

Diversifying

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When the Price of Childcare is Just Too High



Speakers

Brittany, Taylor, Nikki, Claire Suddath, Delyanne Barros

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Brittany

I actually lose money to work. The childcare expenses for my two kids cost me more than my salary.

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Taylor

This is a country where there are no social safety nets, where I'll be hindered in my career for having children, and there's no affordable childcare for most folks.

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Nikki

It just wouldn't make any sense for me to work. So that's why I'm going to have to leave my profession, even though I really like it.

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Claire Suddath

When we did the math, we realized that it comes out to about \$22,000 a year. I'm in my late thirties now, but could I have afforded that if I had had kids younger? I think maybe not.

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Delyanne Barros

Those were the voices of some of our listeners who called in to talk to us about their child care expenses. And that last person you heard was Claire Suddath. She's a senior writer at Bloomberg Businessweek magazine.

00:01:00

Claire Suddath

And I write a lot of, I guess, what you might call gender equity and how it relates to work and women's economic potential.

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Delyanne Barros

Thinking about women in the workforce is pretty much Claire's entire job, but she hadn't spent much time considering the cost of childcare until she needed it herself.

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Claire Suddath

I knew in the sort of like general, nebulous kind of way before I had my daughter Kate, who is now two, the childcare was expensive, you know, you hear that. But it's sort of like college is expensive.

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Delyanne Barros

Hey, sometimes the numbers are so big, you want to avoid thinking about them too hard. She and her husband started looking at daycare options in Brooklyn while she was pregnant back in February 2020.

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Claire Suddath

So we saw a few in person before the world shut down, and I think we saw three and then we couldn't see anymore. So we picked our favorite one of those three.

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Delyanne Barros

Claire mentioned it earlier, but I'm going to say it again because it blows my mind. Sending their daughter to this child care facility would cost Claire and her husband \$22,000 a year. That number is higher than many places around the country, but cheaper than some cities like Washington, D.C. In most places, sending a kid to daycare costs the same as sending a kid to State College. If you have more than one kid in daycare at once, it can be more than your entire paycheck. Which puts women in a difficult position. Yes, this cost impacts families. But so often it's women who take the career or financial hit here, even though I'm not a mom. I recognize that this is a fundamental feminist issue. It's something that is holding many of us back. So today we're going to talk about the huge toll that rising childcare prices have on women. And dive into why our country's for profit model of handling this is so flawed. I'm Delyanne Barros. This is Diversifying. So there was Claire with a brand new baby and a new giant daycare bill. Claire is more fortunate than many women in this country. She has good benefits, including six months of paid maternity leave. Her salary is in the low six figures. And she has a partner to split the cost with. But they still had this huge new expense.

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Claire Suddath

I mean, you don't add \$20,000 to your annual budget without figuring out how that's going to play out. We did have to look pretty significantly at what were we spending? What could we cut back on?

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Delyanne Barros

The pandemic made cutting costs a bit easier. They weren't going out to eat or traveling to see family. So they made it work. But plot twist. Claire is now pregnant again, which means she's got another daycare bill on the way.

00:04:09

Claire Suddath

You don't get to buy one get one free deal in childcare. You just get to pay twice. And now childcare costs have risen exponentially during the pandemic. And so actually everything is quite much more expensive, even though we're only two years out from where we originally put our daughter in daycare.

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Delyanne Barros

So now that the world has opened up again and you're about to double this expense, what is that going to look like for you?

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Claire Suddath

Yeah, well, I will say we have really lucked out in our personal situation. We've both worked for companies that offer extensive leave. That is way, way, way beyond what is normal in America. And we live in a city that offers a 3k program, which is extremely rare. New York has a pre-K program that is mostly for four year olds, but they're just now expanding it to three year olds. So she will become free as we start paying for the second kid. But I have to say, you know, if that had not been the case, we probably would be paying with the bump in pandemic prices. We're looking at about \$57,000 a year because there's two of us and we both have fairly decent jobs. And also, we're not having to pay \$57,000 a year. It ends up being workable for just a few months. We're at a place in our careers and the companies that we work for were well-paid enough where we're not struggling paycheck to paycheck or anything like that. But at the same time, it's like, Oh, there's really not very much left over.

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Delyanne Barros

Did you ever discuss the possibility of either of you staying home and taking care of the child as an alternative?

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Claire Suddath

No, because if you have our income, like if one of us stayed home, I don't think it would be feasible for us to stay in New York City. And I also just, you know, personally feel like I went to college and graduate school and have been working as a journalist for 15 plus years, but no expectations that I'll quit anytime soon. You know, when I was pregnant, I oftentimes got asked, usually by older relatives, well-meaning relatives, if I would quit and stay home. And I said, well, then what was the point of me going to school and pursuing a career? So, no.

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Delyanne Barros

Well to find a husband, of course.

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Claire Suddath

Yeah well, I had to.

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Delyanne Barros

Right. Why else?

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Claire Suddath

It's tricky. Because I didn't find one in school. I found one at work. So.

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Delyanne Barros

Yeah, there you go. You're like, how would I get a job if I didn't go to college? Yeah, of course I'm being facetious, but childcare is a huge financial burden, and I know it's something that a lot of parents are struggling with, as you've mentioned. So we asked our listeners to call in and tell us about their experiences. And I want to play you one of these voicemails from somebody who's about to become a mom.

00:06:59

Nikki

Hi. My name is Nikki. I'm a nurse in the Appalachian Highlands. I'm 26 years old and I am expecting my first child. But I am planning on leaving my profession in September because of what child care would cost. I would definitely not be able to breastfeed or even attempt to breastfeed if I stayed in my job. All of my coworkers that have tried have not been able to. We don't even have time to use the bathroom or eat half of the time. So I would definitely fail at breastfeeding. And between the costs of formula and the cost of daycare, I would barely be making any profit. I would just be coming in just above breaking even to send my child to daycare. So it just wouldn't make any sense for me to work. So that's why I'm going to have to leave my profession, even though I really like it.

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Delyanne Barros

What are your thoughts on her voicemail?

00:07:58

Claire Suddath

Yeah, I mean, it makes me sad, but I have definitely heard similar things from other women in the past. I think, you know, a lot of times when we talk about these issues, we talk about one at a time, know let's talk about lack of paid leave or let's talk about formula shortage slash breastfeeding rates at work or let's talk about childcare costs. But really, when you are a parent or a mother going through this, you're experiencing all of that all at once. You know, the shorter your leave is and the quicker you go back to work, the bigger of a deal feeding your baby is because newborns eat every 2 to 3 hours. And I think that what gets lost in a lot of these conversations is by forcing slash expecting women to return to work so quickly, but not providing the support that they need to make that even possible. We collectively, as an economy are shooting ourselves in the foot because you have women like this who say, I love my job. You know, I think she said she was a nurse, which first of all, we have a national nursing shortage right now. So like, we don't want people like her to quit, but she can't make it work. And so she's going to leave. Her employer is at a disadvantage. It's probably better for her in the short term. Right. Like she doesn't have to pay for childcare and she can feed her child the way that she needs to feed her child at home. But down the line, can she just jump right back in? I don't know.

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Delyanne Barros

Yeah, I think it puts her in a really difficult situation. Like you said, it's not just about, oh, you know, looking at the black and white numbers and saying, well, it's going to cost more to pay for daycare than what I make at work. So it makes sense for me to stay at home. There is a penalty that you're paying for stepping out of the workplace. Somebody's going to be looking at that gap in your resumé and deciding whether or not it's worth bringing you back. And you're going to have to fight for a spot against somebody else who's been in the workplace this entire time. So it puts women in a disadvantage. And I've read some numbers that say a decision like this of, you know, leaving the workplace to care for a child can cost you up to \$1,000,000 of unearned wages. Right. Which only widens the gender wage gap. Like and I laugh at the word gap because at this point it's like a canyon. But on the flip side of that, you see some women working just to stay in the workforce. Right. Knowing they'll be just breaking even, but that it's worth it.

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Claire Suddath

You know, I think a lot of it depends on what your career is and what your earning potential on the road is. And also, if you have a partner or a spouse who you can rely on for a financial cushion, because I did interview a woman several months ago who I think she has three children now, and she had her first child in her twenties. And the man that she was with at the time, they broke up and then he actually passed away like unexpectedly. So he was definitely not able to support her. And she decided she had been a stay at home mom and she decided she was going to go to law school and she maxed out the number of student loans that she could get and used it to pay for law school and also childcare, which is like, you know, more power to you. But also she graduated with like \$150,000 in student loans. And then the first couple jobs that she got out of law school, you know, she was barely breaking even. She met someone else and she got married and they had more kids. And, you know, she was moving up and making more money. But with three kids now has even more childcare costs because even though her oldest child is now elementary school age, elementary school hours don't align with work hours. So she has a nanny to take care of her kids after school. She has one in daycare. You know, it's this like hodgepodge mixture of trying to make it work. And, you know, she's been out of law school, I think, for like ten years now and is like still barely breaking even. She's married and her husband has a pretty decent job at a bank. And so between the two of them, she can break even and he can actually sort of like make money to allow them to own a house and that sort of stuff. But also, she said she's always known that it was worth it because as an attorney, she knows that she has the potential to make more money down the line. Whereas if you're a elementary school teacher, I don't think you're thinking, well, if I just worked 15 years in elementary school, I can make \$200,000 a year eventually. That's just not how that works. So it really depends on your career and your sort of financial stability going into it. But I also think it's telling that, you know, I'm hearing stories from people who are lawyers and doctors and who are still struggling to make it work.

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Delyanne Barros

Yeah, that doesn't surprise me. Usually people hear the term lawyer, which, you know, I was an attorney for 14 years and they immediately assume that you're making multiple six figures coming out of law school, which. Is not the case. I was in doing so and I was working in New York City and I had \$150,000 in student loans. So I know that for me, the cost of childcare weighed heavily in the decision that I made to not have children. But even when I told my mother, I said, you know, Mom, it's really expensive to have a kid. And my mom had three kids and she's like, Oh, we just worked it out. And I'm like, Well, we kind of raised each other, you know? I was the oldest of three. I raised my little sisters. Like we came home from school. There was nobody home. I was a latchkey kid, and I would make them their after school meal and we would make sure we did all our chores before my mom got home. I changed my little sister's diapers. You know, I watched her take, like, her first steps. So at this point, I feel like I had my kids, I'm like, I did it. You know, I'm good. So and I know a lot of people resonate with that feeling and I'm just, you know, highlighting this because if you're in this position, I just want to make you see that you're not the only person who feels this way and you're seen and you're heard. And if you're thinking like, Yeah, maybe this isn't the route for me because of childcare and many other obstacles that that's okay, you know, that that's acceptable.

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Claire Suddath

Well, you know, the term latchkey cat actually dates to World War Two because all of these women entered the workforce.

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Delyanne Barros

That's right.

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Claire Suddath

You know, to work in factories and stuff. And it was seen as like the countries coming together is our patriotic duty. But actually many of them had husbands who were overseas you had maybe been killed or were fighting and were not employed in the traditional sense, and so were not supporting their families in the same way as they were doing it, mostly out of economic necessity, actually. But there was absolutely no childcare. You know, daycare didn't really exist basically back then. And so they would tie their house key around their child's neck. And that's where the term latchkey came from. You know, this has been a problem for a really long time. And during World War two, Congress actually passed the Lanham Act and created somewhere over 3000 child care centers temporarily during the war. And then when the war was over, they closed them all down and told the women, you know, basically go back home. But we recognized the need when women were working for childcare. But because we could sort of paint it as this temporary patriotic necessity, we were into it in the 1940s and we're less into it now.

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Delyanne Barros

Lesson into it now is right. When we come back, we'll talk about why our child care system is so broken in the first place and what's holding us back from making it better. Welcome back. I'm here with Bloomberg Businessweek writer Claire Suddath. We got some great calls about your experiences having to deal with child care costs, including this one.

00:16:03

Brittany

Hi, Delyanne. And my name is Brittany. I am 33 years old from Pasadena, California. I'm calling to talk about the cost of childcare and how astronomical it is. I actually lose money to work. The childcare expenses for my two kids cost me more than my salary. And the tricky part is, is that I am a preschool director. So even with that tuition discount, I'm still losing money in the end. And so the solution here isn't to, you know, bring down the cost of child care, because then the childcare workers like me aren't making enough money to be able to, you know, make ends meet. So it puts me in a tricky spot, as I'm sure it does many other Americans. So I just wanted to see what your your take is there and if you had any input. Thank you so much.

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Delyanne Barros

So, Claire, I've been dying to ask you this question because, yeah, this paradox drives me crazy. Like, why is childcare so expensive? And yet these childcare workers are so severely underpaid, leaving them in the same situation as the parents that are paying them to to take care of their children. Like what's going on here?

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Brittany

Yeah, that actually is what led me to sort of write about this in the first place, because I knew the childcare was expensive for the parents, but I also knew that childcare workers in the US are so poorly paid. I think they on average they make less than the fast food worker or janitor, even though the vast majority of them have at least some form of higher education. And I just didn't understand that. And it turns out that childcare specifically is a rare service, like a rare marketplace where the private market just does not work, where it's too expensive for the consumer, meaning the parent, and not lucrative enough for the people providing the work. And the reason why that is, is because, you know, we're talking about children here. So a lot of other goods and services, you know, if you can't afford to eat at the fancier restaurant, there is fast food for you. There is something you can go to the grocery store. You know, there are different options, but in childcare. If you're talking about a licensed child care facility, there is so many regulations put in place over the years to keep kids safe, like square footage requirement. So you don't just pack 50 kids into a room and leave them lying on the floor. You know, fire safety codes, CPR training courses, everyone who works at a child care facility needs an extensive background check, all this sort of stuff. And the priciest one is what's called the child to staff ratio. And for children under two, in most states, it's one worker for every three babies because babies need such constant attention. So that means your labor costs are incredibly high if you're running this business. But you can only charge parents so much money because they can only afford to pay so much. Because if you raise their prices and you start charging, you know, \$70,000 a year, no one's going to be able to pay that. So you have to find this equilibrium of like, how much can we charge people without having them drop out of the workforce and stay home and not pay for child care? And how little can we pay the workers so that we can still make money. And child care businesses, the Treasury, I think, did a study on their profit margins like 1% in a normal non-pandemic year.

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Delyanne Barros

Oh, wow.

00:19:40

Claire Suddath

So that's why there have been repeated calls for years for government assistance, because when we have private markets that don't work properly, we fund them publicly so that they work in the way that we need them to. You know, we fund fire departments, we fund police departments, we subsidize crops in this country for the same reason. So food prices are affordable and yet we have not done the same for child care because we have this, I don't know, continual ideological debate of whether or not a mother should work. You know, maybe we shouldn't fund it. So she just stays home because children do better with their mothers at home. That's one argument I don't ascribe to that. But that often gets brought up again and again and again. And so we're just in the same loop of not doing anything about it and just arguing about it for the past 75 plus years.

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Delyanne Barros

Sounds exhausting and sounds about right for America. So where does the fight now stand for universal child care? Are there any bills pending? Is there anybody advocating for this law? Do you think that there's any hope that we will see change in the future?

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Brittany

I hold out hope that eventually we will come up with a program or a subsidy that works. Do I think that that's going to happen any time soon? No, I think that the closest we got was the build back better bill. That wouldn't have been a perfect solution, but it was going to provide money to states for them to create their own individual state by state programs themselves. But it was our best chance in decades and it didn't pass. And as far as I can tell, I don't think there's any movement currently in Congress to try again. I think our best bet and a practical standpoint is states and cities doing it themselves. So New York City does have universal pre-K and now 3k, Multnomah County and Portland, Oregon is rolling out. It's going to take about a decade to get fully operational, but they're rolling out preschool for all there. But when I talk to people who either run, those programs are sort of instrumental in creating them. They make a point that this costs so much to do it right that they need federal support.

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Delyanne Barros

Yeah, that doesn't leave people with a lot of options, obviously, and unfortunately not a lot of hope that the government is going to step in and do something about it. So knowing all of that now, now that we've potentially scared off everybody from ever having children, and they're like, no, I still want to have children, but how do I prepare myself for these upcoming costs? Because they're probably not going to be going down anytime soon. Right. You know, future parents, should they start saving early, should they start investing for these kind of costs? Like what can they be doing to set themselves up properly?

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Brittany

I mean, if you have the financial ability to save for it, sure. I think that would be great. I think the reality is that especially people who are holding these jobs where childcare costs are going to eat up the majority of their paycheck, their paychecks aren't very big to begin with. And so to ask a preschool teacher to save is, I think, somewhat unrealistic. My best suggestion is as soon as you are pregnant, to immediately go out and start looking for childcare. Because even though if you're looking a year out in advance or something like that, the actual daycares that you look at may not know ahead of time if they'll have a spot available, but they'll be able to tell you their prices. And so you can look to see what you can afford and what you can't. And then you can go and run the numbers at home. And the earlier you look, the longer you have to sort of figure out your finances.

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Delyanne Barros

Yeah. And a lot of people will ask me, you know, how do I take these costs into account when I'm planning for my future, when I'm planning for my retirement? It would be disingenuous for me to say that you are not going to have to make major adjustments. Right. You may have to pause contributions to your retirement for a period of time. Right. That may be a decision that is out of your control. You're like, I have no choice but to pause it. But my hope for you is that you can work on techniques to increase your income also so that you can quickly reinstate that and so that you can, you know, get back on track. Because, again, you don't want to be like solving one problem just to kick the can down the road and create a different problem, which is why I'm taking care of my kid now. But then my kid is going to have to completely take care of me for retirement like they are my retirement plan because I sunk everything I had into them and therefore there is nothing left. Like that's a really difficult situation to put your kid in as well. So it's a hard situation to be in for sure. And there is no one size fits all solution. But this is like part of the sacrifice that parents have to make right when they make this decision. And you know that well, right Claire? You're about to do it twice.

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Brittany

Yeah. Why not just strip the Band-Aid off? It'll be fine.

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Delyanne Barros

Yeah, but it's worth it, right, Claire?

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Brittany

Oh, yeah, absolutely. My husband and I often talk about, you know, before you have kids, this isn't necessarily like money or finance related, but people like to scare you with all the bad stuff, you know? They'll say like, Well, you'll never sleep again. Good luck, never having any fun again. And, you know, we listen to that and it scared us, but we still did it anyway. And we didn't realize that people were neglecting to mention all the good stuff, you know, like we laugh more with our daughter than we ever have at anything else. And yes, we are tired a lot of the time, but we look forward to getting up with her in the morning and they sleep through the night. Eventually you'll be fine. And you know, it's way more fun than I ever thought it would be. It is also a lot of work, but that's part of the deal.

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Delyanne Barros

We all know parenthood is a huge sacrifice. I just wish our country recognized that sacrifice and provided parents with the support they need. With that in mind, how can you prepare yourself to take on this huge responsibility? Like Claire suggested, adjusting your lifestyle so you can start saving for these costs as soon as possible, is one option. It's never too early to start doing some research to figure out the best and most feasible options for your family. And don't be too hard on yourself if you have to take a step back from investing so that you can cover these short term costs. It's important to recognize that priorities change throughout our lives depending on what phase we're going through. So do what you have to do to get through this period, and eventually these costs will phase out. This is usually where we tease to the next episode, but instead I have some news. This is our last episode of Diversifying. I have loved every minute of making this show, and when I set out to do it, my mission was to create a safe space where personal finance could be discussed from the lens of those who are usually ignored. That includes women, people of color, the LGBTQ community, and lower income individuals. And hearing from all of you through the voicemails, the reviews and the messages that you send to me on social media has really confirmed that we've achieved this mission and that this type of show is still very much needed in this space. So I want to thank each and every one of you for tuning in and listening every single week. We couldn't have made the show without you. I also want to say a special thank you to my production team. This show takes an entire squad to make. It's not just me here on the mic. So thank you to the incredible people behind the show. Not only have you helped me grow as a host, but you've helped me grow as a person. And your dedication to the mission behind the show has been nothing short of admirable. While I won't be in your podcast feeds each week, you can still find plenty of fantastic podcasts from CNN Audio. Just search for CNN in your favorite podcast app. And of course, you can still connect with me on social media as Delyanne the money coach. I'd like to leave you with one final money gem. Take more chances in life. Conquering your fears to try something new is the greatest gift you can give yourself. Whether it's a new job, a new project, or letting go of something, I want you to listen to your gut and take the chance. Thank you all again for listening, and I'll see you around the interwebs. Diversifying is a production of CNN audio. Megan Marcus is our executive producer and Haley Thomas is our senior producer. Our producers are Alex Stern and Eryn Mathewson. Our associate producers are Charis Satchell and Rafa Farihah, and our production assistant is Eden Getachew. Our intern is Kendall Parks. Mixing and Sound Design by Francisco Monroy. Artwork Designed by Brett Ferdock. Original Music by Andrew Eapen. Our technical director is Dan Dzula. Alexander McCall leads our audience strategy. With support from Chip Grabow. Steve Kiehl. Anissa Gray. Abbie Fentress Swanson. Tameeka Ballance-Kosasny. Lindsay Abrams. Lisa Namerow and Courtney Coupe. I'm Delyanne Barros. Thanks for listening.