

# Cutting Costs for Women and Families Depends on Public Investments

Families are feeling the financial pinch from every direction. Some families have cut hours of paid work or been pushed out of the labor force due to a lack of affordable, available child care, reducing the income coming into their households. Meanwhile, the pandemic has wreaked havoc on supply chains, driving up prices for basic goods and services. Families' kitchen table discussions center on the price of milk, but also larger household budget items that have been rising faster than inflation for decades, accelerated by the pandemic. For example:

- **Child Care:** Growing at a rate *twice as fast as overall inflation over the past three decades*,<sup>1</sup> the unaffordable price of child care has long squeezed families with young children financially and pushed mothers out of the labor force. The price of child care exceeds in-state tuition at a public four-year university in many states<sup>2</sup> and is one of the biggest expenses families with young children face. Strikingly, leading up to the pandemic, the average annual cost for center-based child care increased by *41% between 2018 and 2020* across the U.S. Parents with children younger than 5 are now spending an annual average of \$14,117 on center-based care, a 5% to 7% increase from 2018.<sup>3</sup> While child care relief in the American Rescue Plan stabilized the child care sector, only significant and sustained public investment can address the underlying broken child care market that is driving up prices for families even as early educators earn poverty wages.
- **Home and Community Based Services:** Seniors, and people with disabilities and their families who are paying for home care costs out of pocket currently pay around \$5,800 per year for just four hours of home care per week<sup>4</sup> and are facing a hefty *12.5% increase in the cost of hiring a home health aide over the past year*.<sup>5</sup>
- **Housing:** The latest data shows that the average monthly rent in February 2022 was up *15.5% from February 2021, and the median monthly mortgage payment was up 30.9%*.<sup>6</sup> This is part of a longer trend of rent increasing faster than wage increases, due in part to the severe lack of supply of accessible and affordable housing for families making 50% or below of Area Median Income.<sup>7</sup> Meanwhile, as of early March 2022, nearly 8.3 million adults are behind on rent and over 6 million adults are behind on mortgage payments across the United States.<sup>8</sup>
- **Gasoline:** The latest data from the Bureau of Labor Statistics shows *the price of gasoline alone is up 38%, and energy prices are up 26% over the past year*.<sup>9</sup> The price of gas and energy often hinges on geopolitical trends outside of our control because the United States has failed to invest sufficiently in the renewable energy sources needed to address climate change.

- **Prescription Drugs:** Price increases for half of all drugs covered by Medicare outpaced inflation in 2020,<sup>10</sup> prohibiting three in ten U.S. adults from taking their medicines as prescribed at some point during the pandemic.<sup>11</sup> This is part of a long-term trend where retail prices for brand name *prescription drugs routinely increased faster than general inflation in every year since at least 2006.*<sup>12</sup>

These trends predate the pandemic, but the pandemic has accelerated them to the detriment of working families, with women of color bearing the brunt.

**Congress has an opportunity to address these trends and support working families with a fully-paid-for set of economic investments.**

Much attention has been importantly focused on the climate provisions, which would cut families' energy bills by **\$500 annually**,<sup>13</sup> constituting more than a third of a typical American household's yearly energy bill.<sup>14</sup> Similarly, the Medicare provisions under consideration would **lower the annual costs of out-of-pocket prescription drugs for Part D enrollees by 38%, or \$1,216.**<sup>15</sup>

**These provisions must be accompanied by investments in care infrastructure that would substantially ease cost burdens on middle- and lower-income families' finances,** and which comprise a large share of family budgets.

Specifically:

- Historic investments in early care and education – including two years of free universal preschool for all 3- and 4-year olds and a sliding scale cap to ensure families pay no more than 7 percent of their income toward child care – **would lower annual child care costs for a typical family with at least one child under age 5 by about \$5,000 to \$6,500 in most states**<sup>16</sup> and **save families more than \$8,500 a year on preschool costs.**<sup>17</sup>
- Similarly, investments in home- and community-based care would expand access and shorten waiting lists for seniors and adults with disabilities while improving wages and working conditions for in-home care professionals.<sup>18</sup>

The investments in care are especially important to address the economic security of women, and in particular women of color, who have been most affected by our lack of care infrastructure.<sup>19</sup> Women make up more than two in three (68.5%) net job losers since the start of the pandemic, with caregiving responsibilities a key driver of women leaving the labor force or cutting back hours.<sup>20</sup> Women also comprise nearly all child care and home care workers, with women of color significantly over-represented among this essential and under-valued workforce that is paid poverty wages for work that holds up our economy.<sup>21</sup>

The care investments under consideration in the economic reconciliation package would be transformative for both families and the economy, with increased parental employment from the child care and pre-K investments alone adding \$48 billion in economic output.<sup>22</sup> If we make sure every family has access to affordable, high-quality child care, we would see women's labor force participation increase by 17 percent, and the average mother with two children would see a lifetime earnings increase of nearly \$100,000 with additional savings into retirement.<sup>23</sup>

The economic package should also include other provisions that would lower costs for families. Making the Child Tax Credit fully refundable and extending some of the other expansions under the American Rescue Plan Act would help families meet the rising costs of necessities.<sup>24</sup> In addition, the housing provisions would expand rental assistance to cover 300,000 more families, preserve housing for the 2.5 million tenants in public housing, build and preserve over 150,000 accessible and affordable rental units, and provide down payment assistance to thousands of first-time, first generation homebuyers.<sup>25</sup>

If the goal is to lower costs for families, investments in care and other supports like tax credits and housing are essential to ensure that women - and the families that depend on them - are not left behind in an economic recovery.

Collectively, these proposals as part of the economic reconciliation package would significantly alleviate the financial pain points for working families now and in the future. Congress has a unique opportunity to act now.

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