

Are kids too expensive in America? ^[1]

Analysis: New CDC data shed light on connection between childcare costs, birth rates

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EXCERPTS

New data, released last week by the Centers for Disease Control and Prevention, attracted attention by showing the wide variation in fertility among states. They also prompted commentators to ask: Are kids getting too expensive for Americans to have?

That Americans are having fewer babies is not exactly news. The "total fertility rate," a measure demographers use that estimates the number of children a woman can expect to bear in her lifetime, has been declining since the Great Recession. The rate for the whole population has been below "replacement"—2.1, the number needed to keep the population from shrinking—more or less continuously for decades.

Data in fact show that the U.S. fertility rate has hit a 42-year low. The rate has risen above replacement for just a couple of years between 1972 and today.

What the most recent CDC report contributes to the conversation is a picture of the way that fertility rates vary among states. Two—South Dakota and Utah—have rates above replacement (2.27 and 2.12, respectively).

The remaining states differ wildly in how fertile they are. North Dakotans, for example, enjoy slightly more than two children per woman; Massachusettsans, by contrast, have just over 1.5.

This between-states variation allows us to explore what other variables about those state might affect their relative fertility levels, in turn giving a clue as to what has driven down U.S. fertility rates. Ricochet editor Bethany Mandel, writing at the New York Post, pointed to one variable of particular interest: the surging cost of childcare in the United States.

"It's logical," Mandel writes. "Couples aren't having as many kids because they don't have enough time or money. Is it any wonder such limitations lead to fewer children born in more expensive areas of the country, areas where parents have to work longer hours to provide for the children they already have?"

Childcare costs have risen steadily since the 1970s, and are now broadly recognized as a major issue for Americans. Estimates from Child Care Aware of America, an advocacy group, indicate that the average cost of one child's daycare rose 7.5 percent last year, to \$9,600 annually.

Data from the New York Times, which Mandel cites, indicate that expense is one of the major reasons that Americans are having fewer kids. In a survey last year, 64 percent said they expected to have fewer children than they considered ideal because "child care is too expensive," the most common response. Forty-four and 43 percent said they were having fewer children because they "can't afford more children" or "waited because of financial instability."

In fact, according to the Times survey, some are opting out of having children altogether because of the cost. Thirty-one percent of respondents who said they didn't want or weren't sure about having children claimed they could not afford child care; others cited the cost of housing or student debt burden.

Looking at the state-by-state data, Mandel points to the disparity between low-birth-rate, high-cost D.C. and its mirror opposite, South Dakota, to make her point. We can take advantage of more systematic data to better explore this relationship.

The left-leaning Economic Policy Institute published a report in 2016 calling for an "ambitious national investment in America's children." As part of this project, it estimated the cost of childcare at the state-by-state level, for both infants and four-year-olds, and in comparison to the cost of housing and education.

Comparing those figures to the state-level fertility rates shows a notable negative relationship—as cost of infant care grows, fertility rate drops. (A similar pattern emerges when using childcare costs for four-year-olds and the associated variable of housing cost.)

There is some evidence from other countries to support this connection. Researchers working on data from Swedish mothers estimated that an increase in childcare costs of 1000 Swedish Krona (about \$100) reduces the number of births by about 0.05 per 1,000 women.

Although the relationship between childcare costs and fertility may seem straightforward, their interrelation with other factors makes the picture more complicated. That is because both are affected by one of the most important trends of the past fifty years: rising female wages and labor force participation.

As women have left the home and entered education and the workforce, they have been likely to have fewer children, later, than their mothers. This same trend is linked to rising childcare costs, as the decline of the stay-at-home mom means families need to pay someone to care for their children.

"Women with higher educational attainment and higher potential wages face higher opportunity costs to childbearing. Social scientists have understood that for decades," Samuel Hammond, Director of Poverty and Welfare Policy at the Niskanen Center, told the Washington Free Beacon. "The question is whether the rising cost of child care is an independent factor in women's fertility decisions, or a symptom of these other deeper trends."

Hammond further pointed out that the urbanization of the United States, and its concurrent effect on how Americans live and work, may be driving childcare up and fertility down.

"In the past, young people would move to cities to go to school but then move out of cities to start a family. Recently, however, the clustering of jobs for highly educated workers in urban areas has reversed that trend," Hammond said. "Urban child care is much more expensive for a variety of reasons, including higher rent and higher labor costs. America's cities simply weren't built with families in mind."

While the underlying causality may be murky, the link between childcare costs and fertility provides a potentially fruitful avenue for policy makers worried about the long-run impact of a baby bust (including tax shortfalls and shortages of young workers to contribute to social security). Proposals like Sens. Marco Rubio (R., Fla.) and Mike Lee's (R., Utah) expansion of the Child Tax Credit could help lower the burden of childcare costs on already struggling families.

Hammond's research into the impact of other nations' cash transfers to new parents indicates that, depending on their form, baby payments can have small but notable impacts on fertility. They also may suppress abortion rates, something for social conservatives to cheer.

What is more, because the decision to have a child is multifactorial, other policy interventions may indirectly make childcare cheaper. For example, Secretary of Housing and Urban Development Ben Carson's housing affordability plan could help lower sky-high housing prices, which in turn would reduce barriers to entry for those looking to start a family.

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