

The new financial squeeze for millennials ^[1]

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EXCERPTS

Every parent-to-be knows one fact about the next few years: They'll have many, many sleepless nights.

While some of those will come from the erratic sleep schedules of their children, many more may stem from the increasingly expensive price of child care. With the millennial generation now becoming parents, this group of adults is getting hit with the double whammy of juggling student debt repayments and surging child care costs, which have jumped by about 70 percent since the mid-80s (in constant 2011 dollars), according to the Census Bureau.

In some states, the cost of child care is even more expensive than annual tuition at a public university. Parents in Massachusetts face \$16,430 in yearly child care costs, Pew Research found last year. While some families are buckling down and adjusting their budgets, others are asking relatives for help or have made the tough choice to scale back on work because the cost of child care may in some cases outpace their own earnings.

More than three-quarters of mothers and half of fathers said they've switched jobs, quit or given up work opportunities to take care of their children, a Washington Post poll found earlier this month. A majority of parents described the cost of child care in their region as somewhat to very expensive.

"We now have sort of 21st century expectations, and we still have, in some ways, a 20th century system," where "everybody's doing everything on a shoestring," Marcy Whitebook, director and founder of the Center for the Study of Child Care Employment at the University of California at Berkeley, told Bloomberg.

At the same time, millennials are already struggling with student debt and depressed wages, thanks to the lingering effects of the Great Recession. Employees who start their careers during a downturn earn as much as 9 percent less annually than those who don't for about 15 years after they enter the work force, the White House noted in a 2014 report on millennials. As a consequence, the generation isn't making as much money as their parents did at their age.

Millennials, who range in age from 18 to 34, are just starting to have children, although so far their birth rates are lagging previous generations. The birth rate among American women in their 20s fell 15 percent between 2007 to 2012, marking an abrupt change from three decades of relatively stable rates, the Urban Institute found earlier this year. Economic pressures may be one reason for the decline.

Julie Waltz-Stalker told the Washington Post she had wanted to return to work after her daughter was born, but she realized that her pay as an elementary school art teacher wouldn't cover the day-care bill. Waltz-Stalker, 31, has been at home for three years with her daughter.

"I want to work. I can't afford it," she said. "And as time passes, I feel more behind and less qualified to go back."

Those tough decisions may have implications for parents as the years roll on. The gender pay gap -- the phenomenon where women make less money than men who perform the same job -- may be partly due to some women deciding to stay at home with their children or cut back hours, which can depress earnings later on in their careers.

Why is child care so expensive? It's not due to the pay earned by early childhood education workers, who often turn to government programs such as food stamps to make ends meet. These workers make a median wage of \$10.60 an hour, or less than what dog trainers earn, according to a study published last year from the Center for the Study of Child Care Employment.

It found that while child care costs have risen sharply, early education workers haven't seen a real rise in earnings. Instead, the higher child care costs are due to issues such as higher rents, more expensive food and meager government funding.

While President Barack Obama has touted early education as one of the country's priorities, scant resources are devoted to it. Government spending in the U.S. on child care was less than 0.5 percent of GDP, compared with more than 1 percent for France, New Zealand, the U.K. and the Nordic countries, the Organization for Economic Co-operation and Development said last year.

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