The Trump administration is right about child care. But they're wrong on how to fix it [1]

Their recent memo has the right facts but paints the wrong picture.

Author: Francis, Lizzy
Source: Fatherly
Format: Article
Publication Date: 26 Feb 2019

AVAILABILITY
Access online [2]

EXCERPTS

On Monday, the Trump administration released a memo on work and the cost of child care in the United States. In the memo, the administration pointed to the cost of child care and argued that policies that reduce the costs could bring more women into the workforce. This would in turn increase economic growth for families and the economy at large. Just 50 years ago, most women with young kids were stay-at-home moms. By the 1990's, nearly 70 percent of moms were in the workforce. Today, about 63 percent of married moms and 77 percent of single moms are employed and 95 percent of all dads work outside of the home. Those numbers, the memorandum argues, could be better.

These are all true statements. More people could participate in the workforce if child care was less expensive. Elizabeth Warren, who has made child care policy a tenet of her Presidential platform, suggested as much in her book "The Two Income Trap." Many dual-income middle-class families, it so happens, make money but not enough money to send a child to daycare, which, as Warren herself has noted, can cost up to 36 percent of a family's income. As such, many parents (usually moms) choose to stay home with their children until they are school-aged. This leads to the wage gap, as women, if they return to the workforce after child-rearing at all, stay out of the work force and lose advancement opportunities at critical stages in their careers. The Trump memo, and tons of public policy experts, argue that this doesn't have to be the case. They are right.

Rather incomprehensibly, however, the memo then suggests that regulation of the child care industry (minimum standards of safety, group-size ratios, and teacher credentials) is what has driven costs to be, as the memo states, "inefficiently high."

The memo cites research by David Blau, a professor of economics at Ohio State whose early work focused on child care options and who more recently works on retirement and aging. Blau, the memo cites, found that regulations can decrease the wages of child care staffers while not leading to a meaningful increase in child care quality. The authors of the memo suggest that when regulations that increase child care cost are in place, parents will seek out potentially unsafe child care situations. "Minimizing the burden of the costly regulations that do the least to improve overall child well-being," the authors of the report conclude, "could help ensure that more children can access nurturing environments outside the home and more parents can choose to work if they wish to do so."

The authors then point to a handful of existing programs such as Supplemental Nutrition Assistance Program and Temporary Assistance For Needy Families, the Child Care Tax Credit, and Head Start and the fact that Trump signed a $2.4 billion funding increase to the Child Care and Development Fund which lead to a total of $8.1 billion in child care funding for low income families.

While the memo doesn't outright suggest that child care should be deregulated, coupling their argument with studies that suggest that regulation doesn't meaningfully improve child care quality and concluding that the government should lessen the burden of child care regulations on working families does imply that the government is talking about deregulating the industry.

However, a different conclusion could be made from the memorandum. Rather than getting rid of regulations, the federal government could step in to make enacting regulations on a competitive industry easier on business owners and consumers, especially as it comes to child care.

David Blau said as much. I reached out to him to ensure that his research was properly cited. And he said that there is no denying that regulations drive up costs. But, according to Blau, the main problem that regulations are used to solve is consumer's lack of information about the quality of care. So, if you walk into a daycare center, and you're not a trained developmental psychologist, you don't know exactly how to evaluate the quality of the care. "It may look like everyone is happy and having fun, but you don't really know if they're getting the developmental stimulation they need," Blau says. "Regulations can at least cut out the low quality end of the market. It's kind of a blunt tool, in that sense." In his research, Blau says he wasn't looking at basic regulations such as safety laws; he was looking at higher-order data: class-size regulations and teacher training.

Higher costs makes the overall daycare market more inaccessible to the poorest working parents. But Blau stresses that while basic safety regulations are important, they can function as sort of an "unfunded mandate" that puts the onus of those regulations on the business owners and providers and consumers of that care. That's why childcare is so expensive. Regulations alone aren't the problem. Forcing a troubled industry to comply with standards without providing them the subsidies and funding to do so, however, is.

Blau admits that part of his suggestions on how to make child care more affordable for parents is part research, part value judgment. In his view, subsidies can make child care more affordable as a business to operate and for consumers. Blau also stresses that about 66 to 75 percent of child care centers meet regulations, and that even removing the regulations wouldn't meaningfully change the quality of care in those centers so much as regulations are used as a tool to get rid of unsafe care centers.

"One problem with regulations is that they push the cost off onto the providers of care and, ultimately, onto the consumers," says Blau. "It's sort of an unfunded mandate. Whereas subsidies are very explicitly transferring funds from the government to providers and consumers. We can see directly what the cost is, and we can evaluate whether we think the benefits are worth it, and how we want to pay for it."

The United States, despite Trump's boasts about how his administration has funded child care meaningfully, is dismal at paying for it. The United States only spends 9.4 percent of its federal budget on kids 18 or younger, with an even smaller percentage of that going specifically towards child care subsidies. In fact, almost half of the federal budget over the next ten years is dedicated to spending on the elderly, rather than working parents or their very young children. In 2009, when Americans invested the most in American kids, only 2.5 percent of the GDP was allocated to their wellbeing. Meanwhile, other countries such as Sweden put nearly 23 percent of their GDP towards their kids. Spending on kids is an annually appropriated measure and as long as massive programs like Social Security and Medicaid continue to crowd out meaningful funding for them, affordable child care is a pipe dream.

Or maybe not. Elizabeth Warren has branded herself as the child care candidate and came out with an ambitious plan to both raise regulations on child care and massively increase federal funding to those programs to make sure that the industries can actually meet new, stringent regulations. Warren's Universal Child Care and Early Learning Plan is not means-based tax credits or partially funded access to Head Start programs. Instead, through a wealth tax, the program would assist parents on a sliding scale (Blau notes that the most subsidies should go to the poorest parents). Under this plan, the most parents would pay for child care services would be seven percent of their income (most two-income households pay anywhere from nine to 36 percent of their income on child care), a whopping discount, and some parents wouldn't have to pay at all. But with federal funding, the burden wouldn't be on parents or providers.

And it wouldn't really be on the federal government, either. By enacting a wealth tax, the program would be paid for four times over. So, yes, the Trump administration is right that regulations alone aren't going to improve child care or child care access. They are also right that the high costs of child care are keeping largely mothers out of the workplace for longer, overall hurting their earning potential. But they provided no meaningful alternatives to increase access without endangering kids. As it turns out, investing in kids isn't budget-neutral.
Related link:
Region: United States [3]

Source URL (modified on 27 Jan 2022): https://childcarecanada.org/documents/child-care-news/19/03/trump-administration-right-about-child-care-theyre-wrong-how-fix-it

Links
[1] https://childcarecanada.org/documents/child-care-news/19/03/trump-administration-right-about-child-care-theyre-wrong-how-fix-it [2] https://www.fatherly.com/love-money/trump-white-house-memo-childcare/ [3] https://childcarecanada.org/taxonomy/term/7865