

MILLENNIAL GENERATION:

How the Changing Economic Environment Impacts the Newest Parents



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 the future of our country. These young parents juggle various demands in order to provide the best future for themselves and their families.

Millennials, in general, cannot participate in the consumer economy to the same extent as past generations due to high unemployment rates and wage garnishing. 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 2019.¹ 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.²

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 can struggle to financially maintain 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

A June 2017 analysis of unemployment numbers from the Bureau of Labor Statistics indicated that 18-29 year-olds faced an unemployment rate of 7.1 percent.³ Comparatively, overall





unemployment that same month was at 4.3 percent.⁴ In fact, millennials are the first generation in modern history to have higher poverty rates and lower incomes than their two preceding generations.⁵ Further, it is reported approximately 88 percent of student parents are living at or below 200 percent of the Federal Poverty Line.⁶

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.⁷ 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.⁸

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% or more of their income required to cover the costs of child care services for a single child; Millennial parents would have an even harder time allocating 45% 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.⁹

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.¹⁰ On average, college graduates in 2016 had \$17,126 in debt and 11.2 percent of those loans were delinquent.^{11, 12} When looking at overall debt, student parents take on 37 percent more debt than non-parent undergraduates.¹³ 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 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.¹⁴ 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.¹⁵ 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.¹⁶



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 provided by survey data provided by Child Care Resource and Referral (CCR&R) State Network offices and local CCR&Rs about 2016 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 a millennial 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 at this [interactive map](#) for a further state-by-state breakdown.

POLICY RECOMMENDATIONS

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 Congress and the Administration keep its promise to double funding for the Child Care & Development Block Grant (CCDBG) FY 2018 and 2019 budgets (\$5.8 billion total). This ensures that the CCDBG Reauthorization Act of 2014 can be effectively implemented and families do not lose child care assistance. This would be a down payment on the necessary funding proposed in the Child Care for Working Families Act—a critical investment in the future of our children.

- Passing the Child Care for Working Families Act. This act would ensure: (1) families have access to high-quality, affordable care that parents need so that they can work and their children need in order to thrive; (2) the child care workforce has access to increased training and compensation and is paid a living wage; and (3) states are able to create universal preschool programs for three- and four-year olds during the school day, and provide a higher matching rate for infants and toddlers.
- 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 2015¹⁷:
 - The U.S. has seen a 124 percent increase in the number of student parents from 2008-2012¹⁸;
 - The CCAMPIS Program budget was significantly cut from FY 2001, when it was funded for \$25 million¹⁹; and
 - There has been a decline in the number of campus child care centers in the U.S. since 2002²⁰.
- 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](#) and support making child care affordable, ensure quality care for all children, and supporting the child care workforce.

APPENDIX

Percent of 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 for FCC for Infant** | Percent of Median Income |
|----------------------|----------------|--|--------------------------|---------------------------|--------------------------|
| Alabama | \$20,966 | \$5,715 | 27.3% | \$4,867 | 23.2% |
| Alaska | \$28,829 | \$11,700 | 40.6% | \$10,101 | 35.0% |
| Arizona | \$21,805 | \$10,412 | 47.8% | \$7,057 | 32.4% |
| Arkansas | \$20,966 | \$6,188 | 29.5% | \$5,211 | 24.9% |
| California | \$22,958 | \$13,671 | 59.5% | \$8,878 | 38.7% |
| Colorado | \$25,160 | \$15,138 | 60.2% | \$9,741 | 38.7% |
| Connecticut | \$24,426 | \$14,924 | 61.1% | \$10,452 | 42.8% |
| Delaware | \$26,208 | \$10,667 | 40.7% | \$7,640 | 29.2% |
| District of Columbia | \$45,078 | \$23,089 | 51.2% | \$16,329 | 36.2% |
| Florida | \$20,966 | \$8,894 | 42.4% | \$7,700 | 36.7% |
| Georgia | \$20,966 | \$7,769 | 37.1% | \$6,202 | 29.6% |
| Hawaii | \$27,152 | \$13,704 | 50.5% | \$8,112 | 29.9% |
| Idaho | \$19,918 | \$7,032 | 35.3% | \$6,388 | 32.1% |
| Illinois | \$24,111 | \$13,413 | 55.6% | \$8,366 | 34.7% |
| Indiana | \$20,966 | \$11,949 | 57.0% | \$6,637 | 31.7% |
| Iowa | \$24,111 | \$9,967 | 41.3% | \$7,091 | 29.4% |
| Kansas | \$22,015 | \$11,911 | 54.1% | \$7,051 | 32.0% |
| Kentucky | \$20,966 | \$6,105 | 29.1% | \$6,624 | 31.6% |
| Louisiana | \$23,063 | \$5,683 | 24.6% | \$3,900 | 16.9% |
| Maine | \$20,128 | \$8,999 | 44.7% | \$7,849 | 39.0% |
| Maryland | \$27,257 | \$14,726 | 54.0% | \$9,967 | 36.6% |

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|----------------|----------|----------|-------|----------|-------|
| Massachusetts | \$26,208 | \$20,125 | 76.8% | \$12,636 | 48.2% |
| Michigan | \$20,233 | \$10,281 | 50.8% | \$7,179 | 35.5% |
| Minnesota | \$25,160 | \$15,340 | 61.0% | \$8,320 | 33.1% |
| Mississippi | \$20,337 | \$5,178 | 25.5% | \$3,483 | 17.1% |
| Missouri | \$20,966 | \$9,412 | 44.9% | \$5,564 | 26.5% |
| Montana | \$18,870 | \$9,096 | 48.2% | \$7,440 | 39.4% |
| Nebraska | \$24,111 | \$9,157 | 38.0% | \$7,194 | 29.8% |
| Nevada | \$25,160 | \$10,317 | 41.0% | \$8,572 | 34.1% |
| New Hampshire | \$22,015 | \$12,220 | 55.5% | \$9,152 | 41.6% |
| New Jersey | \$26,208 | \$12,370 | 47.2% | \$9,311 | 35.5% |
| New Mexico | \$20,128 | \$7,906 | 39.3% | \$7,851 | 39.0% |
| New York | \$26,208 | \$15,028 | 57.3% | \$10,972 | 41.9% |
| North Carolina | \$20,966 | \$9,254 | 44.1% | \$7,412 | 35.4% |
| North Dakota | \$26,208 | \$8,539 | 32.6% | \$7,132 | 27.2% |
| Ohio | \$20,966 | \$9,825 | 46.9% | \$7,358 | 35.1% |
| Oklahoma | \$23,063 | \$8,237 | 35.7% | \$6,848 | 29.7% |
| Oregon | \$20,966 | \$12,249 | 58.4% | \$8,824 | 42.1% |
| Pennsylvania | \$24,531 | \$12,129 | 49.4% | \$8,066 | 32.9% |
| Rhode Island | \$20,966 | \$13,044 | 62.2% | \$10,179 | 48.6% |
| South Carolina | \$20,652 | \$6,673 | 32.3% | \$4,680 | 22.7% |
| South Dakota | \$22,015 | NR | NA | NR | NA |
| Tennessee | \$20,966 | \$8,524 | 40.7% | \$6,183 | 29.5% |
| Texas | \$23,063 | \$8,880 | 38.5% | \$6,726 | 29.2% |
| Utah | \$20,966 | \$12,249 | 58.4% | \$8,824 | 42.1% |
| Vermont | \$25,160 | \$11,513 | 45.8% | \$8,205 | 32.6% |
| Virginia | \$26,208 | \$12,792 | 48.8% | \$9,516 | 36.3% |
| Washington | \$25,160 | \$13,742 | 54.6% | \$10,457 | 41.6% |
| West Virginia | \$19,918 | \$8,320 | 41.8% | \$6,500 | 32.6% |
| Wisconsin | \$20,966 | \$12,083 | 57.6% | \$9,525 | 45.4% |
| Wyoming | \$25,579 | \$10,140 | 39.6% | \$7,800 | 30.5% |

*Adjusted for inflation to 2017 USD

**Child Care Aware of America, "Parents and the High Cost of Child Care", Accessed March 2017.

**Percent of 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 for FCC for Two Children** | Percent of Median Income |
|----------------------|-----------------------|---|---------------------------------|--|---------------------------------|
| Alabama | \$20,966 | \$10,653 | 50.8% | \$9,870 | 47.1% |
| Alaska | \$28,829 | \$22,464 | 77.9% | \$19,746 | 68.5% |
| Arizona | \$21,805 | \$18,687 | 85.7% | \$13,660 | 62.6% |
| Arkansas | \$20,966 | \$11,338 | 54.1% | \$9,959 | 47.5% |
| California | \$22,958 | \$23,077 | 100.5% | \$17,322 | 75.4% |
| Colorado | \$25,160 | \$26,367 | 104.80% | \$18,476 | 73.4% |
| Connecticut | \$24,426 | \$27,144 | 111.1% | \$20,436 | 83.7% |
| Delaware | \$26,208 | \$19,220 | 73.3% | \$14,438 | 55.1% |
| District of Columbia | \$45,078 | \$41,291 | 91.6% | \$30,273 | 67.2% |
| Florida | \$20,966 | \$15,922 | 75.9% | \$14,223 | 67.8% |
| Georgia | \$20,966 | \$14,395 | 68.7% | \$11,840 | 56.5% |
| Hawaii | \$27,152 | \$22,416 | 82.6% | \$16,284 | 60.0% |
| Idaho | \$19,918 | \$13,461 | 67.6% | \$12,222 | 61.4% |
| Illinois | \$24,111 | \$23,426 | 97.2% | \$16,147 | 67.0% |
| Indiana | \$20,966 | \$21,329 | 101.7% | \$12,819 | 61.1% |
| Iowa | \$24,111 | \$18,186 | 75.4% | \$13,813 | 57.3% |
| Kansas | \$22,015 | \$20,309 | 92.3% | \$13,291 | 60.4% |
| Kentucky | \$20,966 | \$12,112 | 57.8% | \$12,452 | 59.4% |
| Louisiana | \$23,063 | \$11,265 | 48.8% | \$8,190 | 35.5% |
| Maine | \$20,128 | \$16,897 | 83.9% | \$15,064 | 74.8% |
| Maryland | \$27,257 | \$24,470 | 89.8% | \$18,051 | 66.2% |
| Massachusetts | \$26,208 | \$34,381 | 131.2% | \$24,470 | 93.4% |
| Michigan | \$20,233 | \$17,561 | 86.8% | \$13,939 | 68.9% |
| Minnesota | \$25,160 | \$27,144 | 107.9% | \$15,860 | 63.0% |
| Mississippi | \$20,337 | \$9,734 | 47.9% | \$6,227 | 30.6% |
| Missouri | \$20,966 | \$16,016 | 76.4% | \$10,400 | 49.6% |
| Montana | \$18,870 | \$17,090 | 90.6% | \$14,328 | 75.9% |
| Nebraska | \$24,111 | \$17,192 | 71.3% | \$13,828 | 57.4% |
| Nevada | \$25,160 | \$19,103 | 75.9% | \$16,585 | 65.9% |
| New Hampshire | \$22,015 | \$22,152 | 100.6% | \$17,784 | 80.8% |
| New Jersey | \$26,208 | \$22,709 | 86.6% | \$17,788 | 67.9% |
| New Mexico | \$20,128 | \$15,569 | 77.3% | \$15,383 | 76.4% |
| New York | \$26,208 | \$27,092 | 103.4% | \$21,112 | 80.6% |
| North Carolina | \$20,966 | \$17,174 | 81.9% | \$13,960 | 66.6% |
| North Dakota | \$26,208 | \$16,254 | 62.0% | \$13,974 | 53.3% |
| Ohio | \$20,966 | \$17,675 | 84.3% | \$14,089 | 67.2% |
| Oklahoma | \$23,063 | \$14,533 | 63.0% | \$12,812 | 55.6% |
| Oregon | \$20,966 | \$21,645 | 103.2% | \$16,141 | 77.0% |

| | | | | | |
|----------------|----------|----------|--------|----------|-------|
| Pennsylvania | \$24,531 | \$21,363 | 87.1% | \$15,304 | 62.4% |
| Rhode Island | \$20,966 | \$23,223 | 110.8% | \$19,554 | 93.3% |
| South Carolina | \$20,652 | \$12,393 | 60.0% | \$9,100 | 44.1% |
| South Dakota | \$22,015 | NR | NR | NA | NA |
| Tennessee | \$20,966 | \$15,814 | 75.4% | \$11,898 | 56.7% |
| Texas | \$23,063 | \$15,703 | 68.1% | \$11,998 | 52.0% |
| Utah | \$20,966 | \$18,645 | 88.9% | \$16,141 | 77.0% |
| Vermont | \$25,160 | \$21,522 | 85.5% | \$15,954 | 63.4% |
| Virginia | \$26,208 | \$22,360 | 85.3% | \$17,576 | 67.1% |
| Washington | \$25,160 | \$24,176 | 96.1% | \$18,790 | 74.7% |
| West Virginia | \$19,918 | \$15,600 | 78.3% | \$12,220 | 61.4% |
| Wisconsin | \$20,966 | \$21,918 | 104.5% | \$18,026 | 86.0% |
| Wyoming | \$25,579 | \$18,720 | 73.2% | \$15,600 | 61.0% |

*Adjusted for inflation to 2017 USD

**[Child Care Aware of America, "Parents and the High Cost of Child Care", Accessed March 2017.](#)

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