



## Millennial Generation: How the Changing Economic Environment Impacts the Newest Parents



Millennials cannot afford child care anywhere in the United States.

### Introduction

According to the Pew Research Center, the millennial generation includes youth and young adults born between 1980 and 1997. Many of these young adults are in the midst of planning their families or are already raising children. More than 20 million young adults (ages 18-34) are parents - nearly 30 percent of the estimated millennial population. These young parents juggle various demands in order to provide the best future for themselves and their families.<sup>1</sup>

Millennials, in general, cannot participate in the consumer economy to the same extent as past generations due to high unemployment rates and wage stagnation. For these reasons this generation is moving back home with their parents, delaying marriage, and delaying having children. Millennials purchase fewer big ticket items such as homes and cars, items which are major contributors to the consumer economy. Millennials are often cited as the most formally educated generation; however, this distinction brings with it all-too-often crippling student debt. Student debt repayment is thought to be a key reason why it can take many millennials longer to save money for these big ticket items. A Forbes article covering a Standard & Poor's report states with millennials not purchasing homes, the U.S. could be missing out of \$49 billion a year through 2019. In addition, if student loan defaults increase, the economy could be at risk since the federal government provides more than 85 percent of these loans.<sup>2</sup>

Due in part to the economic turndown, many millennials have opted to seek higher education degrees. With this desire to obtain a higher level of education and the need to finance rising tuitions, millennials overall too often struggle to financially support a family. Millennial parents typically fall into two groups: those who are new graduates just beginning to start a family, and those who are returning to school (or hoping to return to school) to acquire a higher education after having a child or children. Both groups are struggling to afford and access quality child care. As we see more young parents look to pursue a higher education as well as new grads trying to start families, the need for child care is paramount. Child Care Aware® of America is committed to the mission of advancing a child care system that effectively serves all children and families. In working toward our vision, where every family has access to high-quality affordable child care, it is important to evaluate the issues facing our newest generation of families.

### Unprecedented Low Income Levels and High Expenses

Overall, millennials face an unemployment rate 40 percent higher than the national average. In fact, millennials are the first generation in modern history to

have higher poverty rates and lower incomes than their two preceding generations.<sup>3</sup> Further, it is reported approximately 88 percent of student parents are living at or below 200 percent of the Federal Poverty Line.<sup>4</sup>

The promise of higher income sends many young parents back to school to obtain a higher level of education. It is estimated nearly a quarter of undergraduates are raising children.<sup>5</sup> However, these parents face greater challenges and more hurdles compared to their non-parent counterparts. These factors, among others, make millennial parents more susceptible to higher levels of debt and higher rates of poverty. Young parents today looking to complete a higher education degree have lower rates of completion due to prioritization of housing, income, and child care. In fact, a 2016 survey by the Institute for Women's Policy Research revealed 30 percent of respondents took a break from their postsecondary studies specifically due to family care needs.<sup>6</sup>

Millennials, both those with young children and those looking to start a family, have to account for the expenses of maintaining a home, a child's needs, and education related costs. All of these expenses make it next to impossible for millennial parents to allocate the 25 percent or more of their income our calculations suggest are required to cover the costs of child care for a single child; millennial parents would have an even harder time allocating 45 percent or more of their income for the cost of care for two children. Therefore, it should be no surprise that in 2012, 61.2 percent of student parents reported no Expected Family Contribution towards college.<sup>7</sup>

## College Debt

Millennials are graduating college with historically high student debt. From 2005 to 2013, the amount of student debt tripled to approximately \$1 trillion.<sup>8</sup> The average college graduate in 2013 had \$20,926 in debt and 11.7 percent of those loans were delinquent.<sup>9</sup> When looking at overall debt, student parents take on 37 percent more debt than non-parent undergraduates.<sup>10</sup> Millennials are facing unusually high monthly payments generations before did not encounter. The result? Millennials spend their income to pay off debt rather than purchase a home or other goods.

## Need for Non-Traditional Hours of Quality Child Care

When it comes to child care, millennial parents may rely on providers offering non-traditional hours of care (i.e. outside the typical 6 a.m. to 6 p.m. timeframe). Data reveals approximately 40 percent of student parents take on full-time work and approximately half are unmarried.<sup>11</sup> This highlights a population with a high demand schedule and a lack of additional support for child care within the household. These parents also fit more into a single day than others - student parents often must work swing shifts to attend school in the evenings and care for their families. In fact, it has

been estimated low-income young parents work the after-midnight shift at a rate three to four times higher than their non-parent counterparts.<sup>12</sup> These elements illustrate a need for nontraditional hours for child care services that is often unavailable and result in parents relying on informal markets which can be dangerous.<sup>13</sup>

## Methods

Our team used data calculated by Business Insider for their Millennial Median Wage Map. The median annual income for employed millennials was taken from Minnesota Population Center's 2014 American Community Survey and the Pew Research Center's definition of millennials. The salary data included millennial income levels for 2014 which were adjusted for inflation to reflect income levels of 2016.

Average cost of child care per state was calculated from survey data provided by Child Care Resource and Referral (CCR&R) State Network offices and local CCR&Rs about 2015 child care costs including the average price of child care for infants and 4-year-old children in legally operating child care centers, and Family Child Care (FCC) homes. CCR&Rs reported this data based on state Market Rate Surveys as well as the databases maintained by the CCR&R. Costs were adjusted for inflation to best reflect 2016 costs. Affordability was calculated by dividing the adjusted average cost of care by the adjusted state median income for millennials.

Also, it is important to note this does not mean the least-affordable state had the most expensive child care - only that the cost of care as a percentage of income was highest when compared to all states. In addition, our calculations do not account for the cost of quality.

## Cost of Child Care for Millennial Parents

Our analysis shows child care is simply not affordable for millennial parents. The government standard for affordable child care fees set by the Department of Health & Human Services is under 7 percent of family income, yet across all states, the average cost of center-based infant child care exceeds 25 percent of the average median income for millennials - with Massachusetts costing 68 percent. In seventeen states and D.C., it takes at least 50 percent of millennial's income to pay for infant child care in a center. In fact, one year of tuition at a public university costs less than a year of center-based infant care in 28 states.

Millennial parents with two children (one infant and one 4-year-old) need to allocate at least 45 percent of their income to pay for center-based child care. In Massachusetts, the cost of child care for millennials with two children makes up 119 percent of their median income.

More information about child care costs specific to millennials can be found in the tables below and by viewing the interactive map for a state-by-state breakdown.

## Policy Recommendation

Quality, affordable child care is critical for millennials expanding their families. Just like all families, millennials deserve the opportunity to further their careers and to contribute to the economy.

We propose:

- Increasing significant federal investments in child care assistance for eligible children and increasing quality improvement efforts. We recommend an increase to the Child Care & Development Block Grant (CCDBG) by \$700 million in the FY 2018 budget. This ensures that the CCDBG Reauthorization Act of 2014 can be effectively implemented and families do not lose child care assistance.
- Expanding the Child and Dependent Care Tax Credit (CDCTC) to help all families cover the rising cost of child care. The credit should be improved in the following ways:
  - ▲ To help low-income families, the credit should be made refundable;
  - ▲ To help middle-income families, the percentage of expenses used to determine the amount of credit should be increased to 50 percent of expenses for families with incomes of \$35,000 or less, decreasing as income increases on the same sliding scale as under current law; and
  - ▲ To help all families, the current expense limits of the credit should be increased to more accurately reflect the actual costs of care.
- Increasing funding for the Child Care Access Means Parents in School (CCAMPIS) program, a U.S. Department of Education discretionary/competitive grant to qualifying institutions of higher education for low-income parents pursuing postsecondary education despite granting nearly \$15 million to 85 institutions in 2015<sup>14</sup>:
  - ▲ The U.S. has seen a 124 percent increase in the number of student parents from 2008-2012<sup>15</sup>;
  - ▲ The CCAMPIS Program budget was significantly cut from FY 2001, when it was funded for \$25 million<sup>16</sup>; and
  - ▲ There has been a decline in the number of campus child care centers in the U.S. since 2002<sup>17</sup>.
- Providing paid leave under the Family and Medical Leave Act (FMLA) and expand FMLA to cover all workers. Unfortunately, current law only stipulates unpaid leave for those who work in companies of 50 or more employees.

Lastly, make your voice heard and join the Child Care Works movement. Take the pledge to support making child care affordable, ensure quality care for all children, and support the child care workforce.



This brief was completed by staff at Child Care Aware® of America: Dr. Dionne Dobbins, Amrit Sahota, Michelle McCready, and Jess Tercha, who wrote this brief; Maggie Norton, who developed interactive maps; Stephen Wood, who compiled the data; and Chrisi West, Mia Coward, and Adina Young who supported design and social media outreach.

## Appendix

### Percent of Millennial Median Income Required to Cover Annual Cost of Infant Child Care

State	Median Income*	Cost of Center Based Child Care for Infant*	Percent of Median Income	Cost of Family Child Care for Infant*	Percent of Median Income
Alabama	\$ 20,516	\$ 5,782	28	\$ 4,925	24
Alaska	\$ 28,209	\$ 11,239	40	\$ 8,756	31
Arizona	\$ 21,336	\$ 9,680	45	\$ 7,034	33
Arkansas	\$ 20,516	\$ 6,150	30	\$ 5,291	26
California	\$ 22,465	\$ 12,122	54	\$ 7,876	35
Colorado	\$ 24,619	\$ 13,493	55	\$ 9,090	37
Connecticut	\$ 23,901	\$ 14,238	60	\$ 10,261	43
Delaware	\$ 25,645	\$ 11,284	44	\$ 7,414	29
District of Columbia	\$ 44,109	\$ 23,214	53	\$ 16,419	37
Florida	\$ 20,516	\$ 8,918	43	\$ 9,969	49
Georgia	\$ 20,516	\$ 7,841	38	\$ 6,134	30
Hawaii	\$ 26,568	\$ 8,493	32	\$ 7,989	30
Idaho	\$ 19,490	\$ 7,386	38	\$ 6,355	33
Illinois	\$ 23,593	\$ 13,298	56	\$ 8,098	34
Indiana	\$ 20,516	\$ 9,148	45	\$ 7,001	34
Iowa	\$ 23,593	\$ 9,730	41	\$ 6,651	28
Kansas	\$ 21,541	\$ 11,490	53	\$ 6,935	32
Kentucky	\$ 20,516	\$ 6,456	31	\$ 5,559	27
Louisiana	\$ 22,567	\$ 5,895	26	\$ 4,968	22
Maine	\$ 19,695	\$ 9,757	50	\$ 7,047	36
Maryland	\$ 26,670	\$ 14,291	54	\$ 9,710	36
Massachusetts	\$ 25,645	\$ 17,502	68	\$ 10,941	43
Michigan	\$ 19,798	\$ 10,137	51	\$ 6,938	35
Minnesota	\$ 24,619	\$ 14,736	60	\$ 8,085	33
Mississippi	\$ 19,900	\$ 4,946	25	\$ 4,074	20
Missouri	\$ 20,516	\$ 8,855	43	\$ 5,867	29
Montana	\$ 18,464	\$ 9,296	50	\$ 7,457	40
Nebraska	\$ 23,593	\$ 8,130	34	\$ 5,963	25
Nevada	\$ 24,619	\$ 10,106	41	\$ 8,597	35
New Hampshire	\$ 21,541	\$ 12,114	56	\$ 9,388	44
New Jersey	\$ 25,645	\$ 11,831	46	\$ 8,923	35
New Mexico	\$ 19,695	\$ 8,147	41	\$ 6,523	33
New York	\$ 25,645	\$ 14,509	57	\$ 10,401	41
North Carolina	\$ 20,516	\$ 9,494	46	\$ 7,118	35
North Dakota	\$ 25,645	\$ 8,429	33	\$ 7,022	27
Ohio	\$ 20,516	\$ 9,208	45	\$ 7,069	34
Oklahoma	\$ 22,567	\$ 6,963	31	\$ 5,181	23
Oregon	\$ 20,516	\$ 11,614	57	\$ 7,062	34
Pennsylvania	\$ 24,003	\$ 10,914	45	\$ 8,161	34

Rhode Island	\$ 20,516	\$ 13,199	64	\$ 10,299	50
South Carolina	\$ 20,208	\$ 6,642	33	\$ 4,702	23
South Dakota	\$ 21,541	\$ 5,867	27	\$ 4,907	23
Tennessee	\$ 20,516	\$ 6,008	29	\$ 4,896	24
Texas	\$ 22,567	\$ 8,985	40	\$ 6,805	30
Utah	\$ 20,516	\$ 8,864	43	\$ 6,659	32
Vermont	\$ 24,619	\$ 11,561	47	\$ 8,182	33
Virginia	\$ 25,645	\$ 10,728	42	\$ 8,349	33
Washington	\$ 24,619	\$ 13,061	53	\$ 9,710	39
West Virginia	\$ 19,490	\$ 8,130	42	\$ 5,963	31
Wisconsin	\$ 20,516	\$ 11,878	58	\$ 9,388	46
Wyoming	\$ 25,029	\$ 6,710	27	\$ 5,983	24

*\*Adjusted for inflation to 2016 USD*

## Percent of Millennial Median Income Required to Cover Cost of Annual Child Care for Two Children

State	Median Income*	Cost of Center Based Child Care for Two Children*	Percent of Median Income	Cost of FCC for Two Children*	Percent of Median Income
Alabama	\$ 20,516	\$10,779	53	\$ 9,987	49
Alaska	\$ 28,209	\$ 19,089	68	\$ 19,045	68
Arizona	\$ 21,336	\$ 17,371	81	\$ 13,629	64
Arkansas	\$ 20,516	\$ 11,273	55	\$ 10,107	49
California	\$ 22,465	\$ 20,564	92	\$ 15,332	68
Colorado	\$ 24,619	\$ 23,630	96	\$ 17,494	71
Connecticut	\$ 23,901	\$ 26,036	109	\$ 20,047	84
Delaware	\$ 25,645	\$ 19,765	77	\$ 13,979	55
District of Columbia	\$ 44,109	\$ 41,516	94	\$ 30,439	69
Florida	\$ 20,516	\$ 16,784	82	\$ 19,050	93
Georgia	\$ 20,516	\$ 14,509	71	\$ 11,735	57
Hawaii	\$ 26,568	\$ 18,046	68	\$ 15,756	59
Idaho	\$ 19,490	\$ 14,488	74	\$ 12,030	62
Illinois	\$ 23,593	\$ 23,112	98	\$ 15,648	66
Indiana	\$ 20,516	\$ 16,082	78	\$ 12,708	62
Iowa	\$ 23,593	\$ 18,157	77	\$ 13,042	55
Kansas	\$ 21,541	\$ 19,646	91	\$ 13,029	61
Kentucky	\$ 20,516	\$ 12,097	59	\$ 11,075	54
Louisiana	\$ 22,567	\$ 10,936	49	\$ 9,755	43
Maine	\$ 19,695	\$ 16,804	85	\$ 13,822	70
Maryland	\$ 26,670	\$ 23,626	89	\$ 17,711	66
Massachusetts	\$ 25,645	\$ 30,612	119	\$ 21,199	83
Michigan	\$ 19,798	\$ 17,075	86	\$ 13,659	69
Minnesota	\$ 24,619	\$ 26,142	106	\$ 15,433	63
Mississippi	\$ 19,900	\$ 9,046	46	\$ 7,844	39
Missouri	\$ 20,516	\$ 18,402	90	\$ 10,935	53
Montana	\$ 18,464	\$ 17,422	94	\$ 14,473	79
Nebraska	\$ 23,593	\$ 15,150	64	\$ 11,834	50
Nevada	\$ 24,619	\$ 18,433	75	\$ 16,626	68
New Hampshire	\$ 21,541	\$ 21,815	101	\$ 17,863	83
New Jersey	\$ 25,645	\$ 21,623	84	\$ 16,914	66
New Mexico	\$ 19,695	\$ 15,428	78	\$ 12,674	64
New York	\$ 25,645	\$ 26,510	103	\$ 20,429	80
North Carolina	\$ 20,516	\$ 17,281	84	\$ 13,191	64
North Dakota	\$ 25,645	\$ 16,133	63	\$ 13,761	54
Ohio	\$ 20,516	\$ 16,739	82	\$ 13,802	67
Oklahoma	\$ 22,567	\$ 12,218	54	\$ 9,842	44
Oregon	\$ 20,516	\$ 20,627	101	\$ 13,998	68
Pennsylvania	\$ 24,003	\$ 19,194	80	\$ 15,484	65

Rhode Island	\$ 20,516	\$ 23,498	115	\$ 19,784	96
South Carolina	\$ 20,208	\$ 11,413	57	\$ 8,851	44
South Dakota	\$ 21,541	\$ 11,500	53	\$ 9,772	45
Tennessee	\$ 20,516	\$ 10,639	52	\$ 9,065	44
Texas	\$ 22,567	\$ 15,888	70	\$ 12,139	54
Utah	\$ 20,516	\$ 15,646	76	\$ 12,531	61
Vermont	\$ 24,619	\$ 21,788	89	\$ 15,891	65
Virginia	\$ 25,645	\$ 18,890	74	\$ 15,145	59
Washington	\$ 24,619	\$ 22,896	93	\$ 17,712	72
West Virginia	\$ 19,490	\$ 14,093	72	\$ 11,383	58
Wisconsin	\$ 20,516	\$ 21,591	105	\$ 17,771	87
Wyoming	\$ 25,029	\$ 12,693	51	\$ 11,373	45

*\*Adjusted for inflation to 2016 USD*

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