

Why child care is the economy's 'invisible' driver ^[1]

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EXCERPTS:

So you're going to have a baby. Congratulations! It goes by fast, so enjoy it. Oh, and pardon the unsolicited advice, but start saving. Now.

The piano lessons. The soccer camp. The orthodontia. And then there's college. Perhaps you've even begun to research the best 529 plans. You have close to two decades to save for that. But the money you really should be socking away now is for day care: That bill comes due a whole lot sooner and, in a lot of places in the U.S., it's even more expensive per year than college.

According to a study released last year by Child Care Aware America, a group of child care resources and referral agencies, the annual cost of day care for an infant exceeds the average cost of in-state tuition and fees at public colleges in 31 states. In New York, for instance, day care costs nearly \$15,000 a year; average in-state college tuition is \$6,500.

Unlike many developed countries where child care and early education is heavily subsidized, the U.S. has no national policy on child care. "When we compare what we do as a nation to what other developed countries do in terms of child care, it's embarrassing and it's tragic," says Stewart Friedman, practice professor of management at Wharton. "Part of it is rooted in the American ethos of individualism. You're supposed to make it on your own." *Twitter*

Not only does the high cost of child care in the U.S. hit the bottom line of individual families, it also has repercussions for the economy as a whole. For one, the tremendous strain on household budgets dents consumption, which in turn hinders growth. Second, the burden of dealing with (and paying for) child care is seen as a culprit that forces women to drop out of the labor market. And finally, the difficulties associated with child care are for some a deterrent to have children in the first place. The issue there, of course, is that in pure economic terms, today's babies are the workforce of the future.

"The cost of child care is one of the factors causing young people to opt out of parenthood - and that's a problem," Friedman notes. "It's a problem that can be solved in terms of what the private sector can do, and what government can do to improve child care infrastructure and paid family leave."

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