

Calculating the hidden cost of interrupting a career for child care

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Author: Madowitz, Michael; Rowell, Alex & Hamm, Katie

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AVAILABILITY

Full report PDF [2]

Interactive calculator [3]

Overview

The child care affordability crisis in the United States can be summed up in two sentences. Sixty-five percent of children younger than age 5 have all co-habiting parents in the workforce. The average annual cost to have two children in a child care center is nearly \$18,000. This leaves many families to choose between spending a sizable portion of their paycheck on child care, finding less expensive—and possibly lower quality—unregulated child care, or leaving the workforce to become a full-time caregiver. This brief explores the financial toll that the latter decision places on families.

Yet the long-term cost can be much higher than these figures suggest when parents—and mothers in particular—find that expensive child care means they can barely afford to work until their children are old enough for public school. For most low-income and middle-class families, there is little government help with child care costs, but the cost of career interruptions can add up dramatically over a lifetime. Each year out of work can cost a family significantly more than three times a parent's annual salary in lifetime income. Many low-income and middle-class families are stuck in a financial catch-22, with too little income today to afford child care that can sustain careers, raise incomes considerably, and provide a measure of financial security for the rest of their lives.

To help families calculate the financial costs of interrupting a career so a parent can become a full-time caregiver, the Center for American Progress has developed a simple, customizable interactive tool. The single most important contribution this tool makes, and the most important lesson for families using the tool, is placing these financial tradeoffs in the economic framework of opportunity costs, or costs people incur when they lose out on potential gains.

Child care is expensive, but quitting a job to avoid that expense does not make child care free. In fact, as explained later, the cost of so-called free care is much more than a parent's lost wages. CAP's tool calculates the monetary value of those costs in terms of potential income and retirement savings. These dollar figures are important for families and policymakers. The most important insight, however, is that any serious economic analysis of child care affordability must be rooted in opportunity costs. As trivial as this insight is in economics, CAP could not locate a tool to help families consider opportunity costs in choosing child care arrangements. The absence of such tools underscores that even with many families relying on all parents working and still feeling financially strained, American society still does not view giving families more child care choices as a serious economic issue. CAP hopes quantifying these large—and largely hidden—opportunity costs will help policymakers understand how important affordable high quality child care is for raising family incomes and growing the economy.

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