

Economics of child care slams younger households ^[1]

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EXCERPTS

It's not the cost of diapers or even future college tuition that's rattling Amber Sparks.

"We basically had to remake our entire budget around day care," said Sparks, 37, whose 3-month-old daughter began attending child care this month when Sparks returned to work for a labor union in Washington. "We'll eat out a lot less, and have a lot less discretionary spending. We live in an apartment building, and I don't think there's any way we'd be able to afford a home and pay for day care and pay for student loans."

With the job market improving and the millennial generation born after 1980 reaching its prime child-bearing years, demand for day care probably will continue to outstrip supply, driving costs up faster than overall inflation.

That could have wide-ranging economic repercussions, including limiting consumers' ability to spend on other goods and services and, in the extreme, preventing some parents from joining the workforce.

About 29 percent of births last year were to 25-to-29-year-old mothers, National Center for Health Statistics data released in June show. The figures also showed the fertility rate, or the total number of births per 1,000 women ages 15 to 44 years, increased for the first time since 2007.

Child-care providers are finding it difficult to keep up as scant public funding and more expensive food and rent propel costs. That crimps their ability to hire staff, with payrolls in the industry rising 3.7 percent since the start of the expansion in June 2009, compared with an 8.5 percent gain for all employers, according to the Bureau of Labor Statistics.

There's been a growing push for child care workers to be better trained and educated, and the costs associated with those efforts make it tougher for managers to scrape up pay increases for existing personnel, said Anna Carter, president of the Chapel Hill, North Carolina-based Child Care Services Association.

The mismatch in supply and demand has made child care a "broken market," said Marcy Whitebook, director and founder of the Center for the Study of Child Care Employment at the University of California at Berkeley.

"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," said Whitebook. "It's probably a safer bet to open up a restaurant than a child care center."

Married couples who enrolled an infant at a center last year spent from 7 to 15 percent of their family income on full-time care, according to data from Arlington, Virginia-based Child Care Aware of America released in May. Expenses in some of the largest states, including California, New York and Illinois, were at the top of the range.

Sparks said she and her husband are paying about \$2,100 a month for child care.

Weekly nursery and preschool expenditures for children 5 years old and younger rose almost 50 percent between 1990 and 2011 after adjusting for inflation, according to Census Bureau data analyzed by Chris Herbst, an associate professor at the Arizona State University School of Public Affairs in Phoenix.

To keep costs down, more parents are turning to informal arrangements, including asking for help from the army of retiring baby-boomer grandparents — what Herbst calls "stiffing Grandma and Grandpa." Child care by relatives climbed to about 27 percent of the total in 2011 from 21 percent in 1990. Weekly expenses for that type of care declined by 13 percent over the same period, according to Herbst's analysis.

Matthew Hoffmann, 34, said he and his wife have had to rely on relatives since his job as an adjunct professor at Loyola University in Chicago — where he makes about \$20,000 a year with no benefits — doesn't pay enough to afford center-based care. Instead, a 70-year-old aunt commutes 30 minutes to attend to their 18-month-old son.

The costs of child care and nursery school have surged 168 percent since the end of 1990 compared with a 76 percent increase in total consumer prices, according to the Bureau of Labor Statistics.

Sluggish wage gains since the last recession ended have made those child care bills look even bigger.

"It's taking up more and more of a family's paycheck," said Carter of the Child Care Services Association.

Little public funding for child care also could be keeping some women from joining the workforce, Francine Blau and Lawrence Kahn, Cornell University economics professors, wrote in a January 2013 research paper.

Government assistance for child care in the U.S. increased to 0.11 percent of gross domestic product in 2007 from 0.03 percent in 1990. Over the same period, it grew to 0.47 percent of GDP from 0.35 percent in 16 member countries of the Organization for Economic Co-operation and Development.

High costs may be preventing some Americans from seeking jobs. Since rising to a record 60.3 percent in 2000, labor-force participation of women 16 and older has been declining, according to Labor Department data. In July, the rate was 56.7 percent.

The trend is coincident with a rise in stay-at-home mothers and fathers, according to Census Bureau figures compiled by the Washington-based Pew Research Center. About 29 percent of mothers with children younger than 18 didn't work outside the home in 2012, up from 23 percent in 1999, which was the lowest in data back to 1967.

The number of stay-at-home fathers almost doubled over the period, to 2 million from about 1.25 million.

While Sparks and her husband opted to include child care in their budgets rather than quit working, it didn't make coping with those costs any easier.

For "everything else — diapers, all that kind of stuff — you don't have to spend that much," said Sparks. "But the child care part — that's the crazy part."

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