

Families struggle with child care costs as life returns to “normal”

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Source: Forbes Advisor

Format: Article

Publication Date: 30 Jun 2021

AVAILABILITY

Access online [2]

EXCERPTS

Ashley Delehunt Belson has two options. The 34-year-old mother can go back to work and pay \$800 per month for her four-month-old son’s day care, or she can stay home and take care of him on her own. The latter is shaping up to be the choice Belson is more seriously considering.

Before, Belson worked in the travel booking industry. In July 2020, the company shut down permanently after the pandemic halted most travel. She tried to find employment elsewhere but couldn’t, calling it “a terrible time to look for a job.”

Belson lives in Durango, a small city in southwestern Colorado with a population of just over 18,000. The city thrives on tourism and hospitality. Employment in those sectors is rebounding as the area emerges from the pandemic, but taking one of the many tourism jobs now available wouldn’t be financially feasible for Belson and her family.

“I could get a job working at a shop downtown, but those aren’t the jobs that are going to be able to support my life, plus child care,” Belson says. Instead, she might start her own nannying business—not because it’s her passion, but because she doesn’t think she’ll be able to find a new part-time job that will allow her the flexibility to work remotely and care for her child.

Parents Grapple with Child Care Costs as They Figure out Their New Normal

The United States may be emerging from the pandemic, but families across the country are still struggling to figure out how to manage child care. As the virus ripped through communities, many day cares shut down. Parents found themselves with the daunting task of managing working from home and watching their kids around the clock.

Now, they’re struggling to find day cares that have space for their children—and won’t cost them a fortune.

Even before the pandemic, child care was known for its exorbitant costs, which vary by state. The average annual cost of child care for a 4-year-old in New York costs \$12,358, according to the Economic Policy Institute, a nonprofit, nonpartisan think tank. In Kentucky, it costs \$6,411 but is still categorized as “out of reach” for low-wage workers. Overhead costs, liability insurance, licensing fees and labor costs contribute to the overall price tag.

Now, there’s some evidence that the pandemic could be inflating those costs. According to Care.com’s annual survey released in June 2021, 85% of parents report spending 10% or more of their household income on child care. It’s a marked increase compared to 72% the year prior.

Sixty-two percent of families reported having more concern about the cost of child care now than they did before the pandemic.

Rachel Wheaton, a 35-year-old mother of two in Lakeland, Fla., has watched her child care costs rise. Before the pandemic, she paid \$125 per week for both of her children to attend half-day day care. Now, she’s shelling out \$310 per week—which means she’s paying 1.5 times her mortgage payment on child care costs each month.

Wheaton says the day care facility increased its prices after checking rates of other day cares in the area and adjusting its staff pay to \$15 per hour.

Wheaton pays \$180 out of her weekly paycheck to cover some of the cost and puts the rest on her credit card, which means she will accumulate interest and pay even more over time. She says her “saving grace” is that in August, both of her children will qualify for a county-funded special needs school, so she won’t have to pay for child care.

“If I had to sustain this, I couldn’t,” Wheaton says. “I don’t know what I would do.”

Parents May Bear Added Expenses Due to Rising Day Care Costs

Day cares aren’t raising their prices out of spite. A mixture of increased supply costs, like providing personal protective equipment (PPE) to

staff, and labor shortages are accounting for the increased pressure on parents.

Kiddie Academy, a franchise day care system with more than 275 locations in 31 states, reports its average weekly tuition cost has risen since 2019. But Chief Marketing Officer Nicole Salla says tuition increases, which vary by location, are “closely in line with the franchisees’ increase in expenses over the past two years.” Kiddie Academy cites the need to supply additional cleaning supplies and personal protective equipment as well as rising food prices and staff costs as driving its price increases

“We, like most providers (and businesses, in general), support our franchisees in determining their pricing to keep pace with the industry,” Salla said in an emailed statement to Forbes Advisor. “This is necessary to be able to keep a consistent and high-quality experience for the families we serve.”

And for day cares that have kept their prices stable, such as KidsPark, finding staff has become an obstacle. The chain has 22 locations across nine states.

Fewer staff means fewer children can attend a daycare since licensed child care providers are required to follow a standard caregiver-to-child ratio. Now that parents are heading back to the office to work, there’s a surge in demand—and some day cares can’t keep up.

KidsPark, which charges by the hour, continues to have altered operating hours at many of its centers because it doesn’t have enough staff to work. Most centers are open from 7 a.m. to 9 p.m., but many used to stay open until midnight on busy weekend nights. Only a handful of KidsPark centers are currently open on Sundays, a day that used to be in its normal operating schedule.

“It’s hard to find people to recruit,” says Debra Milner, CEO and founder of KidsPark. “We schedule interviews and hope people show up, but we’re getting ghosted.”

KidsPark pays its staff according to experience and education level, with wages varying by state. Milner reports staff wages ranging from \$12 to as high as \$28 per hour.

Despite offering what they think are competitive wages, KidsPark has still struggled to find and retain staff, which Milner says may be due to the high unemployment benefits exceeding what positions like these can pay. Strangely, KidsPark is still receiving applications, though some candidates are failing to show up to scheduled interviews. Milner wonders if this is meant to check a box to receive unemployment aid.

“Maybe people feel if they’re at least applying to places, it doesn’t mean they have to show up and attend the interview. I wish I had an answer,” Milner says.

If KidsPark was able to employ more staff, Milner says it would be able to revert to its regular operating hours—and watch more children.

What Can Be Done to Help Parents Seeking Child Care?

The benefits of quality child care are twofold, according to the Federal Reserve Bank of Atlanta: It boosts work productivity for parents and sets children up for success when they enter school. The bank describes child care as “integral to near-term economic efforts and longer-term economic health and family success.”

Parents know how critical child care is for their child’s development—and it puts increased pressure on them to get their kids into quality facilities.

Wheaton could send her kids to a cheaper day care and save \$50 per week, but she’d still be over budget. And the more expensive facility her children currently go to has what she says is a higher standard of care.

The White House is aware of how large of a burden the cost of child care places on families. In April, Biden introduced his \$1.8 trillion American Families Plan, which would include \$225 billion in funding to reform child care in America.

The plan would cap the cost of “high-quality child care” for low- and middle-income families to no more than 7% of their income.” The assistance would be available for families earning 1.5 times their state median income. It would also create universal free preschool for all 3 and 4-year-olds.

The hitch with putting caps on assistance, though, is that some families are struggling even when they’re making income above the threshold. Wheaton, for example, says she only makes \$2,000 over the yearly income limit in Florida to be eligible for state-sponsored child care assistance. She wishes there was some type of sliding scale to help families like hers who are in the income gap.

The Biden administration has also made significant changes to the child tax credit in response to the increased financial burden caused by the pandemic. It has temporarily increased the credit this year up to \$3,600 for each qualifying child under 6 and up to \$3,000 for qualifying children ages 6 to 17. The expanded credit will be sent out in monthly payments, which could make a huge difference for low-income families or households without predictable income.

For a married couple with an annual income of \$45,000 and two children age 5 and under, that means they’ll get \$7,200.

Wheaton says the child tax credit boost will be a huge help for her family but acknowledges that day cares are still struggling and need help.

Biden’s American Families Plan says it would provide funding for child care providers to “cover the true cost of quality early childhood care and education,” but it doesn’t specify how much or how the facilities would receive the funding. Biden’s original infrastructure plan included a line item to rehabilitate child care facilities, but it was cut from the recent compromise.

For now, the American Families Plan has quietly taken the backseat while Biden's other big initiatives, like the infrastructure plan, take priority.

Until then, Wheaton will continue to make sacrifices to help make it all financially work—including crafting her family's new furniture herself in an effort to save money. Belson is still considering becoming a nanny but hasn't fully decided yet.

Both agree: Child care is an added stress on their families. But it's one they'll have to figure out.

Region: United States ^[3]

Tags: affordability ^[4]

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