

Elizabeth Warren's childcare policy could spark \$700 billion of growth ^[1]

Episode three of The Pay Check examines how the cost of childcare holds back women's earning power. Is there a better way?

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Source: Bloomberg

Format: Article

Publication Date: 23 Apr 2019

AVAILABILITY

Access online ^[2]

EXCERPTS

As any working parent will tell you, childcare in America isn't cheap. One year in a daycare center cost almost \$11,000 in 2018, according to a survey by Care.com. In-home daycare cost a little less; nannies, a lot more.

Over the past 20 years, those expenses have eaten up an ever-larger share of family dollars. One in three households spends more than 20 percent of income on child care—three times the threshold considered “affordable” by the U.S. Department of Health and Human Services.

“The costs have increased far more than overall inflation,” said Sophia Koropecyk, an economist at Moody's. “A lot of families simply cannot afford it.” And that, she said, keeps parents—particularly mothers—from pursuing paid work outside the home. “The labor force participation rate of mothers with young children actually hasn't increased at all. It's been about 65 percent for the last 20 years.”

Together with Moody Analytics' Chief Economist Mark Zandi, Koropecyk assessed the economic impact of a plan for universal childcare proposed by Democratic presidential candidate Elizabeth Warren. Subsidized childcare doesn't get the same kind of attention as infrastructure proposals or the vaunted, if vague, green new deal, but Koropecyk says it would provide a real economic boost.

Senator Warren's policy would add \$702 billion to the U.S. gross domestic product in its first 10 years, she estimated. Some of that comes from a projected increase in the number of women who would work outside of the home. Part of it comes from higher wages for childcare workers—Warren's policy calls for them to be paid on par with public school workers, more than the minimum wage they currently make on average. And some of it comes from putting a ceiling on the cost of care, freeing up household spending in other categories.

“If more women could participate in the labor force, knowing that their children have good quality care, that has enormous consequences for the economy,” Koropecyk said. Her initial analysis didn't look at the longer-term impact of Warren's policy, but she said there could be knock-on effects if it results in higher quality care than some kids might currently be getting: “If the kids that are in these centers are better educated and better adjusted and have better prospects, that also has very positive long-term impact.”

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