

Affordable child care is a distributive problem^[1]

Author: Bruenig, Matt

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EXCERPTS

People often write about affordable child care like it is a complicated and elusive thing, sometimes even conflating the idea with strategies to reduce child care unit costs. But it's not complicated. The way you make child care affordable is the same way you made the child care/education we already have for children age 5-17 affordable: you extend public benefits for it.

We don't expect parents to be able to shoulder the costs of educating their young children. And for good reason: it would be prohibitively expensive for the majority of families. A four-person middle class family with two children that makes \$45,000 per year would be in poverty if you subtracted from their income the \$12,500 per child K-12 education subsidy that they receive each year. And this is true even if you added back the property taxes they paid. People like to drone on about poor people irresponsibly having kids, but without public school welfare benefits, it would also (under this same kind of analysis) be irresponsible for middle class families to have kids.

The financial dynamics of child care are no different than the financial dynamics of K-12 schooling. It costs a good deal of money to have people care for children all day, and most families are simply not in a position to pay that kind of money. In fact, families are in an even worse position to pay for child care than they are to pay for K-12 education. This is because families of children between the ages of 0 and 5 have less income than families of children between the ages of 5 and 17.

If we don't expect that families can shoulder the cost of K-12 education, then we certainly can't expect them to shoulder the cost of child care, which is similarly expensive but must be paid when parents are poorer than they are in their kids' K-12 years.

You may be able to squeeze lower prices out of day cares around the margin, but fundamentally, affordable day care is always and everywhere a distributive problem. The costs of child care are very concentrated and come at a time when parents are least able to afford them. Market income institutions simply are not up to handling this distributive issue.

The only real way to solve this issue is thus to change the distribution of the national income such that parents of young children wind up with more of it. This can come in-kind through public subsidies for day care centers (as we do for K-12 education). Or it could come in cash payments to parents. Or you could have a hybrid system where people who prefer day care centers get in-kind subsidies while those who prefer caring for their kids at home get cash payments to do so. But whatever route you choose, the basic distributive mechanism is always the same: increase the share of national income going to young parents and reduce the share of national income going to others.

Given the nature of lifecycle income, this sort of distributive change would largely mean that young parents would receive higher shares of national income than they do now and middle aged earners would receive lower shares of national income. Insofar as young parents one day become middle age earners, there is a lot of "canceling out" over the lifecycle in this sort of scheme, if that's how you prefer to think about these things. That is, when people are in the young parent stage of their lifecycle, they'd have relatively more and when they are in their middle age earner stage, they'd have relatively less. It's a disposable income smoothing mechanism. There would also no doubt be transferring within age cohorts between higher and lower percentiles, and of course this is also cool and good.

In any event, my point here is that: if you are pining for affordable child care policies, but aren't talking about changing the distribution, you will get nowhere. As with much of our economic policy discourse, things show up as frustratingly complicated only because we have taken off the table (often without even thinking about it) the relatively basic policy moves that are needed to solve the problem.

-reprinted from Demos

Region: United States^[2]

Tags: economics^[3]

affordability^[4]

[1] <https://childcarecanada.org/documents/child-care-news/15/06/affordable-child-care-distributive-problem> [2] <https://childcarecanada.org/taxonomy/term/7865> [3] <https://childcarecanada.org/category/tags/economics> [4] <https://childcarecanada.org/category/tags/affordability>