The High Cost of Child Care: A Challenge for Working Families

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First in a series of white papers on the state of child care in the region

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An Executive Summary

The High Cost of Child Care: The Challenge for Working Families

Spurred by the occasion of its 40th anniversary, 4C wants to remind the community that, in addition to helping prepare children for kindergarten, child care remains a critical work force support.

The lack of affordable child care in our region is a barrier to employment for many parents and a significant financial burden for all but the most affluent.

Child care is expensive. Infant care currently costs more than tuition at most public colleges or universities in our region. The number of families impacted by these costs over the past 40 years has been growing as more women with young children have entered the workforce.

Public support (child care subsidy, sometimes called vouchers) is available only to families with very low incomes, private funding is very limited, and employer-supported child care is rare.

The high cost of child care means that many parents are forced to make compromises that can impact their career, their economic stability, their peace of mind and their children’s development.

When unaffordable child care forces parents to choose low quality or unreliable child care, or when it forces parents (mostly women) to step outside the work force, everyone is affected including employers.

Key Recommendation: Don’t forget working families. The many proposals at the local, state and national levels to increase access to high quality pre-K must take into consideration that more than half of all children receive their pre-kindergarten experiences in full-day, year-round child care. This means addressing the needs of working families by including these provisions:

- full work-day, year-round programs as well as part-day programs
- high-quality settings for infants and toddlers as well as 3- and 4-year olds
- options that meet the needs of parents who work non-traditional hours
- child care subsidy/assistance rates that permit the same level of quality in full-day programs as in part-day, school-based programs

Other strategies for addressing affordability and availability of child care. In the absence of the kind of national family policies found in other industrialized nations, we should:

- Increase federal, state and local support for high quality pre-K in the full range of community child care settings.
- Implement innovative state/local tax policy supports for early care and education.
- Make administrative changes to the current system.
- Increase public investment in the infrastructure of child care.
- Expand support for child care referral services to help families with non-traditional work schedules find appropriate child care.
- Create meaningful incentives for child care providers to create quality care options for parents with non-traditional work schedules (evenings, weekends).

Next Steps: 4C will be tracking developments regarding the affordability of child care on our Web site: www.4Cforchildren.org/whitepaper. We will also send policy action alerts by e-mail when there are local, state or federal initiatives related to families with young children. You can sign up to receive these alerts on the 4C home page: www.4cforchildren.org.
The High Cost of Child Care: The Challenge for Working Families

When 4C for Children was founded in 1972, child care was viewed primarily as a work support. It was seen as an essential resource for parents so they could go to work with peace of mind to earn a living for their families. There was a concern for quality—but it was foremost a concern about health and safety.

In the 1990s, brain research revealed the importance of the first five years of life as the crucial period when 90 percent of brain development occurs. Very quickly the concern for quality was expanded to include a focus on early learning as an important criteria for working parents to consider in evaluating child care options.

4C responded to this brain research and used it as the basis for training and coaching that can improve the quality of child care in our community. Government departments of education, corporate leaders and United Ways responded to this research by establishing school readiness as a community priority, advocating for the kind of public policy and funding needed to provide quality early learning experiences for all children.

Spurred by the occasion of a 40th anniversary, 4C wants to remind the community that, in addition to helping prepare children for kindergarten, child care plays another critical role: Today, just as in the early 1970s, child care remains a critical workforce support. The lack of affordable child care is a barrier to employment for many parents and a significant financial burden for all but the most affluent.

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Cost of Child Care: a Barrier to Employment

Ross Meyer, executive director of Partners for a Competitive Workplace, reports that child care—its cost and/or lack of availability—is one of the top two barriers to employment for those enrolled in local job training programs. The Women’s Fund of The Greater Cincinnati Foundation recently issued a report entitled Women, Poverty, and Cliffs. It reports on the “cliff effect” experienced by many low-income working
women when a small increase in their wages or a promotion means the loss of public subsidy to help pay for child care and other government supports.

Child care is expensive. (See chart below.) Even middle-class parents experience sticker shock—particularly when confronted with the cost of quality care for an infant when reentering the workforce after the birth of a child. Infant care costs more than tuition at most public colleges or universities in our region. (See chart at bottom.)
Many families are impacted by these child care costs—and that number has been growing over the past 40 years as more women with young children have entered the workforce. While the number of women with children in the workforce has increased by 50 percent (see chart at right), the number of men with children in the workforce has remained constant.

The Bureau of Labor Statistics tracks the number of U.S. families with children under age 6 by family type: single mom, single dad, married couple. The chart at right shows the percent of each type of family with a child under age 6 where all parents in the household work.

Applying the national percent of working families with children under age 6 (56.1 percent) to the number of families in counties served by 4C with children under age 9 (see chart on page 6) suggests the number of local families that depend on some type of child care arrangement every day.

**Paying for Child Care vs. Paying for College**

The high cost of child care means that many local parents are forced to make compromises that can impact their career, their economic stability, their peace of mind and their children’s development.

Contrast the dilemma of paying for child care with the options available to parents
# of Children in the 4C Region Needing Child Care

By 4C County

# of children, 9 and under, with all parents in household working

Source: Based on 2011 Bureau of Labor Statistics indicating 56.1% of families have all parents working.
to pay for college for their children. While higher education is supported by large investments of public funds, there is little public investment in supporting the costs of early childhood education—even though economic studies show that this is where investing dollars can have the greatest long-term impact.

There is, in fact, an inverse relationship between the time when a child’s brain is growing the fastest—and reaching almost full development—and the times when public dollars are invested in a child’s education. (See chart above right.)

There is almost no public spending during the first—and most critical—five years of life. (See chart below right.) This contrasts with where the greatest return on investment in human capital can be realized. Actual spending of all government dollars by age further highlights the misplaced priorities in our public allocation of resources.

Parents with a wide range of incomes can fill out college financial aid forms for their high school students with the realistic hope of receiving some assistance with college tuition (scholarships, work-study, loans). The vast majority of working parents of preschool-age children, however, have no place to turn. Public support (child care subsidy/assistance) is available only to families with very low incomes, private funding is rare, and employer-supported child care is very limited.
The current high cost of child care hits a family at a time when parents of young children—in contrast to parents of college-age students—have had little time to save. The parents of young children (typically in their 20s or early 30s) are also at the low end of their wage-earning potential.

Public child care subsidy/assistance is available only to families at the very bottom of the income spectrum—and these subsidies have been reduced in Ohio and Kentucky as these states struggle to balance budgets. Subsidies are based on a family’s income related to federal poverty guidelines. (See the 2013 eligibility chart at right.)

In Ohio, for example, beginning July 1, a single parent with one child would have to earn under $19,388 in a year to be eligible for any child care tuition assistance. If her income increases up to $31,020, she can still remain eligible. If she changes jobs, loses her job or otherwise has a break in her employment, however, she can only qualify if her income is under $19,388. A family with two parents and two children (four persons) would have to earn under $29,438 to get assistance.

In Kentucky, the eligibility was reduced in 2013 so that the maximum a two-person family can earn is $14,570. This means that a single parent working 40 hours per week at minimum wage would not qualify for assistance. If a single mother’s or father’s income rises above that amount, the family must pay the full cost of child care. That, of course, would be impossible given the high cost of child care. A family of four could earn up to only $22,050 a year. Additionally, Kentucky is not accepting any new applications for subsidy through June 2014.

The Women’s Fund report describes what it takes to be self-sufficient: “In Hamilton County, Ohio, a single parent with a preschooler and school-age child needs about $45,000 a year to cover the costs of basic family expenses: housing, food, childcare, transportation, health insurance, and a few other necessities. That’s the equivalent of a full-time, year-round job earning about $22 an hour—nearly three times the state’s minimum wage of $7.70.”
The Choices Families Make

• **Choose low-cost, low-quality care.** Some parents decide their only option is to leave a child in low-cost child care that is most likely unregulated and low-quality. Many unregulated caregivers—family members, some family child care providers, friends or neighbors—may have good intentions but lack the education or training in child development to provide quality care. Research shows that children in these settings are frequently left in front of television for a good part of the day.

  This type of care is also less reliable. When a caregiver is sick or has a family emergency of her own, the result is undependable care that can jeopardize a parent’s employment and support for the family. In the worst case, parents make unsafe choices using caregivers who operate illegally—for example, with too many children, no inspections and no criminal background checks.

• **Drop out of workforce.** Some two-parent families decide that one member must leave the workforce to become a stay-at-home parent since the second income can barely cover the cost of child care. Since, statistically, men earn more than women, it is most often the woman that stays home. (According to the U.S. Bureau of Labor Statistics, women earned about 80 cents for every dollar men were paid in 2009.) This decision creates reentry problems for the stay-at-home mom (“mommy track”) when/if she decides to go back to work.

  The high cost of child care means that many local parents are forced to make compromises that can impact their career, their economic stability, their peace of mind and their children’s development.

• **Lock in to a low-wage job.** Some parents who do receive public child care subsidy, when facing the cliff effect described above, decide they cannot afford to accept a promotion or salary increase since even a few extra dollars would trigger the loss of their child care subsidy. In Ohio, for example, a family of four with one parent making $12 an hour and the other making $9.50 an hour, will lose eligibility for child care subsidy if either one receives a wage increase of as little as 50 cents an hour. This means that many working parents are locked into low-wage jobs in order to afford the child care than enables them to work at all.

  The 4C mission statement cites a commitment to improve the quality and accessibility of early childhood education so that every child has a foundation for success in school and life. What we know from 40 years of experience is this: The greater the quality, the higher the cost of child care and the greater the challenge for working families to afford a child care option.
4C’s top priority is for children to be in the best possible early learning environment, whether that means their own home, a part-day preschool or a child care setting. When unaffordable child care forces parents to choose low quality or unreliable child care, or when it forces parents (mostly women) to step outside the work force, everyone is affected, including employers.

**Key Recommendation: Don’t Forget Working Families**

There is considerable momentum at the local, state and national levels to increase access to high quality preschool. We are optimistic that some of the proposals for expanded pre-K will come to fruition. Given the fact that more than half of all children receive their pre-kindergarten experiences in full-day, year-round child care, however, it is essential that expanded services accommodate the needs of working families.

Provisions must include:

- full work-day, year-round programs as well as part-day programs
- high-quality settings for infants and toddlers as well as 3- and 4-year olds
- options that meet the needs of parents who work non-traditional hours
- child care subsidy/assistance rates that permit the same level of quality in full-day programs as in part-day, school-based programs

In the absence of the kind of national family policies found in other industrialized nations (e.g., lengthy paid leave for parents of young children and public support for early care and education for all children), our community must come up with other ways to ensure parents of young children can work to support their families. This means access to affordable, quality child care.

**Recommendations to address the high cost of child care:**

**Increase federal support for high quality pre-K in the full range of community child care settings.**

President Obama has recommended greatly expanded access to pre-K using the existing “mixed market” of community-based early childhood programs and public preschools to accommodate the needs of working families. The goal: making preschool available to every 4-year-old in America. Part of the Obama Administration’s “Pre-K for All” includes approaches for infants and toddlers as well.
Increase state support for high quality pre-K in the full range of community child care settings.

Ohio legislators have the ability, and perhaps the will, to increase support for high quality pre-K using the existing mixed market to accommodate the needs of working families. Fiscal years 2014 and 2015 should be the time. Kentucky legislators, hopefully, will follow suit.

Increase local support for high quality pre-K in the full range of community child care settings.

The Cincinnati Preschool Promise and the Montgomery County Preschool Promise aspire to provide high-quality preschool for every Cincinnati and Dayton child by making tuition support available to help families afford quality preschool. The design of these programs is in process, but it will most likely involve a combination of public and private funds.

Implement innovative state/local tax policy supports for early care and education.

Two examples:

- Denver, Colo., residents approved a 10-year sales tax increase in 2006 to extend tuition support (on a sliding scale) to all Denver families with a child in the last year of preschool.

- Louisiana offers school readiness tax credits to parents, providers, directors, teachers and businesses who support child care.

Make administrative changes to the current system.

- Ensure voucher reimbursement rates that enable child care centers to improve and sustain quality.

- Simplify access requirements and remove the stigma of public child care subsidy. The goal would be having preschool and child care support similar to the application for college financial assistance.

- Permit children, once a family is eligible for subsidy, to remain eligible for one year regardless of the parent’s change in pay or work status. This would provide stability in employment for a parent as well as access to quality early learning experiences for the child.
Recommendations to address the availability of quality care:

The only real solution to increasing the availability of affordable child care is a national, systemic approach to support families with young children so that parents can work to support their families and children can benefit from quality early learning and care. The following are strategies that can, however, improve the current situation for working parents:

**Increase public investment in the infrastructure of child care.**

Upgrade health and safety conditions; create strategies to increase wages to attract—and keep—more qualified staff; implement scholarships so directors and teachers can pursue higher education in early childhood; and support programs financially that make quality improvements.

**Expand support for child care referral services to help families with non-traditional work schedules find appropriate child care.**

Support for referral services has significantly eroded, yet many families have complicated work arrangements (rotating shifts, weekend and evening work, complex transportation needs, military deployments and more). These families need help in making the best arrangements for their children.

**Create meaningful incentives for child care providers to create quality care options for parents with non-traditional work schedules (evenings, weekends).**

Next Steps

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