments alike.

This comprehensive framework provides the policy foundation, implementation guidance, and economic analysis necessary for any state to successfully launch and operate a Fair Care Marketplace that serves as a national model for care economy innovation.

Appendix

Example State Subsidy Integration Framework: Income-Based Subsidy Structure

Tiers Based on State Median Income (SMI)	**Example Eligibility Tiers**		
	No Employer or Insurance Copay	**With Employer Subsidy**	**With Employer Subsidy and Insurance Subsidy**
Tier 1 **(0-50% SMI)**	• 85-95% state subsidy • 5-15% family copay	• 70-90% state subsidy • 5-10% family copay • 5-15% employer copay	• 65-90% state subsidy • 0-5% family copay • 5-15% employer copay • 5-15% insurance copay
Tier 2 **(51-65% SMI)**	• 70-80% state subsidy • 20-30% family copay	• 55-75% state subsidy • 20-25% family copay • 5-15% employer copay	• 50-75% state subsidy • 15-20% family copay • 5-15% employer copay • 5-15% insurance copay
Tier 3 **(66-80% SMI)**	• 55-65% state subsidy • 35-45% family copay	• 40-60% state subsidy • 35-40% family copay • 5-15% employer copay	• 35-60% state subsidy • 30-35% family copay • 5-15% employer copay • 5-15% insurance copay
Tier 4 (81-100% SMI):	• 35-45% state subsidy • 55-65% family copay	• 20-40% state subsidy • 55-60% family copay • 5-15% employer copay	• 15-40% state subsidy • 50-55% family copay • 5-15% employer copay • 5-15% insurance copay
Above 100% SMI	• **No subsidy, full market rate**	• No state subsidy • 85-95% family copay • 5-15% employer copay	• No state subsidy • 70-90% family copay • 5-15% employer copay • 5-15% insurance copay

About the Author

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About the Center for the American Family

The Center for the American Family (CAF) is a nonpartisan, nonprofit think tank dedicated to supporting and strengthening American families. Through evidence-based research, public engagement, and policy recommendations, CAF aims to advance family-forward policies and programs that foster family stability, economic security, and community well-being. Our work will inform policymakers, community leaders, and the general public on the best strategies to support families across the nation.

We envision a country where:

- Families can grow and thrive
- Adults can live fulfilling personal and professional lives
- The elderly can work, retire, and live with dignity
- Children can play, learn, and grow to reach their potential
- Care work is valued and respected

