

# Ballooning childcare costs make U.S. the new hardship posting<sup>[1]</sup>

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## EXCERPTS

Kacee Ballew, who's lived with her husband in Pakistan, New Zealand and now Jamaica, sees one big obstacle to her family's return to the U.S.: prohibitive childcare costs.

"The only thing that's preventing us from going home is that we have two kids in preschool," Ballew said by phone. "As soon as they're in public school and we can just not have to worry about that cost, we'd be back in the States, or in a few years."

Ballew, 36, represents a growing trend among young workers who are more likely to jump at the opportunity to work abroad. While the Obama administration and presidential candidates from both parties have shone a light on paid parental leave and the costs of overseeing infants, living overseas has become even more attractive as childcare bills take up a larger portion of U.S. household budgets.

The U.S. Health and Human Services Department judges affordable childcare would amount to about 10 percent of a family's income, but the average cost of full-time care for one infant at a center tops 14 percent of a married couple's median earnings in some of the most populous states, according to a December report from Arlington, Virginia-based Child Care Aware. In most areas of the country, childcare costs exceed that of rent and college tuition.

With 3-year-old and 16-month-old girls, Ballew said she and her husband had "pretty much ruled out the U.S. completely" as their next stop in order to save the estimated \$40,000 a year they'd be spending on childcare in Washington, D.C. That money probably will go toward purchasing a home when they do return, she said.

Ballew, who works for a U.S. Agency for International Development contractor, and her husband, a State Department employee, instead will head to Venezuela for two years, where they'll continue to enjoy what they consider a big discount for more services.

Perched in what some refer to as the "nanny belt" -- the tropical region where good help is relatively inexpensive -- the Ballews are paying the equivalent of \$137 for 50 hours a week of childcare and early educational development in Jamaica.

Monika Tschida-Spiers, 41, also is no stranger to childcare bargain-hunting. Now based in Washington as a procurement officer for the International Monetary Fund, the native Austrian is still adjusting to the exorbitant price hike she found when she moved to Maryland with her husband and two kids in 2013 after five years in Kenya. The couple spends about \$2,000 a month on salary and taxes for the live-in nanny they employ -- almost 10 times what they paid the same woman in Kenya, where her earnings were on the higher end for similar work.

## Importing Help

Add private school tuition to the budget, and costs for watching her children account for about 70 percent of Tschida-Spiers's salary. She and her husband, as well as her neighbors who work odd hours, found that it was impractical to rely only on center care for their children without the confidence that they'd be on time for pickups each day.

That led Tschida-Spiers and her husband to bring their nanny to the U.S., giving them peace of mind in the care of their 3- and 5-year-olds, while also adding at least one unforeseen expense to their budget: a tax analyst. Since employing the care-giver required processing of a special visa, as well as abiding by the state-mandated minimum wage and other requirements, her employer advised that even the numbers-savvy should seek professional help to ensure full compliance.

## European Policies

Tschida-Spiers said she sees the inflated childcare costs as an outgrowth of an American system that's more focused on individuals compared with a European view that "a lot of things are a public good." She points to Vienna, where early childhood education is free, and surrounding rural areas in Austria, where her brother pays about \$50 a month for such tuition.

For dual-earner U.S. families with full-time earnings that were 150 percent of the average, childcare costs took up 29 percent of net income in 2012, according to data from the Organisation for Economic Cooperation and Development. That made the U.S. the third-most

expensive of 34 countries after adjusting for government support, behind the United Kingdom and New Zealand.

The U.S. performed similarly poorly among those living outside their home countries. It ranked 22nd out of 39 economies on education and childcare, which measures expatriates' views of costs and quality in those countries, according to a survey by HSBC Holdings Plc.

The high costs in the U.S. also are a by-product of a broken market, Tschida-Spiers said -- one that, as an economist, befuddles her.

"It's not a perfect market that works with demand and supply," as soaring insurance costs and rents trim profits even as U.S. centers charge expensive rates, she said.

Elaine Zundl, research director for the Center for Women and Work at Rutgers University in Piscataway, New Jersey, also sees negative labor-market implications from less competitive workforce policies in the U.S. associated with childcare costs and family leave.

Women's labor-force participation has shown a slow, steady decline from its peak of 60.3 percent in April 2000. The share of women in the labor force 16 years and older who have a job or are looking for one was 56.8 percent in December. It was 68.9 percent for men, according to Labor Department data.

"We're not going to see maximum participation of women in the economy until we have some of the policies that other countries have," Zundl said.

-reprinted from Bloomberg

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