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MAKING IT MORE AFFORDABLE TO RAISE A FAMILY

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MAKING IT MORE AFFORDABLE TO RAISE A FAMILY

TUESDAY, SEPTEMBER 10, 2019

UNITED STATES CONGRESS,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The Committee met, pursuant to notice, at 2:30 p.m., in Room 216, Hart Senate Office Building, the Honorable Mike Lee, Chairman, presiding.

Representatives present: Maloney, Heck, LaHood, Trone, Beyer, Beatty, and Schweikert.

Senators present: Lee, Heinrich, Cassidy, Hassan, and Peters.

Staff present: Melanie Ackerman, Robert Bellafiore, Dan Burns, Sol Espinoza, Harry Gural, Amalia Halikias, Colleen J. Healy, Beila Leboeuf, Vijay Menon, Michael Pearson, Hope Sheils, Kyle Treasure, Jim Whitney, Scott Winship, and Randy Woods.

OPENING STATEMENT OF HON. MIKE LEE, CHAIRMAN, A U.S. SENATOR FROM UTAH

Chairman Lee. Good afternoon, and thanks to all of you for being here and joining us today for this hearing of the Joint Economic Committee.

The American economy is thriving. The current economic expansion is the longest in U.S. history. Our unemployment rate has remained below 4 percent over the last 18 months. In recent years we have seen consistently solid GDP growth, and growth in job creation.

And yet, notwithstanding these successes, for many parents across this country raising a family has become harder and more expensive than ever before. The New York Times in fact recently reported that based on the surveyed adults between the ages of 20 to 45 who were parents or who planned to be, they discovered some interesting trends:

One in four had fewer children, or expected during their lifetimes they would have fewer children than they considered to be within the range of ideal. Economic concerns were foremost among the reasons that they either fell short or believed that in the future they would fall short of what they considered ideal.

Over the past few years, the Joint Economic Committee's Social Capital Project has been documenting trends in what we refer to "our associational life as Americans." That is, the web of social relationships through which we as Americans pursue various endeavors—our families, our communities, our friendships, our religious congregations, for example.

A critical source of meaning and social capital is, of course, the family. In fact, it is the central set of headwaters for social connectiveness generally. That is why two of the project's main policy objectives are making it more affordable to raise a family, and increasing the number of children who are raised by happily married parents.

The goals of today's hearing are to examine factors affecting family affordability and to explore policy approaches that might allow for more Americans to start and to raise the families that they desire.

Increasingly, family affordability has become a unifying concern among lawmakers and policymakers and commentators of both the political Right and of the political Left and everything in between. We hear it even in discussions around topics that are as varied as the Child Tax Credit, declining fertility rates, increases in the cost of child care and of housing, paid family leave, and student debt burdens.

Motivating all these discussions is a simple statement: It should not be this hard to raise a family.

The problem is of course multi-faceted. It is complex. It is difficult to unravel and to understand completely. Economic challenges such as debt loads, and increases in the cost of living make family formation and expansion difficult for many Americans.

Even many families that are economically stable have to deal with the challenges of balancing work and family. Parents want to afford the best neighborhoods and schools for their children, but that often leads to too little time to spend with them—less time, at least, than they would prefer.

As more families have sent two earners into the workforce, employers have been slow to accommodate their desire for work/life balance.

Meanwhile, Americans who might prefer something closer to a single-breadwinner family face prices for housing and other expenses that are bid up by dual-earner households, and the growing ranks of single parents are hampered by their correspondingly high poverty rates.

The answer to "How did we get here?" is complicated. Our first step must be to adequately diagnose the problems facing our families. What fuels the rising costs of health care? Of child care? Of education? And of housing? How many people are hindered in family formation and expansion by excessive student loan debt and inadequate income, or poor employment prospects?

To what extent does declining fertility reflect changing preferences, economic barriers, or other factors? And does the rise of the dual-earner family signal increasing hardship or simply changing values?

The next step must be to come up with some solutions. What is the best way to help more families afford time out of the work force to care for newborns? Are there ways to increase work/family flexibility that are minimally disruptive to employers, and less likely than others to discourage job creation?

Of the government policies that unintentionally have contributed to increases in the cost of housing, of higher education, and health care, which of those can be reformed?

How can we make the Tax Code fairer to parents who bear the costs of supporting future generations of Americans? How is it that we can make sure that we have the workforce and the taxpayer base necessary to fund not only the programs of today but the programs of 20, 30, 40 years from now?

Our panelists today will discuss some of these topics, and more. I look forward to their testimonies and to a productive conversation aimed at helping parents and strengthening our families.

I now recognize Vice Chair Maloney for her opening remarks.

[The prepared statement of Chairman Lee appears in the Submissions for the Record on page 44.]

OPENING STATEMENT OF HON. CAROLYN B. MALONEY, VICE CHAIR, A U.S. REPRESENTATIVE FROM NEW YORK

Vice Chair Maloney. Thank you so much to our panelists and Chairman Lee for calling this hearing. Nothing is more important than our families. And thank you for shining a spotlight on the challenges facing American families.

We can agree there is a problem. Today, millions of American families are working longer and harder not to get ahead but just to stay in place. And over the past four decades, wages have been stuck or have barely increased. Meanwhile, the cost of child care, education, housing, and other necessities for families has grown.

Most families rely on two incomes just to make ends meet, because that is what it takes to support an American family today. Nearly 40 percent of American adults report that they or their families have trouble paying for at least one basic need, like food, health care, housing, or utilities. The picture is no brighter when you look at specific costs. Take child care. The average cost of center-based infant care is more than one-quarter of median household income for single working parents.

That means that those who need child care the most cannot afford it. Or look at college education, which is almost a necessity in today's economy—I would say it is a necessity—but since the 1980s, the average cost of a full-time undergraduate degree has more than tripled for public and private institutions.

Today's typical graduate leaves college with $30,000 in debt. Or look at housing. Home prices are higher than ever, and often out of reach. And over one-third of renters spend more than 30 percent of their overall income on rent.

How are families responding to stagnant wages and growing costs? By taking on debt. Consumer debt, excluding mortgages, is now $4 trillion, the highest level ever, adjusting after inflation.

Folks are also putting off home ownership, which can deprive them of a key source of wealth accumulation. Everyone in this room agrees that it is more expensive than ever to raise a family, but we may disagree about the causes, and we may disagree about the solutions.

I welcome the robust discussion that this Committee provides. The entrance of women in the workforce is not a problem. We may hear that Americans got married less frequently or later in life as women took on careers, and that has hurt fertility rates, but women have become key drivers of our economic success.

Women's earnings boost the economy by trillions of dollars, and are critical to American families. Women's share of household earnings increased from 36 percent in 1993 to 45 percent in 2016. Women could do even more if we made it easier for them to enter and stay in the workplace and had more flexibility, as the Chairman mentioned, at the workplace.

There are two key, overwhelmingly popular ways to do that: Offer affordable child care and paid leave for the birth of a child, and for other reasons such as illness.

Let's take a lesson from other OECD countries that provide these services and have significantly higher female labor force participation. And while we are at it, let us make sure that women are paid fairly so they have strong incentives to work.

On average, a woman working full-time year-round earns just 82 percent of her male counterpart for the same. For Black and Hispanic women, it is far worse. For far too many, the American Dream is slipping away, or is completely out of reach.

Some would say that the solution is for the Federal Government to do nothing. I disagree. It has a key role to play in helping to restore that dream.

What can it do? What can Congress do? Let us start by lifting the minimum wage. The House has passed legislation to lift the wage to $15 by 2025 and give 33 million Americans a raise. It is time for the Senate to follow suit.

We should expand programs and initiatives that we know work, like the Earned Income Tax Credit, and the Child Tax Credit. The EITC fees substantially increase employment among single mothers and reduce poverty levels for their families.

We should make the Child Tax Credit fully refundable to allow the poorest families to receive the full benefit. The Working Families Tax Relief Act, which expands both the EITC and CTC, would benefit 49 million children, including 2.7 million from my home State of New York.

And we should strengthen the Supplemental Nutrition Assistance Program (SNAP). SNAP not only provides a healthy foundation for America's current and future workforce, it is also an investment in our economy. Every dollar of SNAP generates more than one-and-a-half dollars in increased GDP.

And finally, we should join the rest of the world and promote paid leave for the birth of a child. There are only two countries in the world that do not provide paid leave for the birth of a child: America and Papua New Guinea. And my bill, which was included in the National Defense Authorization Act that passed the House this summer, is a good start. It would provide 12 weeks of paid leave to Federal employees, a model for the rest of the country to follow, hopefully, after the birth or adoption of a child, or to care for a family member who has serious illness, or for illness yourself.

Raising a family is hard and rewarding work. We need to do more to provide workers with tools to balance their work and family responsibilities.

I appreciate the Chairman's statement on flex time, how that would be very helpful for families. Today's hearing and our witnesses' testimony will shed light on the actions we can take to make raising a family more affordable. It is incredibly important for the future of America, for the future of American families, and for the American Dream.

And I yield back.

[The prepared statement of Vice Chair Maloney appears in the Submissions for the Record on page 44.]

Chairman Lee. Thank you, Vice Chair Maloney. I would now like to introduce our distinguished panel of witnesses. Before I do that, I want to just address a couple of housekeeping matters.

This is a Joint Committee of both Members of the House of Representatives and of the Senate. As fate would have it, both the Senate and the House of Representatives have decided to call votes right in the middle of this hearing. And so you may see Members of the House and of the Senate leaving and coming back. That has nothing to do with anything other than the responsibility to continue to vote while our colleagues are voting. Members of this Committee, particularly those who are here, are very interested in this hearing. We will be here for every bit of time that we possibly can. I did not want anyone to be alarmed when they see Members filtering in and out.

Okay, I would like to introduce our witnesses now. First we have Mr. Lyman Stone who is an Adjunct Fellow at the American Enterprise Institute, and Research Fellow at the Institute for Family Studies. Mr. Stone has written on migration population dynamics and regional economics. His work has been covered in The New York Times, The Washington Post, The Wall Street Journal, and numerous local outlets. Welcome, Mr. Stone.

Next we have Mr. Ryan Bourne, who is the R. Scharf Chair for the Public Understanding of Economics at the Cato Institute. Prior to his role at Cato, Mr. Bourne was head of public policy at the Institute of Economic Affairs and head of Economic Research at the Center for Policy Studies in the U.K. Mr. Bourne has written on a number of economic issues such as fiscal policy inequality, minimum wages, and rent control. And he has appeared on BBC News, CNN, and Sky News. He also writes weekly columns for the Daily Telegraph and the London paper City AM. Thank you for being with us, Mr. Bourne.

Next we have Dr. Jane Waldfogel, who is the Compton Foundation Centennial Professor for the Prevention of Children's and Youth Problems at Columbia University School of Social Work, and the Co-Director of the Columbia Population Research Center. Dr. Waldfogel has written extensively on the impact of public policy, on the well-being of children and families. Her work has focused on work-family policies, inequality in early childhood care and education, poverty, social mobility, and the Black-White achievement gap. She is the author of eight books, and has published numerous articles in peer-reviewed academic journals. Welcome, Dr. Waldfogel.

And we have Ms. Kristin Rowe-Finkbeiner, who is the CEO/Executive Director and Co-Founder of an organization called MomsRising. Ms. Rowe-Finkbeiner has been involved in public policy and grassroots engagement for over two decades, and has received numerous awards for her work. She is also an award-winning author of books and articles, a frequent public speaker, media contributor, and host of the Radio Program Breaking Through with

Kristin Rowe-Finkbeiner, powered by MomsRising. Thank you, Ms. Rowe-Finkbeiner.

We thank all of you for joining us today. We look forward to hearing your testimony and we will now hear from you in the order in which you were introduced.

Go ahead, Mr. Stone.

STATEMENT OF MR. LYMAN STONE, ADJUNCT FELLOW, AMERICAN ENTERPRISE INSTITUTE, RESEARCH FELLOW, INSTITUTE FOR FAMILY STUDIES, WILMORE, KY

Mr. Stone. [Off microphone].

Chairman Lee. Just hit the button until it turns red.

Mr. Stone. Thank you. It is an honor to be here. Thank you for inviting me, Mr. Chairman, and Ms. Vice Chairman. It is an honor to be here today to testify on topics that are important to American families.

I am affiliated with the American Enterprise Institute, the Institute for Family Studies; however, for my testimony today the views offered are solely my own. Most of my written testimony discusses fairly concrete questions of family affordability. And the upshot is that, contrary to popular narratives, child rearing in America is not really that much more expensive than in the past. Some elements of raising a family have gotten more expensive, but the evidence suggests that the problem facing families is not simply a budget crunch.

According to a wide variety of surveys, the average American woman says she wants to have around 2.3 to 2.5 children. This value has been approximately stable for 30 years. And yet, if current birth rates hold, the average young American woman today will only end up having about 1.7 children. That means that for every 10 women in America, there will be about 6 missing children.

This is a new problem. From 1990 to 2007 the fertility gap was consistently just one-third as large. So what is going on? Instead of affordability, we should be discussing achievability. What is holding people back from having the family they reliably say they want in surveys? The answer is basically marriage.

Increasingly postponed marriage can account for at least half of the increase in the fertility gap over the last decade, and virtually 100 percent of the increase since 2000. But incentivizing marriage is a tricky question in a diverse society.

Americans are justifiably uncomfortable with being lectured about getting hitched by anyone, especially the Federal Government. But luckily there are some good policy options available.

First of all, it must be said the Federal Government already has a marriage policy. And that policy is this: Working class people should not get married, but middle class and wealthy people should.

This is the policy stance of the Tax Code, of our welfare programs, of almost everything the government does. The Tax Code gives you a handy marriage bonus if you have a CEO in the family, as their spouse is unlikely to earn an equivalent amount and our tax brackets are of greatest benefit to families with the most lopsided spousal incomes.

But if you get the EITC, getting married could reduce your benefit by thousands of dollars. For two working class people with similar incomes, there is a very real tax on marriage. In my written testimony, I show how the marriage penalty can amount to 15 or even 25 percent of a family's income.

It is no mystery why working class Americans are getting married less. To be clear, the problem here is not government benefits per se, but their eligibility rules that discourage working class people from marrying. And the result is neighborhoods with scattered families, inconsistent fathers, overworked mothers, and diminished opportunity for children. And, additionally, fewer kids overall.

So there is a very real way to make family life more achievable: Fix the massive government bias against marriage, and especially working class marriage.

The second response to the marriage-first explanation for decreased family achievement is to reconsider our justifications for policies like the Child Tax Credit. The justification for the Child Tax Credit is not that parents are inherently cash-strapped, but rather that parenting is inherently valuable to society. In other words, we should have a parenting wage, because parenting is important work, and workers deserve to be paid.

How we provide such a wage may vary, but we as a society should treat parents more generously than we presently do, and in a way that explicitly communicates to parents that we see parenting as worthy labor.

When societies provide a parenting wage, the fertility gap shrinks. Now if there's not also a change in marriage norms and behavior, fertility rates won't rise by a lot. So the best strategy is a one-two punch. For family achievability to improve in America, it is vital that we (1) end penalties for working class marriage, while (2) increasing our social commitment to the work of parenting by providing a parenting wage. And whatever happens to fertility rates?

The children who are born are born into a society of greater opportunity, healthier families which engages in a valuable public catechesis. Parenting matters.

Thank you.

[The prepared statement of Mr. Stone appears in the Submissions for the Record on page 47.]

STATEMENT OF MR. RYAN BOURNE, R. EVAN SCHARF CHAIR FOR THE PUBLIC UNDERSTANDING OF ECONOMICS, Cato INSTITUTE, WASHINGTON, DC

Mr. Bourne. Mr. Chairman, Members of the Committee, thank you for inviting me to testify today.

Ensuring that a family can be raised affordably in America should be an uncontroversial public policy objective. Yet government policies at the Federal, State, and local levels today raise prices of basic goods and services to the disproportionate financial detriment of poor households and families with children.

Households across the income spectrum spend large amounts on goods and services, but at their most basic should be considered necessities—items such as food, shelter, transport, clothing, utilities, and often child care. The average household in the poorest 20 percent by income allocates 57 percent of its spending toward shelter, food, transport, and clothing alone.

The average married family with young children allocates 53 percent. Any meaningful analysis of family affordability must therefore consider the determinants of prices in these and other important product markets.

In recent years, housing and child care affordability have become particularly pertinent political issues, given their high toll on family budgets. High housing and child care prices are often deemed market failures, necessitating corrective government intervention, price controls, or subsidies.

But in both those markets, existing government regulations actively constrain supply, in turn raising prices. Extensive academic work has shown how overly restrictive local land use planning and zoning laws constrain new housing building, particularly in major cities.

As demand for housing rises, an unresponsive supply of homes drives up the market price of housing services, forcing down-sizing, longer commutes, or higher rents and mortgage payments on poorer families.

Lesser known is the State-level child care staffing regulations, notably restrictive staff-to-child ratios, and qualification requirements for workers which reduce the supply of child care centers in poorer areas, driving up prices and reducing formal care options for families.

Again and again one finds the same pattern of government policies increasing prices. The Federal sugar programs, milk marketing orders, and ethanol mandates raise the price of families' groceries. Federal fuel standard regulations and State-level automobile dealership laws inflate the cost of driving. Protectionist tariffs raise retail clothing and footwear prices, and State occupational licensing laws create barriers to entry for workers, raising the prices of services from hair braiding to dentistry.

My research has sought to aggregate the price effects of all of those policies stated. Using very cautious assumptions, I find that combined they raise prices faced by typical poor families by anywhere between $830 and $3,500 per year directly. That is between 7 and 30 percent of average after-tax income for households in the bottom quintile. Nor is that list comprehensive of the regulatory areas where government action raises prices. And it also does not consider the potentially huge indirect costs.

We know, for example, that elevated housing, child care, and transport costs make it more physically and financially difficult for families to access jobs with higher wages.

Undoing the worst of these price-inflating regressive regulations could therefore benefit poor families considerably. For example, estimates suggest that relaxing the average mandated staff-to-child ratio by just one child across all age groups could reduce child care prices by ten percent or more.

Addressing government policies that drive high prices at source would also dampen the demands we see for risky rent control measures, affordable housing mandates, higher minimum wages, government subsidized child care, and new tax credits, or expanded allowances.

My main message today is therefore simple: Before proposing new or expanded Federal programs, we should acknowledge that important pro-market reform levers already exist to improve family affordability, particularly at the State and local levels of government.

These regulatory changes, especially in housing and child care, would not require yet more Federal borrowing, nor do they come with the risks associated with wage and price controls. Such an agenda may not be the full or final answer to the challenge you are considering, but again before reaching for new programs or regulations we should at least attempt to undo the harm caused by existing interventions.

[The prepared statement of Mr. Bourne appears in the Submissions for the Record on page 65.]

Chairman Lee. I need to go vote. I am going to pass the gavel over.

Senator Heinrich [presiding]. Okay, so having come in late, okay, Dr. Waldfogel, please continue your testimony. And, Ms. Rowe-Finkbeiner, you're next? Okay, go right ahead.

STATEMENT OF DR. JANE WALDFOGEL, COMPTON FOUNDATION CENTENNIAL PROFESSOR FOR THE PREVENTION OF CHILDREN'S AND YOUTH PROBLEMS, COLUMBIA UNIVERSITY SCHOOL OF SOCIAL WORK, NEW YORK, NY

Dr. Waldfogel. Thank you. And thank you for inviting me to speak with you today. I have spent the past 25 years studying policies to support families and promote child well being, especially for the eleven-and-a-half million children in poverty, and the 27 million just above the poverty line.

Much of my recent work uses the Census Bureau's new Supplemental Poverty Measure which allows us for the first time to gauge the anti-poverty effects of the full range of policies that Congress has enacted. That work makes it clear that two sets of policies are critically important: Refundable tax credit—EITC, and the Child Tax Credit—move 4.5 million children out of poverty. SNAP and other food and nutrition programs move 2.4 million children out of poverty.

We also have good evidence that these policies reduce family stress and improve child health and development. But income poverty is not the only challenge that families face.

Since 2012, with the support of the Robin Hood Foundation, our group at Columbia has been surveying New York City residents. We find that poverty is just the tip of the iceberg. While 1.6 million New Yorkers are poor, 4.4 million face poverty or material hardship or serious health challenges. So it is not just families below the poverty line who struggle to put food on the table, pay their bills, or cope with ill health.

So what can we do to better support American families? We need to start by recognizing that the majority no longer have a stay-at-home caregiver. But our public policies have not kept pace with this reality. The Family and Medical Leave Act still provides only unpaid leave to only 60 percent of the workforce. Federal child care subsidies reach only 15 percent of low-income families who need them.

Employer policies address some of the gap, but mostly for more advantaged employees. While 40 percent have access to some paid family leave, those who are low income, part-time, or Hispanic, are much less likely to be covered. Only a tiny share, about 10 percent, receive any help from employers to pay for child care. But we know from a large body of research that these policies matter.

When employees have access to paid family leave, they are much more likely to be employed. They have higher earnings. Mothers are less likely to be depressed. They breastfeed for longer. Fathers are more likely to be engaged in caring for children. Infant mortality and hospitalizations fall.

Opinion surveys consistently show that Americans favor paid family and medical leave. These policies are also endorsed by employers. My colleagues and I have been serving employers in states with these laws, including small employers who are often missing from such surveys.

In three states with paid-leave laws, Rhode Island, New Jersey, and New York, we found that two-thirds of employers were supportive of them. The evidence on child care is also extensive and clear. High-quality child care improves children's health, their cognitive development, their social development—especially for disadvantaged children. Yet too few Americans can afford it, especially in early childhood.

When more subsidies are available, parents are more likely to be employed, reducing poverty and promoting family stability. Our estimates suggest that universal child care could reduce poverty by a third among families paying for child care.

But we also need to look at what government can do to help families where a parent is not working, or not able to work enough hours. Public programs like SNAP and private programs like Food Pantries play a crucial role, but families also need cash to buy their children clothing and school supplies, pay rent and utilities.

For this reason, virtually all of our peer countries have some form of universal child allowance or child benefit, paid monthly, or more frequently, to all families with children.

Our Child Tax Credit is the closest policy we have to this, but unfortunately it leaves out the lowest income for whom it would have the biggest impact. Indeed, 23 million American children, 1 in 3, live in families who earn too little to receive the full Child Tax Credit of $2,000 per child that was authorized under the recent Tax Cuts and Jobs Act. This includes over half of Black and Hispanic children, and close to half of young children and rural children.

So in summary, while there is ample evidence about the critical role of safety-net policies like the EITC, the Child Tax Credit, and SNAP, as well as the efforts of groups like Robin Hood, it is also clear that we need to do more. It is high time we joined our peers in providing paid family and medical leave, quality affordable child care, and a universal child allowance.

[The prepared statement of Dr. Waldfogel appears in the Submissions for the Record on page 70.]

Senator Heinrich. Go ahead, Ms. Rowe-Finkbeiner.

STATEMENT OF MS. KRISTIN ROWE-FINKBEINER, CEO/EXECUTIVE DIRECTOR AND CO–FOUNDER, MOMSRISING, KIRKLAND, WA

Ms. Rowe-Finkbeiner. Thank you. Chairman Lee, Vice Chairwoman Maloney, and Members of the Joint Economic Committee.

I am Kristin Rowe-Finkbeiner, Executive Director of MomsRising, an organization with over a million members, including members in every State, working to increase family economic security.

We are on the front lines of this crisis in America. Experts agree, it is getting more and more expensive to raise a family, and that has dire consequences. Our country, our workforce, and our economy have changed, but our policies are woefully out of date, and families are suffering as a result. And, good news, this crisis is solvable. And the policies MomsRising supports will boost families and our economy alike.

The work we do lifts dads, grandparents, people with all types of families, and of course moms. The situation is urgent. At MomsRising we hear from people experiencing this crisis each day. Stories like this one:

Jamie and her husband juggled three part-time jobs between the two of them, and even then could not afford child care. Jamie could only work when her husband was home with their toddler. And until they started getting SNAP, their four-year-old and Jamie herself often had to go without healthy food.

Nobody, let alone anyone holding multiple jobs, should struggle to put food on the table. But too many families face stark choices like Jamie's. A full one-in-six children in our country now live in food insecure households.

You see, Jamie is not alone. One-in-three households are now paying more than 30 percent of their income for housing, and more than half are renters. College tuition has tripled since the 1980s, and student debt now exceeds a trillion dollars.

Child care now costs more than public college in most states, and Black and Latinx families often end up having to spend more of their income on child care than anyone else. Meredith, from Florida, and her husband planned for years but still ended up with student loans, health care, child care, and housing costs that made it hard to stay afloat. Their student loans cost as much as a car payment. They paid $1,000 per month for child care. They live with her parents to try to save money.

The terrible truth is that as costs and net productivity have been rising, wages have been largely stuck for decades. This means wealth inequality is increasing. The racial wealth gap is persisting. And most people raising children in America are facing a financial crunch.

On top of this, women are being pushed even further behind by wage, hiring, and advancement discrimination. Women of all races on average are paid just 80 cents on a man's dollar, and moms of all races on average experience increased wage discrimination, earning an average of just 71 cents to a dad's dollar, with moms of color paid even less due to structural racism.

This is happening despite studies showing a direct correlation between high levels of women in corporate leadership and higher profits.

Families urgently need women's wages, as does our economy. Women became half of the full-time labor force in the last decade, and three-quarters of moms are now in the labor force, more than half of whom are the primary breadwinners.

Further, in our consumer-fueled economy, women and moms make nearly three-quarters of purchasing decisions. So when women are not paid fairly and do not have funds to spend, our entire economy suffers.

It is long past time to move our policies into the 21st century to match our modern labor force so families and our economy can thrive. We need to address these challenges from multiple angles: better, fairer wages; updates to our outdated policies; and we need to make basic necessities more affordable. And, good news, there is growing momentum for policy change that solves many of these issues.

For instance, dozens of states and municipalities are passing paid family medical leave, earned sick days, and pay equity laws. But to really move the needle, we need change at the Federal level. Because when this many people are having the same problems at the same time, we do not have an epidemic of personal failings; we have a national structural issue that we can and must solve together.

Specifically, we need to move quickly to pass the FAMILY Act so people can afford access to paid family medical leave. The Child Care for Working Families Act. The Working Families Tax Relief Act. The Paycheck Fairness Act. The MOMS Act. And the Maternal CARE Act, to address maternal mortality and the racial disparities that drive it. The Healthy Families Act, so people can earn paid sick days. The Pregnant Workers Fairness Act, and the National Domestic Workers Bill of Rights.

We also need to raise the Federal minimum wage and, importantly, have it cover all workers; ensure everyone has access to health care coverage, including reproductive health care. Make college and housing affordable. End mass incarceration. And invest in children and families, including with SNAP, WIC, the EITC, CTC, TANF, Head Start, and Medicaid, all of which inject funds into our economy.

The list is long, but important. These policies work for families and deliver significant returns for our economy.

For instance, for every dollar invested in child care, there is a return on investment of up to $9. You cannot find returns like that anyplace else. When we update our outdated policies, we all win, each and every one of us. We can and we must make it more affordable to raise a family in America, and I know together we absolutely will make that happen. Thank you.

[The prepared statement of Ms. Rowe-Finkbeiner appears in the Submissions for the Record on page 76.]

Senator Heinrich. I want to thank you all for your testimony today. We have votes taking place both in the House and Senate. I am going to try to get through a few of my questions, and then either Chairman Lee will be back to take over the gavel, or we will take a real short recess, depending on how long that takes.

I want to start with you, Dr. Waldfogel. I was curious. Are you familiar with the two-generation approach to reducing intergenerational poverty?

Dr. Waldfogel. Yes.

Senator Heinrich. What are your thoughts on its role in potentially taking those Federal policies that already exist, taking aside the need for additional policies, but better coordinating those to support the development of families and emerging from that cycle of poverty?

Dr. Waldfogel. I think—well, as you probably know, it is a model that is attracting a lot of interest. There is a very successful program underway in Tulsa, Oklahoma, directed by one of my colleagues, Jeanne Brooks-Gunn and her colleague Lindsay Chase-Lansdale. I mean it's a win/win. So they're taking proven early childhood education programs which really help engage parents, and they are matching those and tying them to employment and training programs for the parents. And not just random, you know, generic employment and training, but in the health care sector or, you know, sectors where there is really a demand.

We know from research that when parents are involved in education and training, their children do better in school, and they do better in preschool. And, likewise, obviously parents are going to do better in employment, education, and training, if their children are in stable child care.

I think we do not do enough of that. We do not do enough of thinking across programs. And it is a really promising model.

Senator Heinrich. Oh, I appreciate your comments on that. I know that in New Mexico we have seen groups like United Way and others that have really tried to pull these pieces together and act as a coordinator to support the family as a whole that has had some very positive outcomes. And we have seen that in both liberal and conservative states, and very different politically different governments to have real success with this approach. And it is certainly something I have introduced legislation on and continue to hope to push.

One of the other challenges that we have in my State, and I think this is becoming an issue all across the country, is that in New Mexico more than 10 percent of children are actually being raised by grandparents. And historically extended families have been an incredibly important part of our culture and represent a significant asset to all of our communities.

But what should we be looking at within the Federal Government, and states, to make sure that as we are supporting families we are not just thinking about mothers and fathers, especially in those cases where another family member is actually the direct child care provider to those kids?

Dr. Waldfogel. It is a really important question. I mean the statistics that I was reciting about only 60 percent of workers having access to the FMLA, only 40 percent of workers having some employer-paid family leave, only 15 percent have access to Federal child care subsidies even though they are low-income ineligible. That pertains to parents who are entitled to these programs.

Grandparents are often boxed out entirely. So there is a lottery to get these things in the first place, but the grandparents are not even in the lottery because they are categorically ruled out.

So it is just heartbreaking as you hear these grandparents who have chosen to take on, or had to take on these grandchildren, and yet are not able to get access to the programs. So, yes, we really need to clean it up.

Under the FMLA and the various State paid-family leave laws, there is a lot of variation in who counts as "family," and there is a lot of debate about who counts as family. But for sure we ought to be including grandparents.

Senator Heinrich. You think we should be tying those benefits to the child, so long as they have a legitimate caregiver.

Dr. Waldfogel. Absolutely. Absolutely. And, you know, the same thing with EITC, with the Child Tax Credit.

Senator Heinrich. Exactly right. Many of these people are literally well into their retirement years and have fixed incomes, and yet have all of the incredible burdens of trying to not only raise a child but then after that also help them through their education.

Dr. Waldfogel. Yes.

Senator Heinrich. Ms. Rowe-Finkbeiner, I wanted to ask you if you could expand some on how paid family leave impacts the presence of fathers and other caregivers in the life of a child, and what impacts then come from that?

Ms. Rowe-Finkbeiner. Access to paid family medical leave is a win/win/win/win for families, businesses, and our economy. It is one of those true policies that just makes you want to clap and give it a standing ovation. Because we see that when families have access to paid family leave, and that actually if dads take the paid family leave as well, then we see those wage gaps between women and men, and between moms and dads, go down.

And when we have pay parity, specifically if women had pay parity, then 50 percent of children would be brought out of poverty. Our GDP would be increased by 3 percent. And we would add more than $500 billion into our economy.

So making sure that dads also have time with children actually helps moms rise. And so it is very important. When we look at some of the other countries, and we did note that most other countries have some form of paid family leave, except the United States of America, we see that many have found that having dads have access to paid family leave is beneficial for the whole economy because again when wage gaps narrow then women have more money to spend—and since women are making the majority of our consumer purchasing decisions in an economy where 72 percent of our GDP is based on consumer purchasing decisions, we all do better when women do better.

But if we have this wage gap with moms, and it is significant, then we all do worse overall. So some of the other countries who have had paid family medical leave in place for longer, actually often offer a bonus package. If the dad takes leave, then the family overall would get an additional amount of paid family medical leave because they found that it boosts the economy so much.

So other things about this win/win of this policy, and again I love this policy, is that we see that businesses are actually helped out with retention, productivity, and they have lower re-training costs.

We also see that taxpayers are helped out. In some states like California where they have had paid family medical leave for longer than others, we can see that there is a 40 percent lower need for SNAP and TANF because people have that bridge moment of having those funds come in as child care costs more than college, and infant child care costs are extraordinarily high. So having that access to paid family leave at that crucial time when a new baby arrives is very important.

But not to forget what you also brought up, which is the sandwich generation. We need paid family medical leave, and we need it for all workers. And we need grandparents to be able to take it, as well as parents and other family members.

Senator Heinrich. So in comparing in places that have instituted paid family leave, medical leave, and those who have not, there have been consistent data trends showing an actual increase in economic productivity?

Ms. Rowe-Finkbeiner. Yes. And actually, Dr. Waldfogel did the original research, which I found many years ago when I first found out about the mom wage gap, which is huge—moms are making 71 cents to a dad's dollar, and moms of color, due to structural racism, are experiencing increased wage hits, with Latinx moms making as low as 46 cents to every dollar paid to white non-Hispanic fathers.

Senator Heinrich. With effectively the same resume, right?

Ms. Rowe-Finkbeiner. With the same resume. And we can talk about those studies, because I love those studies of two resumes where the only difference is that one is a mom and the other is a non-mom. This was a study done by Dr. Shelley Correll, and she found that you are 80 percent less likely to be hired if you are a mom and you are offered $11,000 lower starting salary, whereas dads get a wage boost.

So getting rid of this wage hit when we have so many moms being the primary breadwinner is so important to our families and our economy.

Senator Heinrich. And does that wage gap persist even after mothers return to work?

Ms. Rowe-Finkbeiner. Yes. The wage gap persists forever. And so there are policies like the Paycheck Fairness Act, which we also need to pass, and what that does, one of the important things that that does, is you cannot use prior salary history to create current salary levels, so the compounded wage hits that you have experienced over time do not determine your future salary history.

But one of the things that Dr. Waldfogel found—and I do want to bring this to her, because she is brilliant at this, as many other things, is that there is no single silver bullet solution. We need paid family medical leave. We need affordable, accessible child care. And we need sick days. And we need access to affordable health care.

So families are crunched. We have a modern workforce, and our public policies are stuck in a time that maybe never existed. And so we need to bring up our workplace protections, raise our floor for workplace protections, and then we will see those wage gaps narrow. And then we all win.

Senator Heinrich. You might say there is no silver bullet, but there may be silver buckshot.

Ms. Rowe-Finkbeiner. Exactly. Exactly. And we can do it. In the past in the United States of America we have passed packages for many things that have many different solutions together. We can pass packages and independently pass these laws to make the changes that we need. It is long overdue.

Senator Heinrich. I want to thank you all for your testimony. We are going to take a really quick recess here for about 10 minutes while the Chairman returns, so I can go vote as well. Thank you.

[Whereupon, at 3:17 p.m., a brief recess is taken.]

[The session resumes at 3:19 p.m., this same day.]

Chairman Lee [presiding]. We are now going to reconvene. Thank you for your patience, as both the Senate and the House are in the middle of votes, and I am grateful to my colleagues from both Houses and both sides of the aisle in sharing the gavel as we pivot back and forth to cast votes.

We will now begin five-minute rounds of questions, or in my case it may be longer than that, depending on how long it takes my colleagues to get back, which is kind of the upside of this sort of thing happening. It can result in a time period windfall for those of us privileged enough to be here.

Mr. Stone, let's start with you. At the end of your testimony you say that our laws should communicate to the citizens that we as a society, as a country, quote, "see parenting as worthy, dignified, and important work," closed quote.

In your opinion, would our laws do a better job of communicating that message if we allowed parents to draw forward Social Security benefits immediately following the birth of a child so that mothers and fathers alike could access their own savings at such a pivotal moment?

Mr. Stone. Absolutely. I share the view expressed by several people on this panel that having our lack of any solution for leave time is a serious issue. And having the option to do it in an actuarially sound way that is not inhibiting a mother's odds of being hired, for example, because when you foist the bill onto a company, the observed effect is diminished hiring of mothers, which is not the outcome that any of us want.

If you pay for it out of public coffers, then you have difficulty with passing the bill, frankly, due to essentially where is the money going to come from? So doing it in a way that is long run budget neutral is quite reasonable, I think, and is definitely a great improvement over what we have now in terms of communicating to parents and to potential parents that society is with them on this. That you are not doing this work alone.

Chairman Lee. Thank you. That is somewhat of a conclusion that I have reached. I have done a lot of work with Senator Joni Ernst from Iowa, and with Ivanka Trump at the White House, in trying to move that idea forward. The idea here is that this is money that the parents themselves already are entitled to. The question is what does the government do with that money between the time that it is earned and the time that they happen to retire.

It is my belief, and that of the individuals I have mentioned, that parents ought to have the option of deciding to tap into some of that at the time they have a child.

In your testimony you speak about the marriage penalties for low-income families in our Tax Code, and in means-tested welfare programs funded by the Federal Government. You conclude that in effect the Federal Government has put its thumb on the scales against working-class marriage.

What are some of the most important policy fixes that you can think of that would help remove the anti-marriage bias in our Tax Code in our Federal welfare system?

Mr. Stone. So in the example families that I provide in my written testimony, most of the penalty that they experience comes from the Earned Income Tax Credit, as well as to some extent from SNAP and from housing vouchers, or housing benefits generally.

The Earned Income Tax Credit is actually procedurally a simple fix, right? Just double the eligibility thresholds if you get married. The problem is that this costs somewhere between $100 and $250 billion per year, which is—yeah, those are large numbers, right?

Chairman Lee. You are not going to fund that out of those cushions——

Mr. Stone. Nope, you are not. So to do this, there is not just the simple fix one thing, right? You would have to step in and say, well, okay, we cannot afford the current level of generosity for single parents if we extend it in the same way for married parents. So you would need to do a wider, a wider fix.

Now a simpler thing would be to simply, instead of having the Earned Income Tax Credit be sort of a backdoor family support program, just replace it with a simpler wage subsidy. And then also route more money through either the Child Tax Credit or some other child-specific focused benefit.

It is not clear why we would say because you have children the government will be even more determined to support your work outside the home. We of course want to support people with children, but I do not think our desire to support children is necessarily contingent on them, in the case of the EITC, being unmarried and working outside the home.

There is no clear rationale for this structure. So EITC is a big one, but you see similar problems in every means-tested program. So you will have a similar issue with—really, you cannot just change one or two thresholds. You have to, statutorily in most cases, rewrite the whole program.

Chairman Lee. Thank you. The Tax Cuts and Jobs Act that Congress passed in 2017 includes a doubling of the Child Tax Credit, and an expansion of its refundability to cover the payroll tax liability and counteract the parent tax penalty.

In your written testimony, you wrote that a model family, Liam and Emma, are trapped out-of-wedlock by the marriage penalties in our Tax Code. So this couple you describe, Liam and Emma, are effectively trapped out of marriage as a result of that. You note that the only tax provision that did not penalize them is in fact the Child Tax Credit.

So how could this family have fared without the Child Tax Credit expansion? And why is it important for the rest of our Tax Code to treat Liam and Emma with similar fairness?

Mr. Stone. So in this case, what happened was that when, in this case Emma, is the one who I have as the custodial parent before marriage, and she in claiming two child——

Chairman Lee. I mispronounced that name? I thought that was——

Mr. Stone. It was Liam and Emma. I just picked the most common male and female birth names of 2018 and assigned them. But so she is the custodial parent for these two children, but her income, which is a modest income, I think it is like $16,000 is what I put in, but it is not enough for her to actually get the full refund—the full nonrefundable portion of the Child Tax Credit.

Now once they get married, once Liam and Emma marry, their combined income is enough. And also, because they get married and their EITC is smaller, they can sort of score more refundable on the other side because those two offset to some extent. You cannot—depending on your income, you cannot always get the refundability of both—or the nonrefundable section is offset.

So in this case, actually the Child Tax Credit expanded in generosity when they got married because of how the nonrefundable portion interacts with the refundability of the Earned Income Tax Credit. So it is sort of some thorny math.

But this family, they lost money on the EITC, was their big loss, right? That Emma was getting $5,000 before. But when they get married, I believe they drop to none, or virtually no EITC benefit. And at the same time, they lose some means-tested benefits on the other side, which is to say that the Tax Code is saying even though you two perhaps love each other, even though you two have jobs, they are not making large amounts of money but a couple making $36, $37, $38,000, there is no reason they should not be able to have the American Dream.

Maybe they would like to be raising these children together and would like to be married, but the Tax Code says, sorry. If you get married, you are going to lose $10,000.

Chairman Lee. We should not be punishing them for that.

Mr. Stone. Right. We are punishing responsible decisions that I think everyone in the room thinks these people, they want this. It is not the State's job to get between them in raising their children together.

Chairman Lee. Right. Thank you.

Senator Cassidy.

Senator Cassidy. Chairman Lee, thank you for putting this on. This past spring, Senator Sinema and I announced a bi-partisan solution—thank you for nodding your head "yes." You are familiar with it—to help working families. And I would say it is currently the only common ground paid leave plan in the Senate.

I am happy to report additional Republican and Democrat Senators are now supporting and working with us on legislative text we hope to introduce this fall.

To give background, for many dual-income families, the first year following the birth or adoption is the most expensive. In subsequent years, less so. Just to kind of give context for our bill, the

Tax Cut and Jobs Act that was just being discussed increased the Child Tax Credit from $1,000 to $2,000. So under our proposal, the family who has the newborn child gets $5,000. And they pull forward that benefit from subsequent years. So instead of $2,000 in year two of life, they would get $1,500. And on down until it is paid back.

We like it. It does not raise taxes. Payroll taxes inherently are regressive. And so we avoid that. And it has no mandates upon the employer or the employee, and it does not increase the Federal deficit—de minimis, if it does at all. In fact, I think we heard from—one of you is from AEI. One thing that we learned when we did a symposium there is it may actually be beneficial to the government fisk, at least one theory which seems plausible. Because when the mother remains attached to the workplace, instead of going on public assistance, which has implications for the child and the mother long term, she remains attached and the accumulation of seniority and training allows her wage base to grow from that point, as opposed to be brought back and then begin to grow.

So we think it has downstream benefits for mother and child. And by the way, it also extends to parents, to a father, but obviously it is the mother who breastfeeds, for example, so we anticipate that women will use it more often, which is why I use the feminine.

So, Dr. Waldfogel, if I pronounced it correctly, you are nodding your head affirmatively, so I would just ask your opinion on that and any suggestions you would have to maker it better.

Dr. Waldfogel. I have to say I am just so heartened to hear a discussion of two different proposals for paid family leave, so I just think it is fabulous that this is on the agenda in a really serious way and that we are having the conversation we are having about how to fund it. Because that really is the issue now.

So this is a sea change from where we have been on paid family and medical leave. Where it used to be what is this thing, and should we do it? It is so heartening that we are now in a place where we are all in agreement that new parents ought to have some period of paid leave. And we are trying to figure out how to pay for it. So I just think this is incredibly heartening.

So we have heard about a proposal where people could draw down from their Social Security, or people could draw forward their Child Tax Credit. I mean I have to say I have concerns about both those proposals, because as much as I would like to support new parents, and I think I have written about that more than anybody else over the last 25 years, so I absolutely get the importance of paid family and medical leave, but I really worry about what happens in the out-years when those benefits have been drawn down.

Families with 2- and 3-year-olds also need the Child Tax Credit, as we have been discussing today. It is a huge anti-poverty program, and I would hate to be robbing families later in childhood.

Likewise, we used to have a big problem with elderly poverty in this country. We still have not completely tackled it. Social Security is the biggest anti-poverty program we have. And so I worry about families drawing down their Social Security because they want to do the best for their children——

Senator Cassidy. Well just because—he had his turn, and I am going to keep on mine, so——

Dr. Waldfogel. I have been studying, there are now eight states that have passed these payroll-funded paid family and medical leave laws. They are working really well. It is pennies per week to fund them. We have been talking to employers, including small employers. Every State we have talked to employers, two-thirds of them are supportive or very supportive of these laws. Another 10 or 15 percent, or 20 percent, are neutral. That means that just a tiny share of employers are opposed.

The public is passing these things. I mean, legislators are——

Senator Cassidy. Let me pause you for a second. I have limited time, so let me pause. I will also say, though, that if you are going to do it through a payroll tax, that will be regressive. And it is easy to speak of that which is de minimis for someone who is more affluent, but for a working family that so-called de minimis amount is actually significant.

I will also say, and I think research shows, the more financial burden you put on an employer to employ somebody, the more likely they will figure out how to become more productive and lay folks off. So I think that there is a little bit of a false narrative that there is no cost on raising payroll taxes for a more generous benefit.

But whereas we just raised the Child Tax Credit from $1,000 to $2,000, and now we are going to concentrate a portion at the family's option on the year of the child's birth. But they will still receive more than they have been receiving, seems to be something which, yes, they receive less at their option, and it's more than they've been receiving of late.

Mr. Stone, you've spoken I think of how pro-natal policies do not necessarily increase with more natal, if you will, increased fertility, suggesting, as I gather, that a financial decision of is a child too expensive, they choose not to have another child. But if you have, whatever form it takes, a child tax credit, would that be a pro-natal policy?

Mr. Stone. So the research on pro-natal policymaking is that when countries spend money trying to get slightly higher fertility rate, that they do get a little bit of a bump, but it does cost a lot of money to get that increase.

However, the most cost-effective means of bringing about some increase in the desired birth rate, the number of births women have and that they intend to have, is through front-loaded benefits. That essentially giving people $10,000 up front does sort of get you—has a larger influence on child-bearing decisions than $1,000 a year for 10 years.

So this is more likely to have an impact on child-bearing decisions. Now there is a question: If you are paying that up front by taking it from later down the road, I am actually also sympathetic to the concern raised before that that family may need that money down the road. So you may front-load their decision here, and then they really need the money later.

Senator Cassidy. Earlier you spoke nicely, or one of you spoke nicely of the interaction, but we do know that typically people have their children when they are at the kind of lower point of their earning potential——

Mr. Stone. Well because income tends to rise over their age cycle.

Senator Cassidy. Right. Particularly, again, as I spoke earlier, if you are able to maintain your attachment to the workforce with your training, et cetera. And so I think the, if you will, the kind of interaction that we anticipate is, yes, you are pulling forward if you wish, but because you maintain that attachment your salary continues to rise. And there is a little bit of a backfill that occurs from that.

Also, acknowledging that first year of life is the more expensive year of life. I will take one more, since the Chairman just took a powder—and we also would point out, by the way, that we think CBO will not score ours as being very expensive because the money is already out there.

And so what they may do in Sweden would be expensive for us. It will be the occasional child who dies before age 10, at which point the money is forgiven, but it will not be something more than that.

I will thank you all for your time, and yield back to the Chairman.

Chairman Lee. We are going to turn now to Mr. Heck. I am going to go cast the final vote and I will be right back.

Mr. Heck.

Representative Heck. Thank you, Mr. Chairman. My apologies on behalf of the House Members who have been over voting on legislation. So I am helicoptering in here without the benefit of context of what you all presented. I did have an opportunity to quickly peruse your testimony.

I thank you all very much for being here.

Mr. Stone, I guess I would like to start with you. I am certain that you have probably already talked about this, but unfortunately, again, I was not here. I am fascinated by your research finding a relationship between fertility rates and home ownership.

By tolerating impediments to home ownership and decreased home ownership as we have in recent years, do we de facto have an implicit policy of lowering our fertility rate? Is that what you are suggesting, sir?

Mr. Stone. So I don't know that it is specifically about home ownership. I think it is more about housing costs. So there are many ways to manage housing costs. It could be by buying an affordable home, or it could be by renting in a neighborhood that is very affordable.

My concern is that housing costs are the one place where the amount that families spend on children is in fact being outpaced by price, where there is real, solid evidence of considerable financial stress on families in the housing sector. And that is driven—there is a lot of research on this—it is essentially driven by especially local policy. Choices about land use. Choices about where people can build, the codes that they build under, these sorts of things.

My concern—I did not focus on that in my spoken testimony because this is largely a State and local choice. The extent to which anyone in Washington can fix this is, with all due respect to the building that we are in, somewhat limited.

So it is a serious problem. There is an enormous amount of research suggesting that land use regulations and positive shocks to the price of housing, especially in the rental market, but in the home-owned market as well, have a negative impact on people's ability to achieve their family desires. This is a real concern. It is policy driven. But it is local policy. It is 50,000 municipalities that you need to convince to stop zoning against families.

Representative Heck. So the correlation, the inverse correlation, is between price, irrespective of whether there is an equity position or not, and fertility?

Mr. Stone. Yes.

Representative Heck. So I have had the privilege the last two-and-a-half years to chair the New Democrat Coalition Housing Task Force, and we have come away with a couple of research-based findings that I think are relevant to this conversation.

The first of which is that in the last 15 years the single largest increase in household budget has been for housing, more than health care, more than higher education. It is masked by the fact that those of us who have been in a place for a long period—a good portion of that 15 years, or been a long 15 years, have not experienced this. But of all major household expenditures, the cost of rent or, conversely, the cost to pay your mortgage, has gone up faster than anything else that they are confronting, number one.

And number two, that this problem is materially contributed to by a lack of supply of housing stock, which of course compels people to stay renting, which drives up occupancy rates, which then drives up rents, which cause more people to be rent-burdened, causes more people to require public subsidy. And in fact causes more people to be homeless.

But I do not think either of those observations captures the insidious effect on the home ownership side of the deferred home acquisition by millennials. And we have measured this. It is pretty clear that the 28-year-old is more likely to be living upstairs at mom and dad's house than ever before.

And why I never miss an opportunity to point this out is: In an era when defined benefit pension plans are falling through the basement, people's retirement security has been diminished. And the number one—the number one—asset that the average American invest in contributing to their retirement security is their home.

Care to respond to my diatribe?

Mr. Stone. Yeah. So there is a lot there. So the number one asset that many families are invested in is their home. The funny thing about owning a home, see, if you own a share of a company, then maybe you get dividends, or maybe you just get a report regularly and you're going to sell it later. The funny thing about owning a home is that your dividends come in the form of not getting rained on. And then you actually have to put a lot of extra money in it.

It is this company that you own a part of, but you have to buy a new roof for the company every so often. And then you have to buy a new hot water company—or you have to buy a new hot water heater for that company. And you have to keep buying all this stuff for what is allegedly an investment.

Now the problem is that when you view the home as an investment vehicle rather than essentially a form of durable consumption which depreciates, it creates an incentive to lock other people out. Essentially it says, well, my home is an investment, so I am going to make sure that my school district remains the type of people that people who will buy my home want their kids to go to school with. My home is an investment, so I am going to make sure that not too many other homes get built so that if somebody wants to live here they have to buy my home.

So I understand that many Americans have bought into the story that the roof over their head is also their retirement, but I would suggest that, first of all, this has not always historically been the case. Typically your security in retirement was that you had children who would take care of you.

And secondly, that this investment, this idea that the home needs to appreciate forever, it creates a toxic politic of exclusion at the neighborhood level. That ultimately the only path forward is for a very large number of neighborhoods in America to realize that they are going to increase in quantity of houses, not in price of houses.

So home ownership may be very important for the benefits it provides to a family in terms of security, but I think Americans expecting that real estate, particularly personally held real estate, will be their retirement security are going to be in for a nasty shock.

Representative Heck. Are you suggesting that they are mutually exclusive?

Mr. Stone. There are times and places where real estate will appreciate and it will not have a negative impact on anyone else and it is not a result of exclusion, but there is an abundant amount of research at this point that suggests that most of the really hot real estate markets in America are that way not just because people decided that neighborhood was amazing, but because a new supply is being kept off the market generally by local regulatory choices.

Representative Heck. But in a market where demand significantly exceeds supply——

Mr. Stone. Create new supply.

Representative Heck. It would be hard for me to exaggerate how strongly I agree with you, Mr. Stone. It is a supply issue, principally. It's not a demand issue. We are over 7 million housing units short in this country, and it creates all sorts of problems to families, many of which have been set forth here.

Mr. LaHood.

Representative LaHood. Well I want to thank the panelists for being here today, for your testimony, and having this conversation, and thank the Committee for having this hearing today.

Maybe a question to all of the witnesses here. Arguably we live in one of the most prosperous times in our modern history in terms of economically and where we are at, looking at all the measurements. And yet many people claim that having children is too expensive. Can any of you talk a little bit about what is going on there, and maybe some of the reasons for that? Or if there is some validity to that?

Yes, Mr. Bourne.

Mr. Bourne. Well I think we have to split this issue into thinking about how people exist with the costs that they face today, and changed expectations over time.

I agree with much of what Mr. Stone said earlier, in that if you look at the broad trends of costs of everyday basic goods and necessities over time, and bundle up that basket of goods, actually the affordability of raising a family on fixed expectations about what you want to get, or what you want to provide for your children, in most areas and for most families has not gone up.

But over time, people's expectations rise about what they want to deliver for their children. You want to invest in after-school clubs and activities. You want to provide them with the best quality child care available for you. So the amount that is actually spent by many families on children has risen.

That is not to say that policy does not play a role in raising prices from what prices could be in a more market-friendly economy. And much of my research has been attempting to show that in key markets that occupy large segments of families' budgets, particularly child care and housing costs, there are big regulatory barriers which restrict supply of new goods such that when demand rises for child care, or demand rises for housing, there is not an adequate supply response.

That manifests itself, as Mr. Stone said, in the housing market mainly through local zoning and land use planning laws which are particularly pernicious in many growing metropolitan areas. But in child care it also manifests itself through staffing regulations and occupational licensing, which many parents in upper income quartiles desire that type of improved quality from child care, more interaction between staff and children, and better qualified staff. But when that imposes a policy across the State level, that has the effect of raising child care prices and forcing many poorer families out of the formal child care sector and into the informal child care sector where we have less idea of what quality is.

So I guess to summarize that point, I agree with Mr. Stone that over the long term if you wanted exactly the same expectations for your kids as 30 years ago, things have probably got more affordable. Our expectations change, and that means that over time people are spending more money on their families. And there are certain policies, particularly at the State and local level, which raise prices in those sectors.

Representative LaHood. And is there a suggested policy change to help remedy that?

Mr. Bourne. Well the main point that I made in my testimony, the two big-ticket items, are housing and child care for many families with young children. And most of the positive regulatory changes that could be made would primarily have to occur at the State and local level.

Now Federal Government policy can push in the right direction. I may not agree with all of the current Federal subsidy programs and their existence, but to the extent that we are going to have them, greater conditionality, making sure that we are not rewarding bad policy by distributing subsidies to areas that have very restricted supply sides in child care and housing I think is something that Congressmen and women should be looking at.

Representative LaHood. Thank you.

Mr. Stone, do you have any comment on that?

Mr. Stone. I agree.

Representative LaHood. Okay. Doctor, I know you only have 30 seconds here, but do you want to comment?

Dr. Waldfogel. Yeah, just I would, you know, from the historical perspective I think we have to just remember the sea change that we have seen in American families, from the stay-at-home caregiver, single breadwinner model, to the dual breadwinner model, or the single-parent model. And so now most children are growing up with all of their parents in the labor force. And we just have not come to terms with that in terms of what that means, in terms of the need for paid leave, and the need for support for child care. Child care, even if it were less regulated, is expensive and we really have not come to terms with that.

Representative LaHood. Thank you.

Chairman Lee. Mr. Trone.

Representative Trone. Thank you, Mr. Chairman.

Dr. Waldfogel, in 2016 Maryland ranked fifth in the country in terms of most expensive child care. It costs an average of $14,000. In closer to D.C., it can cost $37,000.

The Maryland General Assembly is working to expand pre-K, but it is still not universal and will not be in the foreseeable future.

Could you speak to the benefits for families' experience from having universal pre-K, and also the positive impact on even the higher income families?

Dr. Waldfogel. We now have a lot of research about universal pre-K and the benefits that it offers for all children. So the benefits are largest for the low-income children, children with the least-educated parents, because it helps them catch up, but it is beneficial for all kids. And it also is a very important form of child care for that year before school.

But as you are indicating, universal pre-K will only cover the year before children start school, or in some states they are extending it down to a second year, and it still leaves infant and toddler years—which are the most expensive—uncovered.

The Federal Government has a child care subsidy program for low-income families, but it is only funded at a level of support that will cover subsidies for 15 percent of the low-income families who are eligible. So basically it is a lottery. If you are a low-income family, there is a lottery. And if you are lucky, you hold the winning ticket, you get a child care subsidy. But if not, you are out of luck. And that is just unconscionable.

Representative Trone. The number I have heard, as far as return on investments, is 4 to 1. Do you think that is reasonable?

Dr. Waldfogel. It is at least 4 to 1. With child care, it is all about the quality. So the best quality programs, it is as high as 8 or 9 to 1. The lower-quality programs, it is less than that.

So that is why we need to be careful about, you know, proposals to cut the quality, and cut the regulations, because there are two sides to that. There is the reduced cost, but then there is also the reduced benefits, or even the risks of putting children in substandard child care.

Representative Trone. Right. Ms. Rowe-Finkbeiner, when we talk about the lack of affordable child care, I want to talk about the populations that are more effective than others, and also you do not mind speaking to—I am a co-sponsor of the Child Care for Working Families Act, which will create some high-quality child care options all year around. What are some of the proposals we should push forward that are those most needed?

Ms. Rowe-Finkbeiner. Thank you. Well first of all, thank you for being a co-sponsor of the Child Care for Working Families Act. It is an Act that the members of MomsRising, over a million of them, strongly support, as well.

As you have heard today, we hear from our members about three key areas of crisis in child care. There is affordability, which we are hearing a lot about right now. There is accessibility, which 50 percent of parents are living right now in a child care desert, so no matter how much money they had they could not find child care. And then there is also excellence.

So we really need, as Dr. Waldfogel said, high-quality early learning programs to make sure that every child has the opportunity to thrive. And that is where we see our strongest return on investment.

Importantly, we need to make investments in child care and early learning starting from zero to age five, until they get into kindergarten. So what we are seeing right here is incredible gaps in coverage.

We need to start with access to paid family medical leave. Then we need to move into subsidized child care that is real subsidized child care, that also has a career and wage ladder for child care workers who are among the lowest paid workers in our Nation. And in fact the Child Care for Working Families Act includes components that relate to all of those.

And then we need to have universal pre-K. So we need to have a whole system that includes the education of our children. Because here is one thing that is important: Parents need safe, enriching places for their children to be so that they can work as parents have been increasingly in the labor force. Children need safe, enriching places to be so they can thrive in the future and be our future leaders. And child care workers need fair pay.

Just one point that people were talking about a moment ago was about we have had increased productivity in the United States of America: While productivity has gone up 70 percent in the past 30 years, actual wages have remained quite stagnant in the last couple of decades.

Representative Trone. Where do you see the kids, four years or in pre-K, where do you see the twos and threes? What combination of public-private? What does that look like?

Ms. Rowe-Finkbeiner. Oh, that is an excellent question. Right now we have a patchwork approach. We do not have a smooth line through child care. And what we need to do is we need to make sure policies like the Child Care for Working Families Act passed. We need to look at restructuring our Tax Code. And we need to advance policies that allow parents to be in the labor force and make fair wages, no matter where they work.

Chairman Lee. Mr. Beyer.

Representative Beyer. Thank you, Mr. Chairman. And thank all of you very much for coming. I am sorry we have been in and out with these vote things we have to do.

I want to push back first on Mr. Bourne on the over-regulation of child health care. I know it is expensive, but I am from Virginia, and I promise you every regulation we have there was the result of some tragedy.

I have been part of this for 25 years. Whether it is the quality of the people that we are hiring that were not given criminal background checks, or the quality of the facility, or every time some child dies we end up trying to find a way to put the regulations in place to make it safe for all of our kids.

I also—you know, a subset of this is pushing back against women in the workforce, which has caused all these problems, and yet one of the things this Committee pushes so hard for is the growth in GDP. And I think the post-World War II economic miracle has only been possible because of the women in the workforce.

In fact, this Committee in the last couple of years has pushed back a bunch on the fact that women are, as a relatively smaller percentage in the workforce than they were 10 years ago, 20 years ago, 30 years ago, which is one of the things that slowed down our economic growth.

So, to Dr. Waldfogel, one of the great points of contention is the net effect of the Tax Cuts and Jobs Act. Do you see that it paid nearly enough attention to our lower income folks, the ones that are not getting married because they cannot afford to?

Dr. Waldfogel. I mean we were talking earlier about the expansion of the Child Tax Credit that was contained in that bill, and that certainly was very important for low-income families. So I think that was a huge plus in that bill. But are you speaking of other specific provisions?

Representative Beyer. And thank you for pointing out again and again that, and the Earned Income Tax Credit. One of the things we are trying to push through the House right now is the significant increase in the Earned Income Tax Credit, especially for childless individuals.

Dr. Waldfogel. Yes, it is very important. Childless individuals are young people who are the parents of tomorrow, that are about to become parents. It turns out that young adults are the poorest age group now in America. Who knew? I would have always thought young children are the poorest age group, but it is young adults 18 to 24 who are now our poorest age group. And that is the kind of group that could benefit from an extension of Childless EITC. And of course noncustodial fathers are another group. And we have been talking quite a bit today about the importance of father involvement, and how we want to be sure that they are involved.

So, yeah, we want to be even-handed in our policies and be supporting both moms and dads, and also supporting young people who are on their pathway to starting families.

Representative Beyer. Ms. Rowe-Finkbeiner, Mr. Stone talked and wrote very well about the marriage penalty that so many of our Federal programs hurt you, or move in the wrong direction when you get married.

From a MomsRising perspective, have you guys thought much about how you would overcome the various marriage penalty processes in our programs, beginning with the Tax Code?

Ms. Rowe-Finkbeiner. One thing that we hear from our members again and again is that people should be able to determine who is their family, and how they are raising their children.

We heard earlier today about grandparents who are involved also in families, and about the sandwich generation. And so the important thing to do is look at the reality of families today and make sure that we are supporting all families equitably and equally. That means in the Tax Code. That means in our public policies. And that means updating our outdated public policies to match our modern labor force and not ignore the facts that women are in the labor force to stay; and that companies that employ us actually have higher returns coming in. (So say studies like a 20-year study at Pepperdine University of what happens when you have more women in leadership.)

And so we want to make sure that everybody has a chance to thrive, and we are in it for the long haul to make sure that happens.

Representative Beyer. Very good. And, Mr. Stone, to toss that same question back to you on the marriage penalties, have you put together your comprehensive legislative piece for Senator Lee and for us to fix that?

Mr. Stone. Pieces of it are actually in the works, but there is an interesting case where we just heard a very large marriage penalty advanced, very well-intentioned. We know the EITC discriminates against childless people, right? It does. It does not give them as equal of a benefit.

But in the example tax filers that I provided in my written testimony, if both of those individual people were getting the full EITC that they would be eligible for, if a childless partner was as well, the marriage penalty would be even larger. It would be another $5,000 that would be lost when they got married.

So if we even things out for childless people without fixing the basic anti-marriage position that is written into the EITC, we have made the problem even worse. And this is this issue where we make policy for people as they are today, but human lives are not static. They develop. The person who is single today is married tomorrow. The childless person today has children tomorrow. People's life situation changes.

And when we do not think about that, we end up creating barriers to the life that they themselves want. So I want childless people to be treated equally, which is why I mentioned it would be better if we just did it all through a flat wage subsidy that did not refer to family status at all.

But if we are going to have this done when you file your taxes, I do not want it to be a situation where both the childless and the custodial parent get a benefit as long as they stay separate. That is not a recipe for supporting Americans of any family status.

Representative Beyer. Thank you very much. It sounds like you and Andrew Yang have been talking.

Senator, I yield back.

Mr. Stone. He has interesting ideas.

Chairman Lee. Senator Hassan.

Senator Hassan. Thank you, Mr. Chairman. And thank you for holding this hearing. Thank you to all of our witnesses for being here.

I had a question to Dr. Waldfogel to follow up. I understand there has been considerable discussion already about paid family leave, but I wanted to follow up on one aspect.

I, too, will just add my voice to the chorus that families should not have to make the impossible choice between earning a paycheck and spending time with a loved one who is in need, or taking care of their own personal health care crisis. And it has been great to see eight states and Washington, D.C., enact paid family and medical leave to try to address this issue.

And as I think has been discussed, we all know these programs provide partial wage replacement to workers who need to care for a newborn or a newly adopted child, provide care for a family member in need, or address their own health care crisis.

I know there has been discussion here today about the benefits of paid family leave to the family members, but could you address a little bit the benefits for employers? What have we learned about how that really, what the ripple effect is in the workplace?

Dr. Waldfogel. Thank you for the question. It is a really important one. We tend to stress the benefits for employees, and we do not talk enough about employers.

Employers are in a tough position. They are looking for employees in a tight labor market, and so what really is valuable for them is having talent and retaining it. And what is costly for them is losing that talent.

So when we talk with employers—and we have been surveying employers in states that have these laws—what they say is, even the small employers, is we give people leave anyway. We have to give them leave. Somebody is ill herself, her husband has cancer, her mother falls and breaks her hip, she has a new baby, we have to give the employee time off work. With these laws, we are able to see that they get paid, and we do not have to pay them ourselves off of our payroll. So they are getting paid through these public social insurance funds.

And what we have also heard from employers is that in the vast majority of the times, about 85 percent of the time, they are covering the work by assigning it to other employees, or waiting for the person to come back. So it is very rare to hire a replacement worker. Only about 15 percent of the time. And only about 15 percent of employers say I had trouble covering the work while the person was out.

So it is not surprising that we are hearing that two-thirds of our employers that we are speaking to—and this includes small employers—are supportive of these laws. And I have to say, when we started the survey I was really nervous what we were going to find, and it is maybe 10, 15 percent are opposed. And I suppose 10 or 15 percent of employers would oppose pretty much any law, so the fact that we are finding about 85 percent or 90 who are either supportive or neutral I think is pretty impressive.

Senator Hassan. Well thank you for that. And I think it is pretty impressive, too. It is also similar to what I have begun hearing. New Hampshire is a very small business State, and it is what I have been hearing as well.

The other thing I wanted to touch on with both you, Doctor, and Ms. Rowe-Finkbeiner, is the issue of businesses needing more skilled workers. Because, again, that is probably the number one thing I hear from businesses across New Hampshire.

What we also hear is that too often individuals who are underemployed, or who have fallen out of the labor market entirely, are not able to get the training they need for the jobs that are open, but also that they face barriers such as transportation and child care. So either to get that training, they're having trouble finding child care, or transportation to it.

So I have introduced something called—and it is a bipartisan bill—called The Gateway To Careers Act, which would strengthen career pathway opportunities and help individuals navigate barriers that keep too many people from participating or staying in the workforce.

Through your work and advocacy, do you think we should be doing more to help families access the services they may already be eligible for, and strengthen career training programs to be responsive to issues that individuals face outside the workplace?

Dr. Waldfogel. I mean I will just briefly say the work that I have done on how families spend their EITC suggests to me that families are really facing very high transportation and child care costs. So I think we have always thought that the EITC would be used for durable goods, or be used for furniture for the family, or maybe getting into a better apartment, addressing the housing situation. Unfortunately, families seem to be using it to pay back bills, or to be paying for work expenses, primarily transportation and child care. So, yes, anything you can do on that front I think would be fabulous.

Senator Hassan. Thank you. And Ms. Rowe-Finkbeiner.

Ms. Rowe-Finkbeiner. I agree. Thank you for putting forward that bill. We really see three things that need to happen.

We need better, fairer wages. We need to update our outdated policies. And those policies need to be comprehensive.

So when we are talking about things like paid family medical leave, we need it to mirror the FMLA, which is unpaid, in terms of not only covering new parents but also covering people's own significant serious illness and the significant serious illness of a close family member. In fact, that is the majority of the time that the unpaid FMLA is used.

So we want to make sure that coverage is happening in paid family medical leave too. And as we update these outdated policies, we do not want to rob one program to pay another program. Families are already stretched. One thing that has not come up in this hearing so far is wealth inequality. And I mentioned a little bit earlier that we have had 70 percent increase in productivity, but really over the last 30 years wages have remained stagnant.

That is putting us in a situation that an MIT economist has said is leading us toward a third world economic model, which is going to implode the middle class.

So we need to make sure that we have comprehensive policies. And we also—to your point and to your bill—need to make basic necessities, including transportation, more affordable for families.

We do not have a single one-solution for what is happening in the United States of America right now, but we know that America is in crisis. We know that families want to do what is best for their children—all families—and I am so thankful that you here today are looking at the solutions from multiple angles as well.

Senator Hassan. Thank you. And thank you, Mr. Chairman, for letting us go over.

Chairman Lee. Happy to do it. We are always happy to accommodate those of our Members who show up, especially during a busy day like this one when we have votes. So I am grateful to have had the participation, bipartisan participation, from both ends of the Capitol.

We are going to do a second round, for any who are interested in it, and we still start that now.

Mr. Bourne, I want to start this round with you. In your testimony you explain that some child care regulations, some regulations in place that affect the child care industry, tend to reduce the supply of child care centers, especially in poor areas, driving up prices and reducing the rate of formal care options for families.

For example, a new law in Washington, D.C., will, when it becomes fully implemented over the next few years, start to require child care providers to earn degrees. In some cases, a two-year post-secondary degree, in some cases a four-year college degree. In other cases, it might be a certification. This of course will inevitably have an impact on supply, which ends up having an impact on price. And expensive market-based child care appears to be a pretty widely recognized financial burden for working families.

As I alluded to earlier, in a New York Times survey 64 percent of those respondents who said they expected to have fewer children said that they expected to have fewer children than they considered ideal, at least in part because they believed that child care was too expensive.

To what extent do you think child care regulations are responsible for higher child care costs?

Mr. Bourne. It's difficult to disentangle the demand and supply factors here. So there are good reasons to think that child care, even in a market economy, might become more expensive over time as people get richer.

Formal child care is very labor intensive. It is difficult to automate in the same way that you can automate in the manufacturing sector. And for the big structural reasons that Dr. Waldfogel has talked about, there has been a big increase in demand for formal child care over time. And of course people tend to value their kids pretty highly, so they want a safe, loving environment for them. And for many, particularly upper income families, they want very, very high quality child care.

If you look across states, areas with the highest cost of child care also tend to be some of the richest states, which kind of feeds into this idea that prices are strongly income elastic.

Yet, there is a lot of economic evidence, as I suggested, that regulations of child care workers—in particular, the number of staff required per number of children, and also occupational licensing requirements as you alluded to in terms of qualification requirements—do raise costs pretty substantially.

There has been some academic work that suggests if you relaxed across all age groups that staff-to-child ratio by just one child, it would reduce child care prices by about 10 percent. But actually these regulations are particularly regressive. The best study on this has been done by two economists, Joseph Hotz and Mao Xian. And what they did, they looked at comprehensive data and ran this econometrically, and what they found was staff-to-child ratio regulation in particular had no effect in improving quality. What it did do, by driving up the cost of care, was in poorer areas it led to closure of formal centers. And that lack of availability of formal centers led to much greater use of home day care.

So there is a massive tradeoff here, which is measures that people say improve quality may well improve interaction time in the formal centers that still exist within a State, but if that means that many poorer families are unable to access formal child care we really have no idea what happens in terms of the quality of the informal care that those people are offered.

So I would say there is a big tradeoff. Lots of upper income parents want and desire these sorts of regulations anyway, but what these regulations do is strip away the choice for lower income families to select a different price regulation, price quality bundle. And that can have severely regressive effects in terms of access for those people to the labor market.

Chairman Lee. Other than child care reforms, what are your other favorite policy reforms that you think could significantly lower the cost of living for low-income families?

Mr. Bourne. Well the biggest expenditure is evidently housing costs. And I have outlined I think a key driver of housing costs in many major cities, particularly where economic opportunities are greatest, tend to be associated with overly restrictive zoning and land use planning laws.

I do not think that we can really get to the nub of this affordability issue without tackling that problem. Now evidently that is primarily a State and local issue, but that said, the Federal Government through schemes such as the Community Development Block Grants does dish out Federal subsidies to states and localities. And to the extent that those come without conditions about the supply environment, they can subsidize bad policy. So I know HUD has been looking at this, trying to work out a way of making sure that states and localities have plans to liberalize their planning laws. I think that is a positive step forward.

And I also think with this rise of rent control as a potential solution being advocated, I would like to see Federal policy come with conditions that preclude those sorts of policies which would damage supply further.

Chairman Lee. Alright. After a while, I guess one does have to be careful about how far to intrude. I mean, you create one set of problems through the Federal Government, there is a response locally, and then we try to treat that remedy with yet another Federal remedy.

My time for this round has expired. Mr. Heck, you are up to bat next.

Representative Heck. Thank you, Mr. Chairman.

Ms. Rowe-Finkbeiner, thank you very much for getting to the nubbins. Better wages, especially in light of the context of 30 years of stagnant wages. Because it seems to be underlying. It is foundational to all of these issues that we are dealing with.

For purposes of discussion, I am thinking about kind of three different buckets in which the Federal Government could take action to affect people's standard of living. And I am going to ask you each what is the thing that you think that we ought to do—the thing, if it were but one thing.

But first, as a predicate, let me describe this. We can either through the appropriation or the tax expenditure side impact those things that are really pinching people—skyrocketing costs associated with higher ed, housing, health care, child care, or just cash in the pocket, through lower taxes or EITC and the like. Bucket one.

Bucket two, we can adopt those policies which lead to higher wages for at least some. Increase the minimum wage. At the Federal level, it has not been increased in 10 years, nowhere near the purchasing power then. More robust collective bargaining laws to favor the rights of workers. That is bucket two.

Bucket three is the broader issue of just overall wages. In the spirit of disclosure, this is my favorite, I believe that the Federal Reserve has pursued a policy which has suppressed wage growth. In fact, in the last 10 years I believe there have only been two, count them, two months in which our labor supply increased by less than the replacement number in that month. Two months, in ten years.

So we really have not had an approach to the cost of money, which truly gets us to full employment. Indeed, they keep changing their definition of what "full employment" is. They keep lowering it. And as a consequence, we have had very slow wage growth.

So I am also reminded that what one of the chairs of the Federal Reserve once said, that is my favorite observation in this regard, which is: Recoveries don't usually die of natural causes, they are murdered by the Fed.

So we have these three buckets. And I am interested in knowing from each of you, quickly, beginning with you, Kristin, if I may. By the way, as an organization with a million members headquartered in my home State, let me just say we are all so proud of the work you do. Thank you.

But if we were to do one thing—I want to go right down the line—one thing to make a difference, what would it be? Ms. Rowe-Finkbeiner.

Ms. Rowe-Finkbeiner. That is a tough question.

Representative Heck. I know. We get asked tough questions. We have to answer tough questions all the time. I am sharing the pain.

[Laughter.]

Ms. Rowe-Finkbeiner. Thank you for sharing the pain. I would actually do all three. And that is because I know that we can do more than one thing at a time. I believe we can do it.

What I know is that what we should not do is cut quality because we think that will cut costs. Because, I just want to make sure that we look at the fact that the return on investment on all of these programs goes up when we have increased quality. We were talking about this a moment ago relating to early learning and child care and in that discussion we should always be looking at the ROI going up as you have increased quality.

So we really need to get into making sure that we are not cutting quality, we are not cutting care, and that we are moving forward wages.

So if I had to pick one, you know, I am all three. I am going to see how Dr. Waldfogel handles this one.

Dr. Waldfogel. So of course I am going to say all three, as well, because we should have full employment. We should have higher minimum wages and more stronger bargaining rights. And we should have a stronger—but I am going to pick one thing.

Representative Heck. Not if you could choose one. How about which one do you think would make the biggest difference?

Dr. Waldfogel. Well, I am actually going to come back to the universal child allowance, because I am going to say with these forces sweeping our economy, children should not be suffering because of this. So we have not even talked about the instabilities in the economy and the unstable jobs, people whose work hours change from week to week, which means their earnings change from week to week. How do you pay for housing? How do you pay for child care when your earnings are changing from week to week?

So what are you doing as a parent? What you are doing as a parent is you are worrying about money all the time. So what impact is that having on your family life, and on your children?

So I think children ought to be protected from these kinds of forces that are swirling around in our economy while we try to sort this all out. And so I think the Child Tax Credit is a fabulous program in moving towards that goal, and I just think anything you can do to expand it to make it reach more families and become more universal, I think that is what we ought to be doing when we are thinking about helping families with kids and helping people making it more affordable to raise a family.

Representative Heck. Thank you.

Mr. Bourne——

Dr. Waldfogel. But I'm glad you are tackling the big challenges.

Mr. Bourne. Well I am going to be more controversial and reject the premise of your question, which I think there is actually a fourth approach, which is to look at why are the costs of certain necessity goods and services so expensive at the first place and try and expand the supply side in those areas to make goods inherently cheaper so negating the demand for more in the way of Federal borrowing, subsidies, and price and wage controls.

And I think a lot of the programs that we have mentioned no doubt could alleviate poverty. But given the fiscal conditions that you guys find yourselves in, given the limits of what you can achieve through a tight labor market, and given the risks associated with wage and price controls, I think the principle of first do no harm, examine what policies on the books that currently raise the cost of living for families and poor families in particular, I think that is a much better and fruitful approach.

Representative Heck. Fair enough. Thank you, Mr. Bourne.

Mr. Stone. So I am going to take the question in the spirit it was given and propose one legislative fix. However, in the spirit of Congress it will be a legislative fix with some riders attached.

So we should take the EITC. We should repeal it. We should replace it with a wage subsidy that does not discriminate based on family structure. The EITC currently has a baked-in benefit for children. We do not want to lose that. So we should roll that into the Tax Credit, which we should then expand.

And because we have to have a pay-for, we should pay for it with nominal GDP targeting at the Fed, which will increase economic growth. There you go.

Representative Heck. Thank you. Thank you for your indulgence, Mr. Chairman.

Chairman Lee. Any time. Any time. I wanted to follow up on a couple of additional questions.

Mr. Stone, in your testimony you submitted to the Committee you state that the declining marriage rate accounts for at least half of the increase in the fertility gap over the last decade. And for basically all of the increase since 2000. Is that right?

Mr. Stone. That is correct.

Chairman Lee. Can you explain to us why it is you believe marriage rates are declining? And what, if anything, can be done—I would hesitate to find the right words here—I do not necessarily want to live in a country where we have got a brooding omnipresence of a nanny state that is going to incentivize people to get married, tell them when it is time to get married. But I also do not want to live in a country where the government is disincentivizing people, or the government is artificially creating an environment in which people do not want to get married.

Any thoughts on what we might be doing there?

Mr. Stone. So this idea of the fertility gap, it is rising. And it is not because people are wanting more and more kids. The amount of kids they want is about stable. And fertility is falling. But when we look at how fertility is falling—and by "fertility," I just mean birth rates—in fact for a women who gets married at a given age, her odds of having children and how many she ends up having are pretty similar to what they were 30 years ago.

So this is almost entirely actually just about marriage choices. And of course marriage is being postponed. And for working class people, it is happening less frequently at all. People with a higher degree still get married at about the same rate they always did.

This has been presented in the past as a class problem; that this is, oh, there is some cultural shift happening in these different groups of people. Maybe. Maybe. But it could also be that people without a college degree are far more likely to be exposed to extensive marriage penalties. Their incomes tend to be in the range impacted by that. Which then brings us to this worry about this nanny state, or maybe more like a grandma state lecturing you about getting married——

Chairman Lee. A "grandma state." That is the new term to come out.

Mr. Stone. There you go. So nobody wants this, right? Nobody is saying I wish, I wish that the IRS would give me some advice about whether to marry my girlfriend, right? Nobody wants this.

Luckily, this is not what we need. If the problem is the marriage penalty—and I think it is—then what we really need is we need, probably the first step is the most popular thing in Congress, to create a commission of some kind to study where are there marriage penalties? Can we identify exactly where these things occur? And once we have identified them, can we come up with some agreeable way to probably in an essentially spending-neutral fashion, essentially rewrite the eligibility and benefit rules so that we are still spending the same amount of money on essentially the same income range of people, but we are doing it in a way that does not discourage family formation.

This is not lecturing anybody getting married. It is not pressuring anyone to do anything they do not want to do. It is just saying we made a mistake in how we wrote some of these programs in the past. They were not designed for a modern world where men and women are probably both working. And so when the eligibility threshold does not double, you have a serious problem.

After we have done that kind of a study, I think we really need a rule. That is, whenever we score a bill, we really need that scoring process to include does this, as a little check box, does this create a marriage penalty? Yea, nay. And if it does, it would be nice to know.

It is not a hard thing to calculate. So just having a bit of forward guidance on this as we go forward, when we have a new bill that affects individuals' benefits or taxes, it should be scored: Does it create a marriage penalty?

Chairman Lee. When you explain it that way, it becomes easier to understand how that could happen. Because it may be that in nominal terms the size of the penalty might seem smaller with regard to some of those would-be couples than it is elsewhere in the economy.

But in relative terms when you think about what that does to the marginal bottom line of families right in this sweet spot where it really makes a difference, that can have a big impact on behavior.

Dr. Waldfogel, I wanted to follow up on something. You co-authored a 2016 study in which you show that the motherhood wage gap has declined, and that even in some cases it has been replaced with something of a wage premium for some groups of moms. Am I stating that correctly?

In light of that, can you sort of discuss that finding and then tell us, is it fair to conclude that the affordability crisis is necessarily driven by a motherhood wage gap? Or does that indicate there could be other factors at play here?

Dr. Waldfogel. Yeah, I have been working on the motherhood wage gap for a long time. It was part of my Ph.D. at the Kennedy School more than 25 years ago——

Chairman Lee. When you were 12.

Dr. Waldfogel. Yeah, when I was 12, thank you very much.

Chairman Lee. A child prodigy.

Dr. Waldfogel. Thank you. I appreciate that. And what I learned in doing that work was women who did not have the opportunity to take a paid job-protected maternity leave often then were faced with an impossible choice. They would have a child. They faced an impossible choice. They did not have enough time off to stay home as long as they needed to with their baby. And so they would leave their job and they would come back a few years later, and they would start at the bottom of the labor market.

And it took 10 or 15 years to get back on a par with the women who had not had children and were in similar jobs with similar training. So that is that motherhood wage penalty, and it lasts for a long time.

Well fortunately we live in a world now where, although we still do not have paid family leave and child care in all employer settings, we have it in a lot more than we used to back in those days when I was doing that research.

So it does not surprise me that the motherhood wage penalty has narrowed over time. We still have a problem in terms of women's earnings, but not as bad as it used to be.

Of course, you know, at the same time other things have happened in the labor market and in the education system. Women now are getting more education than men. So if there is actually a group that we are worried about in the labor market, you know, as you know, it is the less educated men who really are taking a hit.

So, yes, things have changed over time.

Chairman Lee. That is helpful. Yes, you had something you wanted to add?

Ms. Rowe-Finkbeiner. Yes, I just wanted to follow up on what Dr. Waldfogel said. And that is, the mom wage gap is not gone. So when we are talking about the wage gap being lower, the 2018 numbers that were built on U.S. Census data are that moms are making 71 cents to a dad's $1. Women overall are making 80 cents to a man's $1, women of all races, for full-time year-around work.

So the motherhood penalty, the motherhood gap, is still very significant and very, very strong. And so when we are looking at what is happening with solutions in our country, we need to address the fact that it is not just married or unmarried, or type of family that you are living in that is impacting the affordability of raising a family in America. It is also wage discrimination. And that wage discrimination is compounded by structural racism. So moms of color are actually experiencing the most wage discrimination. And single moms actually experience compounded wage discrimination too.

According to 2018 data, single moms are earning 55 cents to every dollar earned by fathers. So when we are looking at solutions, we need to absolutely look at pay parity solutions—things like the Paycheck Fairness Act.

We need to look at how to raise the economic security of all families. We need to look at the fact that according to Johns Hopkins University 57 percent of births last year to the millennial population were to unmarried women. And we need to acknowledge that 82 percent of women in America do have children by the time they are 44 years old.

So these solutions, if we just focus on narrow solutions, are not going to work for the majority of families. We need to make sure that the solutions that we create, we create for all of working America, not just some. And that we do not replicate the structural inequities of the past.

Chairman Lee. Did you have your hand up? Were you wanting to respond to that? Go ahead.

Mr. Stone. I think it is worth emphasizing this motherhood pay penalty is not gone. It is very real. There is extensive research on this with really rigorous data from Sweden, Denmark, Germany, Austria, the U.K., the U.S., and it shows that in all of these countries there is an enormous motherhood penalty. In fact, it has almost no correlation with public benefits for child-bearing or motherhood. It is almost entirely driven by local social norms, which suggest discrimination may very well be part of it, but also suggests that our policies that we want to advance for families, we should justify them in terms of what we believe is right for families, is good for families. We should not convince ourselves that by giving paid leave we are going to eliminate—which I think we should give paid leave—but we should not convince ourselves that we are going to eliminate a pay gap that exists even in countries that have programs far more generous than anything that we are talking about.

These differentials are much harder to correct than what we convince ourselves of in political discussions. So they may be worth doing. They may be worth doing because they are good for kids. They may be worth doing because they are a good communication about what we value in parents. They do not actually address the pay gap. That is a problem that actually almost no country has found a solution to.

So we should keep in mind what is possible to achieve and make sure that we do not make promises that are going to end up being lies to people that we are trying to help.

Chairman Lee. Dr. Waldfogel.

Dr. Waldfogel. I just wanted to come back to the marriage question, because I think it is a really important one. I just wanted to say that my colleague, Kathy Edin, who is at Princeton now, has done really the best research about why it is that low-income families are postponing marriage. And she tells a very compelling story about families, young men and women, feeling like they need to attain certain footholds before they can get married. They have to, you know, have completed their education. They have to have a decent job. They cannot get married until they actually are stable on their feet.

And so I have been thinking about the conversation we have been having this afternoon about high housing costs, and young people living upstairs in the bedroom of their family's house, and difficulties in the labor market, and these uncertain work schedules.

So, you know, I am all in favor of getting rid of marriage penalties in public policies. We should not have marriage penalties, for sure. But we should think about the other things that are holding young people back from marriage. And they really need—and, you know, student debt we have been talking about.

So it is no wonder that young people are delaying getting married, given that they do not have a stable place to live, they are in debt from school, and they do not have a stable job. And in some ways we would not want them to be rushing into marriage in those circumstances.

So it is one of those three-bucket things that is pretty complex to improve prospects for young adults. But boy, I think it is the most pressing challenge we face today, to improve prospects for young adults, because they are the parents of the future.

Chairman Lee. Indeed. Mr. Bourne, we are going to let you speak, and then Mr. Heck is up.

Mr. Bourne. I guess this is probably the one area here I demur from Mr. Stone, actually. I am skeptical of the idea that tax policy affects this type of behavior to a significant degree, or also that changing tax policy would lead to any significant change in fertility rates.

I say that for two main reasons. I think first because if you look across countries that have very different tax and benefits systems, there has been a similar kind of secular decline in fertility rates, which suggests there is something bigger going on about people's expectations and preferences as we get richer.

But secondly, the mean age of first marriage for women is already much lower in the U.S. than in countries such as France and Sweden. But those countries have higher fertility rates.

So this is one area where I just kind of question how much of an effect tax and benefit policy really has on this issue.

Chairman Lee. That is an interesting point.

Mr. Heck.

Representative Heck. One last question, Mr. Stone. Our fertility rate is, last I checked, just under 1.8, nowhere near replacement. That obviously does not take into account immigration and therefore the overall population growth. But there is no question that we have been for awhile below replacement.

And when I think about the kinds of programs we have like Social Security, which depend on the number of active workers in the workforce supporting the program that supports those who are retired, it begs the question about what are some of the long-term consequences of having a fertility rate which is below replacement—again, depending on immigration policy. And I suspect that there are some potentially serious implications.

Would you care to just briefly enumerate some of them, please?

Mr. Stone. So it would be easier to enumerate them if any of our long-term planning agencies like CBO, OMB, the Social Security Trustees, if any of these agencies bothered to do a simulation that simulated a fertility rate below 1.8. The lowest scenario that Social Security Trustees even consider as possible in a most recent update on the actuarial soundness of the Fund is 1.8—or 1.72 right now, and falling.

So we are beyond the worst-case scenario of what any of your long-term planners have prepared for. You see the same thing in Census forecasts. They over-estimated the first year of their forecast—they over-estimated population growth by 350,000 people in one year. That was a big miss.

So the first step is just we should probably force our forecasting agencies to make sure that at least their first year of numbers is correct, let alone try to get a little more accurate on the out-years.

Now given that we are not prepared for the demographic shift that is coming in terms of very low population growth, there will be significant consequences. We talked about housing wealth earlier.

There was an article in The Wall Street Journal a few weeks ago about lots of older Americans who have bought sizeable houses in nice exurban neighborhoods, and they were planning to sell them for their retirement, and no one is buying them right now.

Well, there would be demand——

Representative Heck. Mr. Stone, let me just interrupt and interject something that is really important. A lot of those people want to down-size, and there is not a sufficient housing supply stock that they can get into, even if they could sell their home.

Mr. Stone. Right. So you have a problem on both sides, that, one, they cannot sell the home because there just is not that much of a market there to buy it. That generation is smaller and also not as well-to-do. And second of all, the house they want to move into does not exist.

Now but the truth is that we think about Social Security as an inter-generational transfer. The entire economy is an inter-generational transfer. You own stock in a company that makes hot dogs? Well, guess what? There needs to be the kid who is going to eat the hot dog for you to sell it, for it to have any value when you sell it.

Now we get a little bit of a free pass because our stock market is also, through a variety of channels, open to foreign investments. We get this nice thing where we buy goods from a foreign country. They take that money and they invest it into our securities, which is a nice handout for Americans as they grow older. But on some level there does need to be a next generation to consume those things to protect the value of the asset.

So the long-term consequence of low fertility is permanent secular stagnation. That is, it is a permanent slowdown in economic demand. We heard a lot, which I appreciated, about wage stagnation, and how productivity has been growing but wages have not.

Well, it has been better than it has been in Japan, which one reason for that is because there has been no population growth. There has been no growth in demand in the market size. There is no plausible story where investing in Japan is wise, because there is not growth. What is the growth market here?

So at the end of the day what you get is you get less entrepreneurship, less innovation. You get less economic growth generally. You get less sustainable public finances. What we call in economic demography "aging with dignity" is very difficult. Very few countries achieve it.

In the United States especially with increasingly unhealthy aging through deaths of despair and things like that, is not well set up to handle this. We are facing a very serious issue down the road.

So when we think about low birth rate, replacement rate is not what motivates me. I care about people's individual desires and lives. I am not trying to get anybody to 2.1. If you want 3, I would love you to have 3. If you want one, have one. But on some level, you do need a society that continues to have some growth in the market.

Now that can be through immigration. It can be. However, fertility rates are falling in our traditional immigrant-sending countries. They are below replacement in most of the world. Beyond that, more countries like Japan are aging and saying, hey, we need immigrants.

So there is more competition for those workers, as well. Net migration rates in the U.S. have been falling for three decades. They are going to keep falling, regardless of what happens with policy. So we cannot count that immigration is just always going to lift our fiscal boat. It won't, not always.

Representative Heck. Thank you, sir. Thank you, Mr. Chairman.

Chairman Lee. I want to thank each of you for being here today. The testimony you have provided has been outstanding and very thoughtful.

I thank all of the Members for coming and participating in the hearing, as well. We think we have had an outstanding exchange.

We are going to adjourn here in a moment. As we do, I will note for Members that we will keep the record open for a period of three days, should there be a need to supplement the record in writing.

And, we stand adjourned. Thank you.

[Whereupon, at 4:42 p.m., Tuesday, September 10, 2019, the hearing in the above-entitled proceeding was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. MIKE LEE, CHAIRMAN, JOINT ECONOMIC COMMITTEE

Good afternoon, and thank you for joining us for this hearing of the Joint Economic Committee.

The American economy is thriving. The current economic expansion is the longest in U.S. history. Our unemployment rate has remained below 4 percent for the past 18 months. In recent years, we've seen consistently solid GDP growth and job creation.

Yet, for many parents across this country, raising a family is harder and more expensive than ever. The New York Times recently surveyed adults 20 to 45 who were parents or planned to be. One in four had fewer children—or expected to have fewer children—than they considered ideal. Economic concerns were foremost among the reasons that they fell short or believed they would.

Over the past few years, the Joint Economic Committee's Social Capital Project has been documenting trends in our "associational life," that is, the web of social relationships through which we pursue joint endeavors—our families, communities, workplaces, and religious congregations. A critical source of meaning and social capital is, of course, the family. That's why two of the Project's main policy objectives are: making it more affordable to raise a family, and increasing the number of children raised by happily married parents.

The goals of today's hearing are to examine factors affecting family affordability and to explore policy approaches that would allow more Americans to start and raise the families they desire.

Increasingly, "family affordability" has become a unifying concern among lawmakers and commentators on both the political left and right. We hear it in discussions around topics as varied as child tax credits, declining fertility rates, increases in the cost of child care and housing, paid family leave, and student debt burdens. Motivating all of these discussions is a simple sentiment: It shouldn't be this hard to raise a family.

The problem is multifaceted. Economic challenges such as debt loads and increases in the cost of living make family formation and expansion difficult for many Americans. Even many families that are economically stable must deal with the challenges of balancing work and family. Parents want to afford the best neighborhoods and schools for their children, but that often leaves too little time to spend with them. As more families have sent two earners into the workforce, employers have been slow to accommodate their desire for balance.

Meanwhile, Americans who might prefer something closer to a traditional single-breadwinner family face prices for housing and other expenses that are bid up by dual-earner households. And the growing ranks of single parents are hampered by their high poverty rates.

The answer to "How did we get here?" is complicated. Our first step must be to adequately diagnose the problems facing our families. What fuels the rising costs of healthcare, child care, education, and housing? How many people are hindered in family formation by excessive student loan debt, inadequate income, or poor job prospects? To what extent does declining fertility reflect changing preferences, economic barriers, or other factors? Does the rise of the dual-earner family signal increasing hardship or simply changing values?

The next step must be to come up with solutions. What is the best way to help more families afford time out of the workforce to care for newborns? Are there ways to increase work-family flexibility that are minimally disruptive to employers? Are there government policies that unintentionally have contributed to increases in the cost of housing, higher education, and health care—which can be reformed? How can we make the tax code fairer to parents who bear the costs of supporting future generations of Americans?

Our panelists today will discuss some of these topics—and more. I look forward to their testimonies and to a productive conversation aimed at helping parents and strengthening our families.

I now recognize Vice Chair Maloney for opening remarks.

PREPARED STATEMENT OF HON. CAROLYN B. MALONEY, VICE CHAIR, JOINT ECONOMIC COMMITTEE

Chairman Lee, thank you for shining a spotlight on the challenges facing American families.

We agree there is a problem.

Today, millions of American families are working longer and harder—not to get ahead—but just to stay in place.

Over the past four decades, wages have been stuck or have barely increased.

Meanwhile the costs of child care, education, housing and other necessities have grown.

Most families rely on two incomes just to make ends meet.

Nearly 40 percent of American adults report that they or their families have trouble paying for at least one basic need like food, health care, housing or utilities.

The picture is no brighter when you look at specific costs.

Take child care.

The average cost of center-based infant care is more than one-quarter of median household income for single working parents. That means those who need child care the most can't afford it.

Or look at college education—which is almost a necessity in today's economy.

Since the 1980s, the average cost of a full-time undergraduate degree has more than tripled for public and private institutions.

Today's typical graduate leaves college with $30,000 in debt.

Or look at housing.

Home prices are higher than ever and often out of reach. And over one-third of renters spend more than 30 percent of their income on rent.

How are families responding to stagnant wages and growing costs?

By taking on debt.

Consumer debt, excluding mortgages, is now $4 trillion—its highest level ever after adjusting for inflation.

Folks are also putting off home ownership, which can deprive them of a key source of wealth accumulation.

Everyone in this room agrees that it's more expensive than ever to raise a family.

But we may disagree about the causes. And we may disagree about the solutions.

I welcome the robust discussion that this committee provides.

The entrance of women in the workforce is not the problem. We may hear that Americans got married less frequently or later in life as women took on careers, and that this hurt fertility rates.

But women have become key drivers of our economic success.

Women's earnings boost the economy by trillions of dollars and are critical to American families.

Women's share of household earnings increased from 36 percent in 1993 to 45 percent in 2016.

Women could do even more if we made it easier for them to enter and stay in the workforce.

There are two key, overwhelmingly popular ways to do that: offer affordable child care and paid leave from work.

Let's take a lesson from other OECD countries that provide these services and have significantly higher female labor force participation.

And while we're at it, let's make sure that women are paid fairly so they have strong incentives to work.

On average, a woman working full time year-round earns just 82 percent of her male counterpart.

For Black and Hispanic women it's far worse.

For too many, the American Dream is slipping away or out of reach.

Some would say that the solution is for the Federal Government to do nothing.

I disagree. It has a key role to play in helping to restore that dream.

What can it do? What can Congress do?

Let's start by lifting the minimum wage.

The House has passed legislation to lift the minimum wage to $15 by 2025 and give 33 million Americans a raise. It's time for the Senate to follow suit.

We should expand programs and initiatives that we know work—like the Earned Income Tax Credit and Child Tax Credit.

The EITC substantially increases employment among single mothers and reduces poverty levels for their families.

We should make the Child Tax Credit fully refundable to allow the poorest families to receive the full benefit.

The Working Families Tax Relief Act, which expands both the EITC and CTC, would benefit 49 million children, including 2.7 million in New York State.

And we should strengthen the Supplemental Nutritional Assistance Program. SNAP not only provides a healthy foundation for America's current and future workforce, it's also an investment in our economy.

Every dollar of SNAP generates more than one and a half dollars in increased GDP.

And, finally, we should join the rest of the industrialized world and provide paid leave to workers.

My bill, which was included in the National Defense Authorization Act that passed the House this summer, is a good start.

It would provide 12 weeks of paid leave to Federal employees after the birth or adoption of a child or to care for a family member who has a serious illness.

Raising a family is hard and rewarding work.

We need to do more to provide workers with tools to balance their work and family responsibilities.

Today's hearing and our witnesses' testimony will shed light on the actions we can take to make raising a family more affordable.

AMERICAN ENTERPRISE INSTITUTE

Statement before the Joint Economic Committee
On Family Affordability

Affordability or Achievability?

The Challenge for Family Policy in America

Lyman Stone
Adjunct Fellow

September 10, 2019

Measuring Affordability Over Time

We're here today to talk about whether or not family life in America has become unaffordable. In surveys of childbearing intentions, affordability and related financial concerns are one of the most commonly-cited reasons that families give for why they are not having children.[1] And as any parent, or in my case soon-to-be-parent, is acutely aware, kids are indeed expensive. There are diapers, and baby food, and formula, and childcare, and piano lessons, and summer camp, and college, and the cost of a bigger house, and the minivan, and all these costs associated with normal American life.

The most widely-cited statistic on the "cost of raising a child" comes from the USDA. Adjusting for recent inflation since their most recent estimate reflecting 2015 spending, USDA's numbers suggests that a married, middle-income household in 2018 probably spends almost $260,000 to raise a child. That's considerably higher than in 1995, when, in inflation-adjusted terms, a married, middle-income household would have spent about $220,000. [2]

USDA's method is fairly straightforward: look at how families with kids spend their money, and then statistically allocate that spending to "statistical children." They also track differences in spending across regions, age of child, income of parents, etc. The key thing to understand here is that USDA is not estimating the cost of raising a child with some fixed basket of goods: they're just tracking and allocating what parents actually choose to spend.[3]

And as parental spending on kids has changed, so has income. Using income data from the Current Population Survey, the USDA-estimated cost of raising a child in a married, middle-income household in 1995 was about 3.3 years of those households' incomes. But by 2015, despite rising child-rearing spending, the cost expressed in years-of-income had actually fallen! USDA's 2015 estimates imply that the cost to raise a child in a married, middle-income household had fallen to 2.9 years of that household's income! Child-rearing actually got *cheaper* over those 20 years, once we account for how much families *actually spend* and how much money they *actually earned*.

Thus, by this crude metric, there's no affordability problem at all.

Changing Prices, Changing Norms: Decomposing USDA's Child-Rearing Costs

But when we look in greater detail, the story becomes more complicated. When we look at specific products that parents buy, a lot of them have seen their prices rise *dramatically* since the late 1990s. The nominal, USDA-calculated cost of raising a child grew by about 60% between 1995 and 2015. But the price of private school tuition rose 172%. The price of childcare and nursery care rose 109%. The price of apples rose 66%, while fees for lessons rose 77% and cakes and cookies rose 60%. Meanwhile, many other goods saw price increases lower than the total child-rearing cost increases, but still substantial: milk rose 35%, candy rose 44%, soup rose 27%, baby food rose 59%, paper products rose 28%. Recreational fees, kids' shoes, juiceboxes, and many other items rose 10 to 25%. And then of course a few categories, most notably toys and childrens' apparel, actually saw a *decrease* in nominal prices.[4] This was largely due to Chinese imports and bankruptcies among American companies in those sectors. Toys R Us is a high-profile example of this, but there are others as well.

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[1] Americans Are Having Fewer Babies. They Told Us Why. Claire Miller, New York Times. https://www.nytimes.com/2018/07/05/upshot/americans-are-having-fewer-babies-they-told-us-why.html

[2] See Exhibit 1

[3] Expenditures on Children by Families, 2015. United States Department of Agriculture, Center for Nutrition Policy and Promotion. https://fns-prod.azureedge.net/sites/default/files/crc2015_March2017.pdf

[4] Bureau of Labor Statistics, Consumer Price Index component series

So as you can tell, the rise in child-rearing costs reflects a wide variety of shifting factors under the surface. Keeping your kid in clothes and with toys got a lot cheaper. Getting your kid educated got more expensive. But this all happened while incomes were, on the whole, for two-parent households, rising! What's going on?

USDA reports spending broken out by major categories: housing, food, transportation, clothing, healthcare, and childcare and education. It is helpful to look at these categories and decompose how much of the change in spending can be accounted for by *price changes* for specific products, versus changes in the things parents choose to buy. We'll start with clothing, but data for all of these categories can be found in the figures in the appendix.[5]

Clothing

In general clothing costs have fallen since the late 1990s, yet total spending on clothes has risen. As a result, any reasonable estimate of parental spending on childrens' clothing will reach a simple conclusion: Americans today are buying far more baby clothes than they used to, or else buying far higher-end baby clothes. That's a behavioral change. Whether it's an affordability question is debatable. Is parenting less affordable now because there's a social norm of buying 30% more outfits, or 30% nicer outfits, than in the past? And that is the scale here: spending on clothing for kids has risen by 25% from 1995 to 2015, but the price of clothing for kids has fallen by about 6%. This means the quantity or quality of the clothing must have risen by about 30%. Now, replay the last few baby showers you went to! It adds up, right?

But apparel is a unique category where the explosive growth of the Chinese textile sector after trade liberalization created unique pricing circumstances. Let's look at a market that is less likely to have been disrupted by China: transportation.

Transportation

Transportation spending associated with having an extra kid has risen by about 60% from 1995 to 2015. But transportation *prices*, for things like cars, train tickets, and gasoline, have only risen about 47%. So aside from general inflation, parents are actually buying 10 or 15% *more transportation*, or perhaps better-quality transportation. Maybe they're driving more to soccer practice or vacations. Maybe they're buying more plane tickets instead of driving. Maybe they bought more expensive kinds of cars, like hybrid or electric vehicles. The available data parsed by USDA can't resolve that ambiguity, but the point is that while *some* of the change in child-rearing costs is driven by rising prices, which is clearly a question of affordability, some of it is driven by a behavioral change among parents. Whether this behavioral change is good or bad depends on exactly what change in spending occurred, and society's value judgments of, for example, the cost of carbon emitted by airplane engines versus hybrid cars.

Housing

So we have some categories, like clothing, where parents spent more money despite falling prices. We have other categories where parents spent more money despite moderately-growing prices, like transportation. But we also have some categories where parents seem to have actually cut back on consumption, like housing and food. Housing expenditures have risen by about 37%, even as housing costs have risen about 70%. That suggests that the average American family in 2015 is facing much greater housing stress than in 1995. They're cutting back by about a *third* in terms of real spending, in terms of the size of house, for sure, with square footage of new housing having been in decline for a decade, but possibly also quality of housing.[6] Alternatively, parents may be settling for neighborhoods

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[5] See Exhibit 2

[6] See Exhibit 7

they don't want as much: further from work, further from family, lower quality schools, any number of factors could be in play. Academic research has demonstrated that neighborhoods have significant effects on children's economic opportunities in life, so this kind of negative selection may be a very bad thing for society on the whole.[7] In other words, there's a very real "affordability problem" in the housing sector.

This shows up in research directly focused on family formation as well. Higher housing costs reduce local birth rates.[8] Local zoning and land use rules that drive up housing costs, like extremely long permitting processes full of extra paperwork and community approvals, or building codes that over-prioritize extremely rare risks, or rules requiring minimum lot sizes and minimum parking amounts, have all been shown to reduce birth rates as well.[9] Without a concerted effort to increase housing supply, and doing so without destroying the natural amenities and green spaces many residents value, the family housing crunch will continue and place serious negative pressure on younger people hoping to get their start in life.

And I should note that this "vasectomy zoning" as it has been nicknamed is not always accidental.[10] Many communities explicitly restrict the construction of new developments that they expect will bring in lots of children. Some communities, which are to all physical appearance normal neighborhoods, actually set rules on how many children can reside in the area, under the guise of providing suitable places for retirement. Many municipalities of a variety of sizes, but especially large, dense cities, have discovered that zoning out children is good for city finances: schools are expensive, and so-called "DINK" households, which stands for "double income, no kids," create a lot of tax revenue, and a lot of demand for $15 cocktails and Barre studios.

The issue with all of this is that children have to grow up *somewhere*. When municipalities engage in regulatory attacks on families, such as by forbidding daycares in their zoning codes, prioritizing parking spaces over places to play, or DC's own absurd requirement of college degrees for paid childcare,[11] their victims are children, and, ultimately, the price is paid by the country on the whole in the form of disappointed parents, a shrunken generation, and lower economic growth. This testimony is generally a highly technical account, but here I cannot help but say that there is no way to be pro-family and not do *something* to tackle the housing problem. It's not enough to give families a little more cash. It's not enough to provide housing for the very poorest Americans. We need livable communities with obtainable market-rate housing for families. And if building enough houses to discipline housing prices enough to enable healthy family formation negatively impacts the resale value of some suburban McMansions, a concern often raised in local town zoning meetings, or even recently in the Wall Street Journal,[12] then that is a reasonable price to pay.

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[7] The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Project. Raj Chetty, Nathaniel Hendren, Lawrence Katz. 2016. American Economic Review 106 (4).

[8] Higher Rent, Fewer Babies? Housing Costs and Fertility Decline. Lyman Stone. Institute for Family Studies. Oct. 11, 2018. https://ifstudies.org/blog/higher-rent-fewer-babies-housing-costs-and-fertility-decline

[9] Land Use Regulations and Fertility Rates. Daniel Shoag and Lauren Russell. https://scholar.harvard.edu/files/shoag/files/zoning_book_chapter.pdf

[10] How 'Vasectomy Zoning' Makes Childless Cities. Nolan Gray and Lyman Stone. CityLab. Jan. 28, 2019. https://www.citylab.com/perspective/2019/01/family-planning-day-care-costs-zoning-cities-children/580279/

[11] A Daycare in Every Neighborhood. Nick Zaiac. Catalyst, Independent Institute. Aug. 21, 2019. https://catalyst.independent.org/2019/08/21/a-daycare-in-every-neighborhood/

[12] A Growing Problem in Real Estate: Too Many Too Big Houses. Candace Taylor. Wall Street Journal. Mar. 21, 2019. https://www.wsj.com/articles/a-growing-problem-in-real-estate-too-many-too-big-houses-11553181782

Food

Another category where parents may be experiencing some financial stress is on food. Food prices have risen by about two thirds since the late 1990s, and food spending has risen by about the same amount. So rising prices account for *all* of the increase in parents' food spending. This is a bit surprising, since American farmers are getting more and more productive over time, and we are a major agricultural exporter. Food prices should not be breaking the bank in one of the most agriculturally productive nations on earth! What's going on?

Well, if parents never bought any restaurant meals, food prices would have risen a bit less, by just 63%. Prices of groceries have risen more modestly than food on the whole, because the price of eating out has risen considerably, by 72%. The two price indices track each other very closely until about 2016, when the price of food at home flatlines, and the price of food away from home continues to rise. It's unclear what is driving this shift. It's possible that it could be the rise of affordable food delivery services introducing new competition, changes in the prices of agricultural commodities, or something else. It's also possible that the untethering of restaurant prices from food prices could be driven in part by the wave of minimum wage hike increases over the last few years; however, as with other categories of spending, it's hard to say what exactly is driving these changes.

But there's a small caveat here. USDA tracks food *spending*, not food *consumption*. If families get food that they didn't spend market income on, like through SNAP or WIC or food banks, it won't show up in this data. To the extent that these programs have changed in generosity since 1995, that would be a change in food consumption not captured by USDA's data. However, because I am focusing on changes among middle-income families mostly above the eligibility thresholds for these programs, the effect of excluding them should be quite modest.

Education, Childcare, and Healthcare

Up to this point, I've talked about cut-and-dried affordability. But as you can tell, I don't think that the issue here is that families literally don't have any cash to pay for necessities. Tellingly, the spending category with the *fastest* price growth, childcare and education at 125%, also had the greatest increase in real consumption, at 68%. In other words, families clearly had the money to spend on not only paying for increasingly-expensive childcare and education, but to buy a much larger *quantity* of these services. Since 1995, the share of school-age kids enrolled in private schools has been roughly stable despite explosive growth in charter schools competing with them.[13] Meanwhile, the share of children ages 3 to 5 enrolled in preprimary programs has risen slightly from 1995 to 2015, but the share of children enrolled in *full-day* childcare has risen sharply, from 30% to 42%.[14] The fact that American parents appear to be buying more sessions of violin lessons, more hours of daycare, more years in private school, at a time when the prices of those things are rising at an incredible pace suggests that these middle-income households are in fact not extraordinarily cash-strapped versus previous generations of parents.

As with education, so with healthcare: price increases have been dramatic, with prices doubling from 1995 to 2015, but spending rose by *even more*. Real consumption of healthcare after accounting for price changes has risen nearly 20%. This data probably *understates* the rise in healthcare consumption, since it excludes healthcare covered by various government programs like CHIP or Medicaid, or the employer's share of any payments. Combined with academic research finding that healthcare expansions do not in fact increase rates of childbearing,[15] I think it's reasonable to conclude that healthcare costs are not

[13] See Exhibit 8

[14] See Exhibit 9

[15] Socialized Healthcare and Women's Fertility Decisions. Resul Cesur, Pinar Mine Gunes, Erdal Tekin, Aydogan Ulker. IZA Institute of Labor Economics. Discussion Paper No. 12186. http://ftp.iza.org/dp12186.pdf; How Does

directly and necessarily the primary driver of delayed or prevented family formation.

There are real affordability problems facing families, like housing, as well as college costs which USDA does not consider. But on the whole, what we really see is American households making *choices*. When the price of clothing fell, they didn't economize on clothes to pay for something else. American households of all income brackets used that price windfall to buy more clothes. And meanwhile, the income of these households rose.

Achievability Is a Better Metric than Affordability

So if *aggregate affordability* isn't the problem, what is? And if there's not actually some general shortage of cash in the household, why bother with family-supporting programs like the Child Tax Credit, or a family allowance (which I prefer to call a parenting wage)?

Affordability as a concept is a bit tricky. It requires us to make a value judgment: middle-income married Americans will spend about $260,000 raising a kid. Is that affordable, or not? Well, it depends on who you ask!

I prefer to think about family life in terms of *achievability*. The question here is not, "Can families afford to have kids?" but "To what extent do families end up having the number of kids they say they want to have?" I like this heuristic because it is more compatible with a pluralist, liberal mode of government: we're not making a value judgment about what brand of lettuce you should buy or how many swimming lessons is too many. We're just measuring what you say you want, and comparing that to what you actually achieve.

According to a wide variety of surveys, the average American woman in 2018 says she wants to have around 2.3 to 2.5 children. This value has been approximately stable for 30 years.[16] And yet, if current birth rates hold, the average young American woman in 2018 is only actually likely to have about 1.7 children. That's a gap of about 0.6 or 0.7 children, which is similar to saying that in a group of 10 women, instead of the 24 children they said they *wanted* to have, they're likely to end up with about 17. That's 7 missing kids. That's significant.

It's also a new problem. From 1990 to 2007, the fertility gap was consistently around 0.2 children per woman, far more modest. Now, during the 1960s to 1980s, the gap was also around 0.6 or 0.7 children per woman, but that was partly because it took longer for family size desires to adjust to modern family and economic norms. Many European countries have even larger fertility gaps, but that's changing![17] American women used to have much better fertility achievement than their European peers; now, our society is drifting into the middle of the pack, statistically speaking.

If it's not *affordability* per se, then what is it that's driving this deficit of births versus what families say they want? One hint comes from the USDA itself. USDA's data reflects the experience of a middle-income *married* family. But marriage is increasingly being postponed. Fewer and fewer women in their 20s and 30s are actually married.

Access to Health Care Affect Teen Fertility and High School Dropout Rates? Evidence from School-based Health Centers. Michael F. Lovenheim, Randall Reback, Leigh Wedenoja. NBER Working Paper No. 22030. https://www.nber.org/papers/w22030

[16] How Many Kids Do Women Want? Lyman Stone. Institute for Family Studies. Jun. 1, 2018. https://ifstudies.org/blog/how-many-kids-do-women-want

[17] The Global Fertility Gap. Lyman Stone. Institute for Family Studies. Feb. 25, 2019. https://ifstudies.org/blog/the-global-fertility-gap

No Ring, No Baby?

And it turns out, *marriage* is the best predictor of whether women achieve their childbearing desires or not. In longitudinal data from the National Longitudinal Surveys of Youth, for both a cohort of Boomer women and a cohort of Millennial women, the more years a woman spent married, the smaller the gap between her desired and achieved fertility. In cross-sectional data from the General Society Survey, the fertility gap is far smaller among married women.[18] And, as I discussed, among married families, the cost of raising a child has not changed drastically.

If you're like me, this is all a bit depressing. Incentivizing marriage is a tricky question in a diverse society! Americans are justifiably uncomfortable with being lectured about getting hitched by anyone, especially the Federal government! So if the problem is extraordinarily delayed marriage, as seems to be the case, then policy options seem a bit limited!

But I think this reading would be a bit short-sighted, for essentially two reasons.

Policy Options: The Marriage Penalty

First of all, the federal government already has a marriage policy. And that policy is this: working class people should not get married, but middle class and wealthy people should. This is the policy stance of the tax code, of our welfare programs, of almost everything the government does. The tax code gives you a handy marriage bonus if you have a CEO in the family, as that CEO's spouse is unlikely to earn an equivalent amount, and our tax brackets are of greatest benefit to families with the most lopsided spousal incomes. But if you're in the EITC eligibility range, getting married could reduce your benefit by thousands of dollars. If you're two working-class people with similar incomes, there's a very real tax on marriage.

Pivoting from taxes to means-tested benefits is even worse. The tax code at least makes some vague gesture at marriage-friendliness. Welfare benefits do not. Getting married can trigger the loss of tens of thousands of dollars worth of benefits ranging from housing, to food and nutrition benefits, to healthcare.[19] This is true even in cases where both spouses would individually be eligible for these programs! The eligibility rules for welfare programs generally do not double the eligibility threshold for married couples, nor do they generally double the benefit size. In effect, the Federal government has put its thumb on the scales against working class marriage.[20] It is perhaps no surprise then that, as the welfare state has expanded, marriage rates have been roughly steady among wealthier Americans, but have plummeted among the working class and poor.

Let's take two example working class couples to illustrate how all of this comes together: Liam and Emma, and Noah and Olivia. Let's start with Liam and Emma.

Liam and Emma: Working-Class Family With Kids

Liam earns $24,000, and Emma earns $20,000. Emma has two children; let's say Liam is their father, for the sake of this example.[21] Neither of them are very wealthy, but neither of them are in extreme poverty. In fact, Liam is considerably above the poverty line, while Emma's household of 3 is right at the line. They're working class. Between income, payroll, and sales taxes, Liam will pay almost $4,000 in taxes. He makes too much money for the Earned Income Tax Credit, because the EITC is not very

[18] No Ring, No Baby: How Marriage Trends Impact Fertility. Lyman Stone. Institute for Family Studies. Mar. 19, 2018. https://ifstudies.org/blog/no-ring-no-baby

[19] Cash for Kids: Does Public Assistance Undermine Family Life? Lyman Stone. The Public Discourse. Jun. 27, 2019. https://www.thepublicdiscourse.com/2019/06/53134/

[20] Examples of several specific benefit and tax programs are provided in the appendix

[21] See Exhibit 5 for full scenario details

generous to singles with no kids in the household. After taxes, Liam makes about $20,000. Emma's story is different. Emma owes about $3,300 in taxes.... But they're offset by $2,800 of refundable child tax credits for her two children, and $5,186 from the EITC. So Emma actually makes money on her taxes, even after accounting for her likely sales tax payments. She ends up with an after-tax income of nearly $25,000. Combined, their after-tax incomes come to about $45,000, which means they together get a very small net subsidy from the tax code.

Liam and Emma love each other. They've had kids together. But, for whatever reason, they're not married; let's say they're living separately as well. What happens if Liam and Emma make the jump to get married and move in together, giving their two kids a more stable, two-parent household?

Well, their income net of taxes actually *falls!* Their child tax credit gets more generous, rising to $4,000, because they can claim more of the non-refundable portion. But instead of getting Emma getting over $5,000 in EITC benefits, now they together get just $1,300, because the EITC is calculated very differently for married households. Altogether, Liam and Emma lose $2,500 on their taxes by getting married.

But it doesn't stop there! I also calculated Liam and Emmas SNAP benefits, Section 8 benefits, and their or their childrens' benefits under CHIP, Medicaid, or ACA premium tax credits. When they aren't married, Liam and Emma can, together, claim benefits worth over $20,000. But when they get married, they can only claim about $12,000 in benefits. They lose $8,000 in means-tested benefits by getting married, thanks to program-specific eligibility and benefit rules.

Altogether, Liam and Emma's choice to give their kids a stable, married, two-parent household costs them $10,500 every single year. That's a quarter of their pre-tax, pre-benefit income. Liam and Emma are good parents who want the best for their kids: they stay unmarried so that they can pay for school supplies and have suitable housing and put nutritious food on the table.

Noah and Olivia: Barriers to the Success Sequence

Next we can look at Noah and Olivia.[22] This couple is following what some researchers have called the "success sequence," the idea that poverty can be avoided by doing life in a certain order. They got jobs, they haven't had kids our of wedlock, and now they want to get married. Noah makes $19,000 and Olivia makes $18,000: both of them are above the poverty line, but they're still far from rich. Both of them pay about 15% of their total income to taxes on income and consumption. Because they get no large credits, when they get married, their taxes are virtually identical. They have no meaningful marriage penalty in the tax code. So far, so good.

But Noah and Olivia both get some very small SNAP benefits, and they both are eligible for some not-very-small subsidized housing benefits. And, of course, they get some healthcare tax credits. Alas, when they get married, their combined income puts them above the income threshold for a two-person household to get many of their benefits. The result is that they lose over $4,000 in benefits when they get married, or almost 15% of their pre-tax, pre-benefit income. This means that getting married *doubled* their implicit tax rate. That's a compelling argument for Noah and Olivia *not* to get married.

These are simple examples with some crude calculations, but they illustrate that working-class marriage penalties are real and concerning.

[22] See Exhibit 6 for full scenario details

To be clear, the problem here is not "government benefits" per se. The problem is government benefits with eligibility rules that discourage working class people from marrying each other. And the result is neighborhoods with scattered families, inconsistent fathers, overworked mothers, and diminished opportunity for children. And, additionally, fewer kids overall.

So there's a very real way to make family life more affordable. Fix the massive government bias against marriage, and especially working-class marriage. It will be costly and complicated, but it needs to be done.

The Parenting Wage

The second response to the "marriage first" explanation for decreased family formation is to reconsider our justifications for policies like the Child Tax Credit. We don't give parents the Child Tax Credit because children are unaffordable. If that were true, the CTC would have no phase-in, and would phase-out at a lower income bracket. The justification for the Child Tax Credit is not that parents are inherently cash-strapped. The justification is that parenting is inherently valuable to society. We want to communicate that parenting is worthwhile work, that it is a dignified and worthy task. This is particularly important for a country like ours where gender egalitarianism is the expected social norm. The reality is that even in social welfare states like Sweden, many women stay home to be with kids. Society, and indeed the government, should communicate to these women, or to whomever works in the home, that their work within the home is recognized, is dignified, is seen as valuable. The social degradation of care work and home work is a catastrophe for gender equality, and ultimately sets home-makers of either sex up for entirely avoidable frustrations.

In other words, we should have a parenting wage because parenting is important work, and workers deserve to be paid. In a society where the market increasingly intrudes into our children's playtimes, our churches, and every facet of our lives, failing to provide competitive remuneration for the vital care-work in the home leads to a systematic underprovision of that work. It leads to a crisis of parenting. It leads, in other words, to a demographic crisis. Personally, I hardly care whether a parenting wage comes in the form of a refundable credit or a new benefit. I only care that we, as a society, treat parents more generously than we presently do, and that we do so in a way that explicitly communicates to potential and actual parents that we see parenting as worthy, dignified, and important work.

When societies do this, when they make significant increases in the benefits provided to parents simply for the labor of having kids, birth rates rise.[23] Fertility ideals do not change very much in response to policy, and thus the fertility gap tends to narrow. The change in birth rates is, to be clear, quite modest. Without a change in marital behavior, fertility rates won't rise by a lot. But they rise *a bit*. This is a one-two punch: for family formation to improve in America, it's vital to tackle both marriage and child-rearing. And whatever happens to fertility rates, the children who are born are born into a society of greater opportunity, healthier families, and which engages in a valuable public catechesis: parenting matters.

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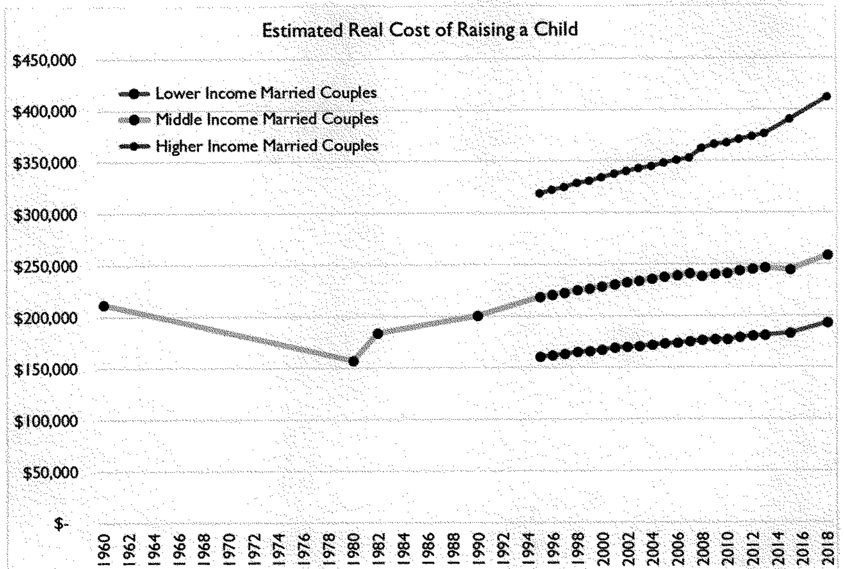
[23] Can Uncle Sam Boost American Fertility? Lyman Stone. Institute for Family Studies. Sep. 28, 2017. https://ifstudies.org/blog/can-uncle-sam-boost-american-fertility

Appendix

Exhibit 1:



USDA Expenditures on Children by Families reports. Inflation-adjusted using the Personal Consumption Expenditure deflator. 2008-2013 values adjusted for a methodological change. 2018 value estimated from observed inflation since 2015.

Exhibit 2:

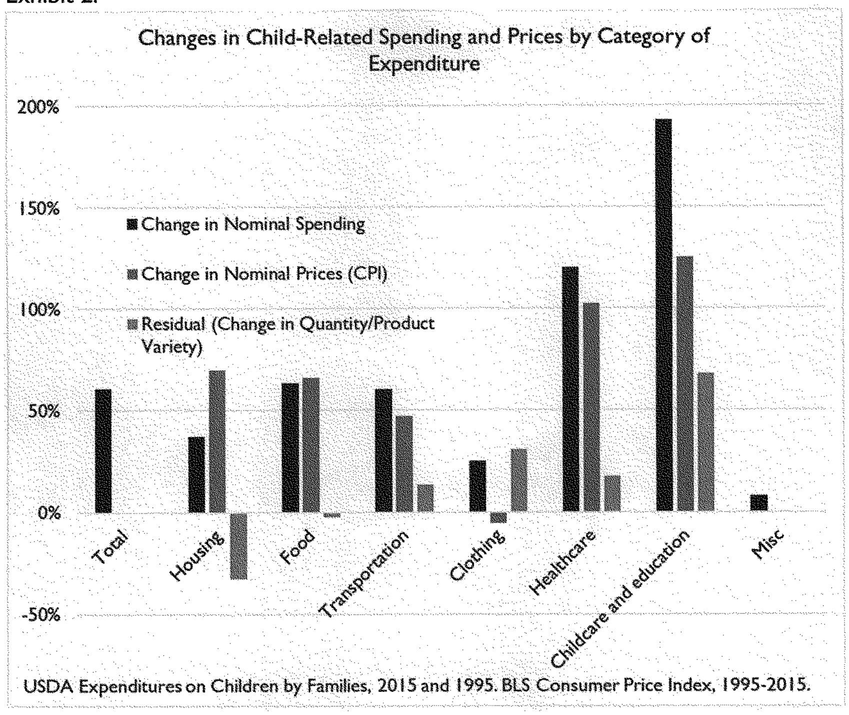

Changes in Child-Related Spending and Prices by Category of Expenditure
200%
150%
100%
50%
0%
-50%
Change in Nominal Spending
Change in Nominal Prices (CPI)
Residual (Change in Quantity/Product Variety)
Total
Housing
Food
Transportation
Clothing
Healthcare
Childcare and education
Misc
USDA Expenditures on Children by Families, 2015 and 1995. BLS Consumer Price Index, 1995-2015.

Exhibit 3:

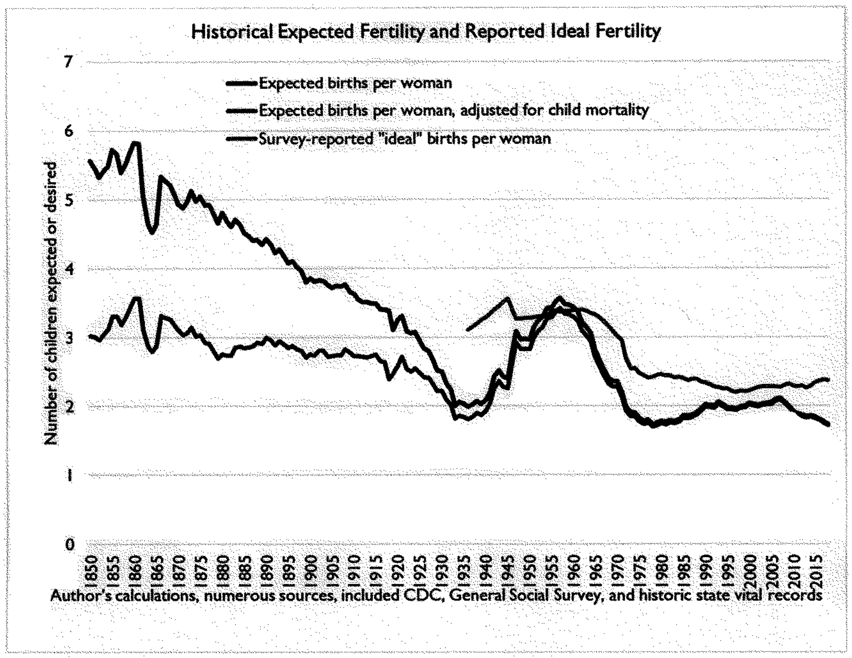

Historical Expected Fertility and Reported Ideal Fertility
Expected births per woman
Expected births per woman, adjusted for child mortality
Survey-reported "ideal" births per woman
Number of children expected or desired
0
1
2
3
4
5
6
7
1850
1855
1860
1865
1870
1875
1880
1885
1890
1895
1900
1905
1910
1915
1920
1925
1930
1935
1940
1945
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Author's calculations, numerous sources, included CDC, General Social Survey, and historic state vital records

Exhibit 4:

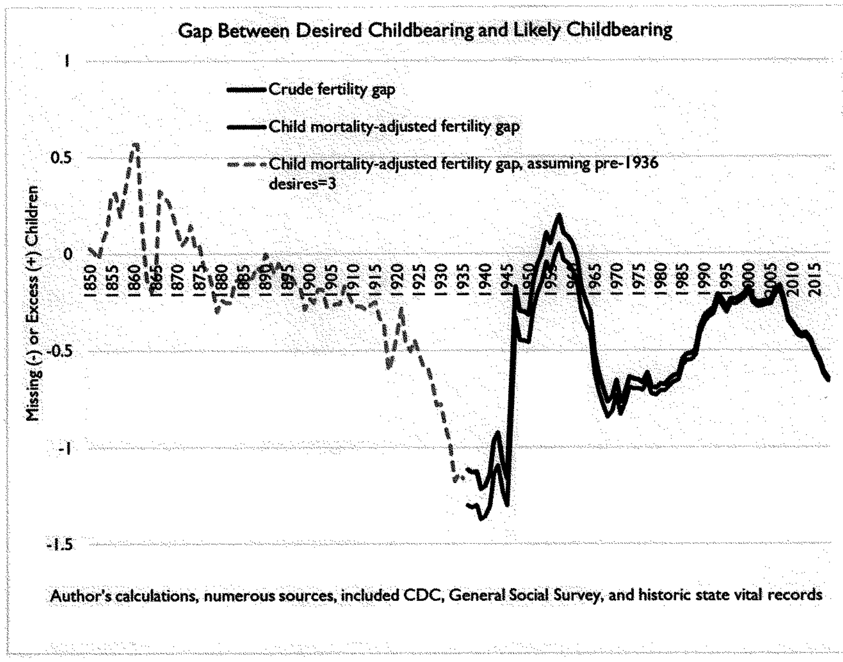

Gap Between Desired Childbearing and Likely Childbearing
Crude fertility gap
Child mortality-adjusted fertility gap
Child mortality-adjusted fertility gap, assuming pre-1936 desires=3
Missing (-) or Excess (+) Children
1
0.5
0
-0.5
-1
-1.5
1850
1855
1860
1865
1870
1875
1880
1885
1890
1895
1900
1905
1910
1915
1920
1925
1930
1935
1940
1945
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
Author's calculations, numerous sources, included CDC, General Social Survey, and historic state vital records

Exhibit 5:

Effect of Marriage on Example Working Class Couple With Children	Liam	Emma	Combined Singles	Married Filing Jointly	Marriage Penalty or Bonus	*As % of Combined Pre-tax income*
Taxes						
Labor Income	$24,000	$20,000	$44,000	$44,000		
Children	0	2	2	2		
Total Taxes on Consumption and Income	$3,965	($4,664)	($699)	$1,811	5.7%	
Final Income Net of All Direct Taxes	$20,035	$24,664	$44,699	$42,189	-5.7%	Tax Code
Benefits						
SNAP Voucher Benefit	$0	$4,740	$4,740	$0	-10.8%	
Section 8 Housing Benefit	$1,200	$4,788	$5,988	$1,200	-10.9%	
Value of All Health Benefits	$2,376	$7,092	$9,468	$11,064	3.6%	
Value of All Counted Benefits	$3,576	$16,620	$20,196	$12,264	-18.0%	Benefits
Income Net of Taxes and Benefits	$23,611	$41,284	$64,895	$54,453	-23.7%	Total

Marriage Penalty: $10,442

Exhibit 6:

Effect of Marriage on Example Working Class Couple Without Children	Noah	Olivia	Combined Singles	Married Filing Jointly	Marriage Penalty or Bonus	*As % of Combined Pre-tax income*
Taxes						
Labor Income	$19,000	$18,000	$37,000	$37,000		
Children	0	0	0	0		
Total Taxes on Consumption and Income	$2,781	$2,608	$5,388	$5,362	-0.1%	
Final Income Net of All Direct Taxes	$16,219	$15,392	$31,612	$31,638	0.1%	Tax Code
Benefits						
SNAP Voucher Benefit	$180	$180	$360	$0	-1.0%	
Section 8 Housing Benefit	$1,800	$2,100	$3,900	$0	-10.5%	
Value of All Health Benefits	$3,072	$3,192	$6,264	$5,076	-3.2%	
Value of All Counted Benefits	$5,052	$5,472	$10,524	$5,076	-14.7%	Benefits
Income Net of Taxes and Benefits	$21,271	$20,864	$42,136	$36,714	-14.7%	Total

Marriage Penalty: $5,422

Exhibit 7:

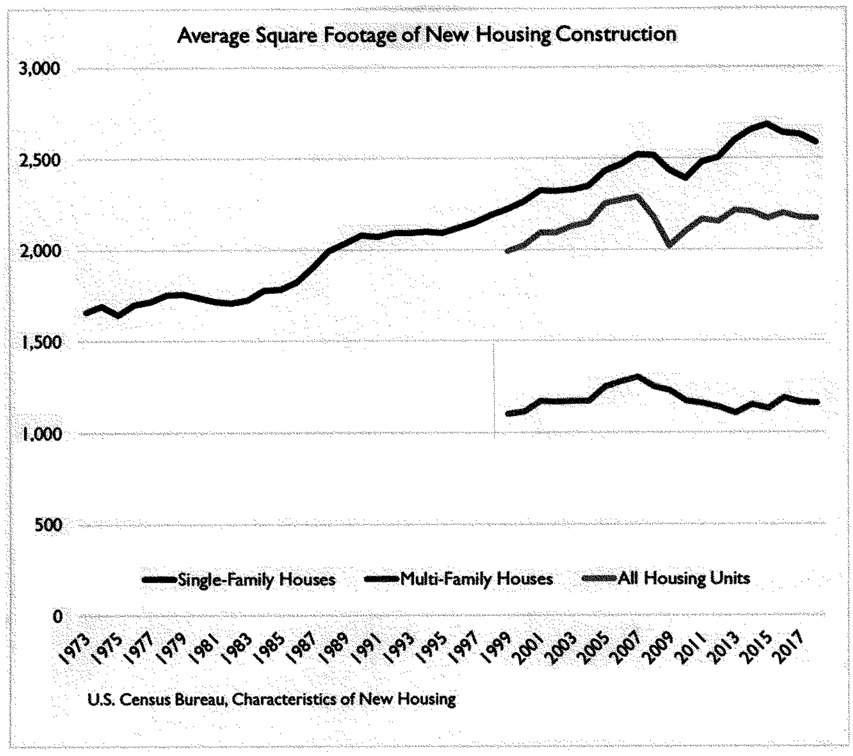

Average Square Footage of New Housing Construction
3,000
2,500
2,000
1,500
1,000
500
0
Single-Family Houses
Multi-Family Houses
All Housing Units
1973
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011
2013
2015
2017
U.S. Census Bureau, Characteristics of New Housing

Exhibit 8:

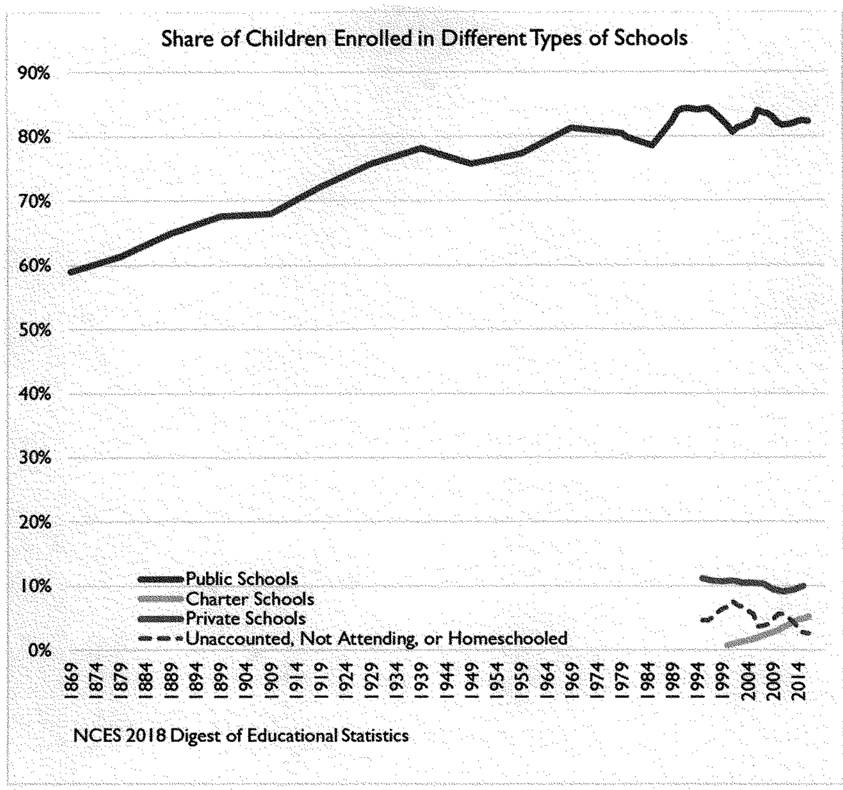
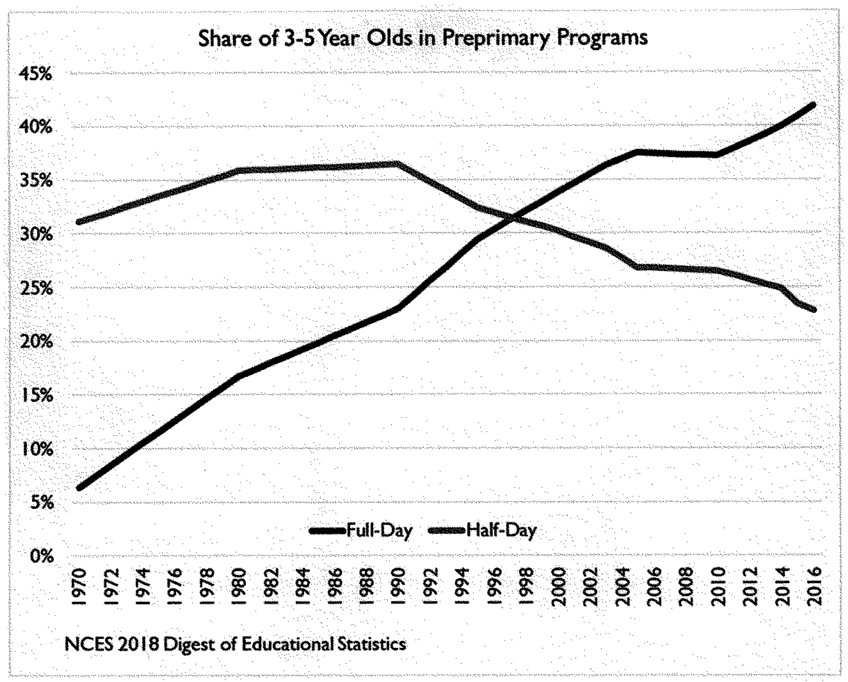

Share of Children Enrolled in Different Types of Schools
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Public Schools
Charter Schools
Private Schools
Unaccounted, Not Attending, or Homeschooled
1869
1874
1879
1884
1889
1894
1899
1904
1909
1914
1919
1924
1929
1934
1939
1944
1949
1954
1959
1964
1969
1974
1979
1984
1989
1994
1999
2004
2009
2014
NCES 2018 Digest of Educational Statistics

Exhibit 9:


Share of 3-5 Year Olds in Preprimary Programs
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
Full-Day
Half-Day
NCES 2018 Digest of Educational Statistics

Making It More Affordable to Raise a Family

Testimony of Ryan Bourne, Cato Institute

Before the Joint Economic Committee

September 10, 2019

Mr. Chairman and members of the committee, thank you for inviting me to testify today.

Ensuring that a family can be raised affordably in America should be an uncontroversial public policy objective.

Yet government policies at the federal, state, and local levels today raise prices of basic goods and services, to the disproportionate financial detriment of poor households and families with children.[i]

Where households spend money

Households across the income spectrum spend large amounts on goods and services that at their most basic should be considered "necessities." Items such as food, shelter, transport, clothing, utilities, and, often, child-care services.

The average household in the poorest 20 percent by income allocates 57 percent of its spending towards shelter, food, transport and clothing alone.[ii] The average married family with young children allocates 53 percent. Any meaningful analysis of family affordability must therefore consider the determinants of *prices* in these and other important product markets.

Table 1
Expenditure by category
Percentage of total expenditure, 2017

Expenditure type	Poorest quintile	Single parent with children	Married family with young children	Married without children	Whole population
Shelter	24.3%	23.3%	20.9%	17.4%	19.8%
Food	15.6%	12.9%	12.3%	12.0%	12.9%
Transportion	13.4%	16.0%	16.7%	15.7%	15.9%
Apparel	3.4%	4.0%	3.5%	2.8%	3.1%
Total "essentials"	**56.7%**	**56.2%**	**53.4%**	**47.9%**	**51.7%**

Source: Bureau of Labor Statistics, Consumer Expenditure Survey 2017, Table 1502. Composition of consumer unit: Annual expenditure means, shares, standard errors, and coefficients of variation and Table 1101. Quintiles of income before taxes: Annual expenditure means, shares, standard errors, and coefficients of variation.

The role of policy

In recent years, housing and child-care affordability have become particularly pertinent political issues given their high toll on family budgets. High housing and child-care prices are often deemed market failures, necessitating corrective government intervention, price controls, or subsidies.

But in both these product markets existing government regulations constrain supply, in turn raising prices.

Extensive work has shown how overly-restrictive, local land-use planning and zoning laws constrain new housing supply, particularly in major cities.[iii] As demand for housing rises, an unresponsive supply of homes drives up the market price of housing services, forcing downsizing, longer commutes, or higher rents and mortgage payments on poorer families.

Lesser known is that state-level child-care staffing regulations—notably, restrictive staff to child ratios and qualification requirements for workers—reduce the supply of child-care centers in poor areas, driving up prices and reducing formal care options for families.[iv]

Again and again, one finds the same pattern of government policies increasing prices. The federal sugar program[v], milk-marketing orders[vi], and ethanol mandates raise the price of families' groceries[vii]; federal fuel-standard regulations[viii] and state-level automobile dealership laws inflate the cost of driving[ix]; protectionist tariffs raise retail clothing and footwear prices[x]; and state occupational licensing laws create barriers to entry for workers raising the price of services from hair braiding to dentistry.[xi]

Table 2

Summary of costs of interventions on the poor and single parents (dollars per year)

Expenditure type	Policy area	Household in poorest quintile	Single-parent household
Housing	Land-use regulations and zoning laws	\$0–\$2,000	\$0–\$3,500+
Childcare	Caregiver regulations and staff-child ratios	\$0–\$2,078+	\$0–\$2,078+
Food	Milk-marketing orders Sugar interventions Renewable fuel standard	\$38 \$18 \$39	\$54 \$33 \$58
Transportation	Corporate average fuel economy standards Dealership franchise laws	\$133 \$61	\$279 \$140
Apparel and footwear	Tariffs	\$92	\$204
Occupational licensing	Aggregate costs to consumers	\$450–\$690	\$760–\$1,160

Source: Author's calculations applied largely through the Bureau of Labor Statistics Consumer Expenditure Survey. For more information see Ryan Bourne, "Government and the Cost of Living: Income-Based vs. Cost-Based Approaches to Alleviating Poverty," Cato Institute Policy Analysis no. 847, September 4, 2018.

My research has sought to aggregate the price effects of all these policies. Using cautious assumptions, I find that, combined, they raise prices faced by typical poor families directly by anywhere between \$830 and \$3,500 per year.[xii] That's between 7 percent and 30 percent of average after-tax income for households in the poorest quintile.[xiii]

Given my analysis excludes much utilities and labor market regulation, this severely understates the negative price impacts government intervention has on basic goods and services. Nor does this calculation consider the potentially huge indirect costs. We know, for example, that elevated housing, child-care and transport costs make it more physically or financially difficult for families to access jobs with higher wages.[xiv]

The benefits of a cost-focused affordability agenda

Undoing the worst of these price-inflating, regressive regulations could therefore benefit poor families considerably.

For example, estimates suggest that relaxing the average mandated staff-to-child ratio by just one child across all age groups would reduce child-care prices by 10 percent or more.[xv] On housing, some economists estimate that lowering regulation levels in just New York, San Francisco, and San Jose to the median of all US cities would raise nationwide GDP by nearly 9 percent.[xvi]

Addressing government policies that drive high prices at the source would also dampen the demands we see for risky rent control measures, affordable housing mandates, higher minimum wages, government subsidized child-care, and new tax credits and allowances.

Conclusion

My main message is therefore simple: before proposing new or expanded federal programs we should acknowledge that important pro-market reform levers already exist to improve family affordability, particularly at the state and local government level.

These regulatory changes, especially in housing and child-care policy, do not require yet more federal borrowing, nor do they come with the risks associated with wage and price controls further worsening the availability of housing, child-care, and low-skilled job opportunities.

Such a "cost-based, affordability agenda" may not be the full or final answer to the affordability challenge you're considering. But before reaching for new programs or regulation, we—through government policy at all levels—should at least attempt to undo the harm caused by existing policies.

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COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

SCHOOL OF SOCIAL WORK

Written Testimony by Jane Waldfogel to the Joint Economic Committee of the United States Congress Hearing on "Making it More Affordable to Raise a Family"

September 10, 2019

Chairman Lee, Vice Chairwoman Maloney, and other Members,

Good afternoon and thank you for inviting me to speak with you today.

I've spent the past 25 years studying policies to support families and promote child well-being. These policies are a pressing concern for our country because 11.5 million children (nearly 16% of all children) are poor, and another 27 million (37%) have incomes just above the poverty line.[1] And of course, it's not just poor and near-poor families that struggle to make ends meet.

Much of my recent work uses the Census Bureau's new supplemental poverty measure, which allows us for the first time to gauge the effects of the full range of social policies Congress has enacted to support families and promote child well-being.[2] That work makes it clear that two sets of policies are critically important in reducing poverty among families with children. Refundable tax credits – the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) -- moved 4.5 million children out of poverty (reducing child poverty by 6 percentage points) in 2017 (the most recent year for which we have data), and the Supplemental Nutrition Assistance Program (SNAP) and other food and nutrition programs (school lunch and WIC) moved 2.4 million children out of poverty (reducing child poverty by more than 3 percentage points).[3] We also have good evidence that these policies reduce family stress and improve child health and development.[4]

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[2] Liana Fox (2018). *The Supplemental Poverty Measure: 2017.* Washington, DC: U.S. Census Bureau, Appendix.

[3] Liana Fox (2018). *The Supplemental Poverty Measure: 2017.* Washington, DC: U.S. Census Bureau., Tables A-6 and A-7. In 2017, EITC and other refundable tax credits moved 8.3 million people out of poverty, of whom 4.5 million were children, while SNAP and other nutrition programs moved 5 million people out of poverty, of whom 2.4 million were children.

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But income poverty is not the only challenge that families face. Since 2012, with the support of the Robin Hood foundation, our group at Columbia has been surveying New York City residents, tracking material hardship and ill health as well as poverty.[5] Our findings reveal that poverty is just the tip of the iceberg – while 1.6 million New Yorkers (1 in 5) are poor, 4.4 million (more than half) face either poverty or material hardship or serious health challenges.[6] So, it's not just families below the poverty line who struggle to put food on the table and pay their bills and cope with ill health – and in a city with a large charitable and philanthropic sector, including Robin Hood which spends 100 million dollars a year fighting poverty.

So what can we do to better support American families? We need to start by recognizing that in the majority of American families, it is no longer commonplace for there to be a stay-at-home caregiver.[7] This trend is not going to change – most two parent families need to have both parents in the labor market, and of course difficulties in balancing the competing needs of work and family are even more acute among low income and single parent families.[8]

However, our public policies have not kept pace with this new demographic reality. The Family and Medical Leave Act still provides only unpaid leave, and to only about 60% of the workforce.[9] Federal child care subsidies reach only about 15% of eligible low-income families who need them.[10]

Employer policies address some of the gap but mostly for more advantaged employees. While 40% of employees have access to some paid leave they can use for maternity, paternity, or to care for a seriously ill family member, those who are low-income, part-time, or Hispanic are much less likely to be covered.[11] Only a tiny share of employees – about 10% - receive any help from their employers in paying for child care.[12]

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Yet we know from a large body of research that these policies matter for the well-being of employees and their families.[13] In addition to evidence from Canada, the United Kingdom, and Europe, we now have more than a decade of evidence from California whose first-in-the-nation paid family leave law came into effect in 2004.[14] When employees have access to paid family leave, they are more likely to take leave to care for a family member or for themselves, and they are more likely to be employed and have higher earnings afterwards.[15] Mothers who have access to paid leave are less likely to be depressed after a birth and also breastfeed for longer.[16] When fathers take longer leaves, they are more likely to be engaged in caring for their children months later, and mothers are in better mental health.[17] When more paid leave is available, rates of infant mortality and hospitalizations fall.[18] At the other end of the lifecycle, so too do nursing home admissions.[19]

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Opinion surveys consistently show that Americans favor paid family and medical leave.[20] They understand that the need is widespread and they appreciate the benefits. This is why 8 states to date – CA, RI, NJ, NY, WA, MA, CT, and OR – and the District of Columbia have enacted paid family and medical leave laws that provide a period of paid leave – to care for a newborn or a seriously ill child or family member, or when a family member is deployed or returning from in the military – with many more considering such legislation.

These policies are also endorsed by employers. My colleagues and I have been surveying employers in states with paid family and medical leave laws – focusing especially on small employers who are often missing from such surveys. In three states with paid leave laws – RI, NJ, and NY – we found that two-thirds of employers were supportive of the laws; another 15-20% were neutral.[21]

The evidence on child care is also extensive and clear. Research from the landmark National Institute of Child Health and Human Development Study of Early Child Care, and many subsequent studies, have shown that high-quality child care improves children's health, cognitive development, and social development, with especially beneficial effects for disadvantaged children.[22] Yet too few Americans can afford quality child care, especially in early childhood when care is most expensive.[23] When more child care subsidies are available, parents are more likely to be employed, reducing poverty and promoting family economic stability. Indeed, our estimates suggest that universal child care could move 630,000 children whose families pay for child care out of poverty (reducing poverty by more than a third among families with children under the age of 13 paying for child care).[24] In addition, when more subsidies are available, more children receive child care and are in care of higher quality.[25] This is important for child

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well-being because high quality care can play a crucial role in helping improve school readiness and in narrowing gaps in readiness.[26]

But we also need to look at what government can do to help families where a parent is not working, or not able to work enough hours. A spell of unemployment, or challenges in finding a job or enough hours, could befall any of us, and it is the role of the safety net to buffer that instability. Public programs such as SNAP and private charities such as food pantries play a crucial role – but families also need cash to buy their children clothing and school supplies, and to pay rent and utilities. For this reason, virtually all our peer countries have some form of universal child allowance or child benefit, paid monthly (or more frequently) to all families with children.[27] Our Child Tax Credit is the closest policy the United States has to serving this role for many American families – but unfortunately leaves out the lowest income for whom it would have the biggest impact.[28] Indeed, 23 million American children (1 in 3) live in families who earn too little to receive the full Child Tax Credit of $2,000 per child authorized under the recent Tax Cuts and Jobs Act (TCJA).[29] This includes over half of Black and Hispanic children, the overwhelming majority (70%) of children in single parent households, 40% of young children under 6, and 42% of rural children.[30] Extending the Child Tax Credit to include the poorest families would move about 2 million children out of poverty (reducing child poverty by more than a fifth) and would move about 1 million children out of deep child poverty (family income below half the poverty line) (reducing it by more than a third).[31] This should be a high priority and it is encouraging that proposals to do so have received bipartisan support.

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In summary, while there is ample evidence about the critical role of current safety net policies like the EITC and SNAP as well as the efforts of charitable and philanthropic groups like Robin Hood, it is also clear that we need to do more. It is high time we joined our peers in providing paid family and medical leave, quality affordable child care, and a universal child allowance. These are not just vital supports for family economic well-being. They are also essential for the health and development of our children.

Testimony of Kristin Rowe-Finkbeiner

CEO/Executive Director and Co-Founder
MomsRising

Joint Economic Committee

Hearing on Making It More Affordable to Raise A Family
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Thank you, Chairman Lee and Vice Chairwoman Maloney, and members of the Joint Economic Committee for the opportunity to testify at this important hearing on Making it More Affordable to Raise a Family. I want to commend you for holding this hearing today because these issues are shaping our future, our country's future, and the futures of generations to come.

I'm Kristin Rowe-Finkbeiner, Executive Director/CEO of MomsRising, an organization with more than a million members, including members in every state in the nation, working to increase family economic security.

We are on the frontlines of the crisis facing families in America right now. Experts in this room, and around the nation, agree: It's getting more and more expensive to raise a family and that fact has dire consequences. [1] It doesn't have to be this way.

This crisis is born of policies that are outdated and that fail to address the realities of today's economy and the struggles working families face.

In good news, this crisis is solvable. We can update our policies. We can make change. And the policies MomsRising supports, that I will talk about shortly, will boost our families and our economy. So while our organization is named MomsRising, the work we do lifts dads, grandparents, people with all types of families, and of course moms.

The situation is urgent. At MomsRising we hear from people experiencing this crisis each day.

Stories like this one from Joan, *a working mother right here in our nation's capital dealing with high monthly costs of student loans, groceries, utilities, housing, and child care. Joan pays $1,170 per month for child care for her youngest child, plus additional funds for after-school care for her five-year-old, who is in public kindergarten.*

Joan and her family are far from alone in facing a crunch of compounded costs. In fact, it's so expensive to raise a family these days that one in six children in our country now live in food-insecure households. [2]

Take Jamie, from New Jersey, who reached out to us in 2017 when she was a pregnant mom. She worked part-time, only when her husband could be home, because they couldn't afford child care. Even though he had two part-time jobs, they struggled; and until they started getting

SNAP, their four-year-old and Jamie herself went without healthy food. It would come down to a choice: pay bills or buy groceries. If they chose to pay bills, they went without fruits and vegetables. And if their grocery bill went up, debt collectors would come calling.

Nobody who is working, let alone holding multiple jobs, should have to struggle to put food on the table. But too many families face stark choices like Jamie's. Too many families face steep, unmanageable costs:

- Housing costs, both rental and ownership, are now too high for far too many. One in three households are now paying more than 30% of their incomes for housing, and more than half are renters. [3] Home ownership -- a key source of wealth accumulation -- is now out of reach for a growing number of families because home prices have risen faster than wages in most markets. [4] When so much of your income has to cover housing, the regular costs of daily life, like feeding your family and paying utilities, become even harder to meet.

- The cost of education has also skyrocketed. College tuition has tripled since the 1980s. [5] While future earnings are significantly higher for those who graduate from college than for those who do not, [6] student debt now exceeds a trillion dollars with students, on average, carrying tens of thousands of dollars in debt when they graduate. [7] That is a huge burden for young families to shoulder.

- Child care costs are also sky high. In fact, child care now costs more than public college in most states [8] and Black and Latinx families often end up having to spend more of their annual income on child care than anyone else. [9] This is despite the fact that every parent needs safe enriching places to be so they can work, children need quality early education so they can thrive, and child care workers need to be paid living wages so they can succeed.

Let me tell you, too, about Meredith from Florida: *She and her husband planned for seven years before having children, but still ended up with student loans, health care, child care, and housing costs that made it hard to stay afloat. Their oldest is on the autism spectrum, and requires a separate health care plan, which doesn't cover many of his therapies and medications. Their student loans cost as much as a car payment. They paid $1,000 per month for child care and now that their kids are older, after-school care -- especially for a special needs child -- is expensive. They lived with her parents to save enough money to buy a home of their own, and even then it was difficult. Meredith says she never imagined that two people who did everything right would find it so hard to make ends meet.*

The writing is on the wall: Our country, our workforce, and our economy have changed, but our public policies haven't kept up. They are woefully out-of-date and families are suffering as a result.

The terrible truth is that, as costs have been rising, wages have been largely stuck for decades. In fact, over the past nearly 30 years, net productivity rose by 70%; but hourly pay stagnated. [10] Translated, this means wealth inequality is increasing, the benefits of productivity are only experienced by those few at the very top, and most people raising children in America are facing a financial crunch.

This situation can't be ignored. Data show that the bigger the gap gets between the rich and the poor, the less overall economic growth there will be. That, in turn, reduces economic security -- and hope. [11]

Inequality in all its forms is a too often silent, persistent, and pernicious crisis—and one that has disproportionate impacts. For instance, because of wealth inequality, one recent study found that a middle-class income doesn't directly correlate with middle-class economic security for everyone. For instance, white households earning an annual income between $37,201 and $61,201 owned eight times as much wealth as Black people in that same income bracket, and ten times as much as Latino people in that same income bracket. [12] The racial wealth gap is much bigger than the wage gap, and this affects whether whole communities are able to pay for things like college, time out of the labor force, retirement, starting a business, buying a house, passing down resources to children, investments, sabbaticals, and much more. [13] This is a big deal and one of many examples of why our fight for equity and equality must always be intersectional.

Suffice to say that the United States isn't doing well when it comes to addressing wealth and income inequality overall. In fact, the United States of America is now the third worst nation in terms of income inequality—after Chile and Mexico—among the Organisation for Economic Co-operation and Development countries. [14] Our high level of income inequality led MIT economist Peter Temin to assert that we're regressing to developing nation status. In 2017, Temin noted that the United States has largely become a two-track economy, with roughly 20 percent of our population educated and in good jobs, and 80 percent working in the low-wage sector with little hope of advancement. [15]

On top of this, women are being pushed even further behind by wage, hiring, and advancement discrimination: Women of all races on average are paid just 80 cents on the dollar [16]; and moms of all races experience increased wage discrimination, earning an average of just 71 cents to dad's dollar, with moms of color experiencing compounded wage discrimination due to structural racism. [17] This is happening despite the fact that there is a direct correlation between high levels of women in corporate leadership and higher profits—and despite the fact that promoting women often leads to outperforming the competition. [18]

The U.S. Census reported in 2018 that women, on average, earned just 80 cents to a man's dollar for all year-round full-time workers; [19] women of color, on average, experience significant increased wage hits: [20] Latina women earn only 53 cents; Native American women only 58 cents; Black women only 61 cents; and Asian women only 85 cents on average for every dollar earned by white, non-Hispanic men. And it should be noted that the broad data category of Asian women doesn't give the whole picture: [21] A closer look at the numbers inside that number, for instance, reveals that Burmese women are earning only 50 cents to a white man's dollar, Fijian women are earning 68 cents, and Laotian women are earning earn 58 cents. [22] And to get a closer picture of what's really going on in our nation, here are specific numbers [23] relating to moms: Latina mothers are paid just 46 cents; Native mothers are paid 48 cents; Black mothers are paid 54 cents; white, non-Hispanic mothers are paid 72 cents; and Asian/Pacific Islander mothers are paid just 92 cents for every dollar paid to white, non-Hispanic fathers.)

So what's happening with these wages? One series of studies painted a stark picture of hiring, workplace, and wage discrimination: Moms were hired 80 percent less often than women with equal resumes who didn't have children; and when moms were hired, they were offered salaries $11,000 lower on average than the salaries offered to non-moms. On the other hand, dads with equal résumés were offered $6,000 more than non-dads, [24] proving that the antiquated and false idea that only men need paychecks large enough to support their families persists, causing intense damage, and keeping many families poor and hungry. Studies have also shown that mothers are judged more harshly in the labor force, even when they have the same credentials as non-mothers. [25]

Discrimination is at work when it comes to the motherhood pay penalty. Michelle J. Budig, writing in Third Way, reports that the motherhood penalty, "Cannot be explained by human capital, family structure, family-friendly job characteristics, or differences among women that are stable over time...This motherhood penalty is larger among low-wage workers while the top 10% of female workers incur no motherhood wage penalty." [26]

Further, while moms overall across all races are paid just 71 cents to every dollar that dads are paid, [27] the discrimination in pay compounds for single moms and their children. Paid just 55 cents for every dollar paid to all fathers, [28] single mothers are among those who face the worst wage discrimination [29] in our nation. This impacts a tremendous and growing number of women and children. A study from Johns Hopkins University found that 57 percent of babies born to millennials were not born within a marriage. Technically these are "single mothers" by many people's definition, but that doesn't mean there isn't a partner present. These and other numbers demonstrate the extensive nature of deeply unfair pay gaps that women and moms are facing.

Unfair pay causes grave and lasting harm to those who are in low-income jobs in particular: Mothers in low-wage jobs are paid just 66 cents for every dollar paid to fathers in low-wage jobs; [30] and we can't forget that 90 percent of women earn less than $75,000 a year, and more than half of them earn less than $30,000 a year. [31] Too many women and moms are working hard, being paid unfairly, surviving paycheck to paycheck, and falling into poverty as they struggle to raise families and open doors for their children to thrive.

Families urgently need women's wages to make ends meet and to survive economically; as does our national economy. In fact, women became half of our country's full-time labor force for the first time in the last decade, [32] and three-quarters of moms are now in the labor force, more than half of whom are the primary breadwinners [33] for their families. Further, in our consumer-fueled economy, women and moms make nearly three-quarters of purchasing decisions. [34] That's a lot of consumer power. But it also means that when people aren't paid fairly and don't have funds to spend, our entire economy suffers.

On the other hand, when women are economically successful, so are men, and so is our overall economy: If women received pay parity, it would cut poverty by more than half for women and families, add $512.6 billion to our national economy, [35] and increase our gross domestic product by at least 3 percent. [36]

It's time to move our policies into the 21st century so women, families, and our economy can thrive. The lack of adequate federal economic security and equal pay policies harms working people who are paid unfairly, their families who count on their paychecks, and our nation's economy.

Not to be overlooked is that our mass incarceration policies further compound the economic harm to many families. The United States has the highest incarceration rate in the world [37] and 54 percent of inmates are parents with children under the age of 18. [38] Mass incarceration devastates family economic security in the short- and long-run, tears families apart, and hurts children and communities.

Congress needs to advance innovative solutions that make families stronger and also continue successful safety net programs like: Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for *Women, Infants, and Children* (*WIC*), the earned income tax credit (EITC), Child Tax Credit (CTC), Temporary Assistance for Needy Families (TANF), Head Start, Medicaid, and more. Each immediately injects funds into our consumer-fueled economy and allows people to buy the groceries and other basic goods and services they need to survive and thrive. For instance, for every $1.00 that goes into funding SNAP, our economy gets back $1.70. [39]

One thing is clear: Solutions are possible. Small changes and big change. It all adds up.

In good news, there is growing momentum for policy change that lifts families, businesses, and our economy alike. For instance, nine states and dozens of municipalities have passed paid family leave policies [40], and 50 locations across the nation have passed earned sick days. [41] Many states are also passing pay equity laws.

These wins include:

- New York, which passed a historic paid family and medical leave law that went into effect last year and was available to 8.5 million New Yorkers. [42]

- Massachusetts, which passed a strong pay equity law to stop the use of prior salary history in setting current pay so historic wage discrimination won't be compounded. The law also protects people from retribution for discussing wages with coworkers, which only a few states do. [43]

- Washington State, which passed the Childcare Access Now (CAN) Act to address child care affordability, quality, and workforce compensation. [44]

But to really move the needle, we need change at the federal level because when this many people are having the same problem at the same time, we don't have an epidemic of personal issues, we have national structural issues we can and must solve together. That's why we're pushing for:

- Paid family/medical leave for everyone in our nation

- Affordable, accessible, high quality child care
- Health care for all, including access to reproductive health care
- Paycheck fairness
- Earned sick days and reasonable accommodations for pregnant workers.
- Living wages, which means increasing the federal minimum wage and abolishing the tipped wage
- An end to mass incarceration, the school-to-prison pipeline, and child and family detention
- Expanded Earned Income Tax Credit (EITC) and Child Tax Credit (CTC)
- Investments in children and families including SNAP, Headstart, WIC, the school lunch program, child care assistance and more.
- Comprehensive gun policy reform to reduce the devastating costs of gun violence.

Advancing policies in these areas will be good for women, men, all family types, and the economy. The return on investments are high. For instance:

- Studies show for every dollar invested in child care, there is a return on investment up to $9.00; [45]
- A failure to make adequate affordable housing available now incurs greater costs for future generations; [46]
- Advancing paid family medical leave and earned sick days, which most other nations have done, increases work productivity and retention, decreases mortality, and state studies show paid family medical leave could save approximately 40% in TANF and SNAP costs; [47]
- On average, adults with a college degree earn $920,000 more than those without one during their lifetimes; [48]
- Studies also show that advancing economic security policies like paid family/medical leave and affordable child care help lower the wages gaps between women and men, moms and non-moms. [49]

Adopting these policies isn't just the right thing to do for our families, it's the smart thing to do for our economy.

We need to attack the challenges from multiple angles – better, fairer wages, updating our outdated policies, and making basic necessities more affordable. We need to move quickly to pass the FAMILY Act, the Childcare for Working Families Act, the Working Families Tax Relief Act, the MOMS Act, the Healthy Families Act, and the Maternal CARE Act; as we also raise the federal minimum wage and have it cover all workers, ensure everyone has access to health care coverage, make college and housing affordable, and more.

Our to-do list is long, but we are up to the challenge because these solutions don't just lift families, they lift our nation. When we update our outdated policies to address today's realities and economy, we all win.

We can, and we must, make it more affordable to raise a family in America -- and together we will.

Thank you.

***ENDNOTES:**

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QUESTION FOR THE RECORD FOR DR. WALDFOGEL SUBMITTED BY SENATOR KLOBUCHAR

There is a national shortage of affordable, quality child care, especially in rural communities. While many families struggle to find access to available child care, states are continuing to experience a noticeable decline in the number of child care providers, leading to the expansion of "child care deserts." My Child Care Workforce and Facilities Act would provide competitive grants to states to train child care workers and build or renovate child care facilities in areas with child care shortages.

- **In your testimony, you note that existing Federal child care policies are ineffective and consist primarily of subsidies that reach only about 15 percent of eligible low-income families. Can you tell us more about how new Federal policies, including policies that seek to increase the supply of affordable, quality child care, can help fill this gap?**

Thank you for this question and for your leadership on this important issue. The tensions between child care affordability, quality, and access create difficulties for providers as well as consumers. Quality child care is expensive—and the reality is that low- and middle-income families cannot afford it without some kind of subsidy. But subsidies are very limited and in the absence of subsidies, many families have no choice but to use informal care or no care. The high cost of quality care also creates pressures for providers—so we should not be surprised to see many of them closing or cutting back. Yet families need quality, affordable, and accessible child care if parents are to work and if children are to be ready for school. So initiatives like yours to provide competitive grants to states to train child care workers and build or renovate child care facilities in areas with shortages are very much needed.

QUESTION FOR THE RECORD FOR MS. ROWE-FINKBEINER SUBMITTED BY SENATOR KLOBUCHAR

Over the past few decades, the cost of raising children has gone up much faster than most Americans' wages. If we are going to build a stronger middle class, we need to make sure that Americans can work their way into it, which is why I support increasing the Federal minimum wage to $15 an hour.

- **Based on your research into this issue, how would you expect an increase in the minimum wage to impact childhood development outcomes?**

Study after study show that an increase in the minimum wage would significantly improve child development outcomes. The harm poverty causes to children is particularly damaging—and long lasting. Children in families in poverty are at a greater risk for lower IQ, poor academic achievement, developmental delays, and socioemotional and behavioral problems.[1] This is underscored by a recent review of studies on the link between family income and child outcomes, which found overwhelming evidence that higher household income results in positive child development, including higher educational attainment.[2]

Why are children helped so much by an increase in the minimum wage? Two-thirds of all minimum wage earners are[3] women; and women—particularly women of color and moms—not only face wage, hiring, and advancement discrimination but are also at the epicenter of a huge crisis in our Nation related to wealth inequality and our rapidly shifting work structures, all of which significantly and negatively affects children since more than 80 percent of women in our Nation become moms.

As a frame of reference, only 10 percent of all women in the labor force earn $75,000 or more annually, which means 90 percent of all working women earn less. In fact, 31 percent of women are in the next lower wage bracket, earning between $30,000 and $74,999 annually, and the majority of working women (59 percent) earn less than $30,000 annually.[4]

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An impossibly low minimum wage is contributing to the appalling fact that one in every 30 children is homeless in the United States right now.[5]

Too many women and families are struggling to get by and raise children in a changing economy where wealth inequality is expanding and the fastest growing job sectors are in low-wage industries, so raising the minimum wage is urgent for children, women, and families.[6] These job sectors include retail, food service, and direct-care industries (which employ domestic workers and the people taking care of homes, children, and elders). It should be noted that domestic workers face incomplete coverage in the Fair Labor Standards Act and too often lack benefits and fair pay, which also urgently needs attention.

In addition to the rapid expansion of low-paying jobs, the "gig economy"—the short-term contract work replacing full-time positions—as well as disruption across industries, automation, and a shift from holding one or two jobs in our lives to many all demonstrate how work has changed for most Americans.

Because of these shifts, and as the Federal minimum wage has remained stagnant, fewer and fewer women, moms, and families have access to economic protections that also cover children like job-based retirement income, health care, and other traditional employer-linked benefits that help stabilize economic security and open avenues for children to thrive. The need for universal protections and benefits that stay with the worker instead of being tied to a specific workplace, which everyone—at every wage level—can access, is also becoming increasingly urgent. This urgency is partly because jobs within the growing "gig economy" are largely missing these crucial protections. It's also because today, the lower the wage someone earns at their job, the less likely that person is to have access to necessary workplace protections like earned sick days, paid family/medical leave, adequate health care coverage, and affordable childcare. These protections are a given in most other industrialized countries.

We are in a perfect storm. Shifting work structures, stagnant minimum wages, and a damaging lack of workplace benefits and protections are happening at the very same time families need women's incomes to fuel their budgets and as female-dominated, low-wage jobs are among the fastest-growing employment sectors in our economy.[7]

Increasing the minimum wage for everyone, and having one fair wage that includes tipped workers, is absolutely necessary to combat poverty in children and families, as well as to increase the health and success of children:

- Studies find that as the minimum wage is increased, birth weight is also increased, primarily because of increased gestational length and fetal growth rates.[8]
- Studies show that economic hardship increases parents' stress and reduces their quality time with children.[9]
- All aspects of child development have been shown to have better outcomes when parents make living wages and can provide children with quality health care and child care, access to education, and support for their basic needs.[10]

Further, increasing the minimum wage would not only have clear benefits for millions of children and low-wage workers, it would also strengthen our overall economy, especially since our economy and workforce are shifting quickly.

As another frame of reference, in 2019 the Federal minimum wage is still stuck, as it has been since 2009, at the deplorably low rate of $7.25 per hour,[11] or $15,080

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[5] *https://www.air.org/center/national-center-family-homelessness#targetText=A%20staggering%202.5%20million%20children,children%20in%20the%20United%20States*.

[6] "The 10 Fastest Growing Jobs," U.S. Department of Labor Blog, March 15, 2015, *https://blog.dol.gov/2015/03/15/the-10-fastest-growing-jobs*. "Occupations with the Most Job Growth," Bureau of Labor Statistics, United States Department of Labor, updated October 24, 2017, *https://www.bls.gov/emp/ep_table_104.htm*.

[7] "The 10 Fastest Growing Jobs," U.S. Department of Labor Blog, March 15, 2015, *https://blog.dol.gov/2015/03/15/the-10-fastest-growing-jobs*. "Occupations with the Most Job Growth," Bureau of Labor Statistics, United States Department of Labor, updated October 24, 2017, *https://www.bls.gov/emp/ep_table_104.htm*.

[8] *https://www.nber.org/papers/w22373 https://www.nytimes.com/interactive/2019/02/21/magazine/minimum-wage-saving-lives.html*.

[9] *https://www.nytimes.com/interactive/2019/02/21/magazine/minimum-wage-saving-lives.html https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5966045/*.

[10] *https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5966045/*.

[11] "Minimum Wage," U.S. Department of Labor, 2017, *https://www.dol.gov/general/topic/wages/minimumwage*.

per year for a person who works full-time year-round with no breaks. And the Federal minimum wage for tipped workers is just $2.13 per hour. Nearly half of all current minimum wage workers have had some college experience or an associates degree. One in ten minimum wage workers has a bachelor's degree or higher. Only 20 percent of minimum wage workers are teens.[12] The scale of the income inequality crisis overall is illustrated by the fact that 50 percent of all working people in our Nation make $17.81 per hour or less,[13] which means that a large number of people are holding low-wage jobs.

Think about those low numbers. Remember that women are currently 42 percent of all primary breadwinners for families and that three-quarters of moms are in the labor force contributing to the family income.[14] Particularly with women making up nearly two-thirds (64 percent) of minimum wage workers,[15] raising the minimum wage would be a good start on the road to addressing the income inequality and poverty that women face, to break through the barriers holding children back, and to boosting our economy.

But hold onto your hats, because the data gets even more troubling: The Federal minimum wage for tipped workers is just $2.13 per hour, and over half of tipped workers are women, disproportionately women of color, and over a quarter are moms. Tipped workers haven't seen a raise in the Federal wage since 1991.[16]

To be clear, as raising the minimum wage lifts children, it also boosts the economy, not the other way around. For instance, studies show that gradually raising the minimum wage to $15 by 2024 would directly lift the wages of 22.5 million workers and affect another 19 million workers who would benefit from a spillover effect. All in all, raising the minimum to $15 in 2024 would directly or indirectly lift wages for 41.5 million workers, or 25 percent of the projected labor force in 2024,[17] which is a significant boost to our consumer-fueled economy.[18],[19] Further, because low-paid workers have to spend much of their extra earnings fairly quickly on the necessities of day-to-day life, including on raising children, this injection of wages would increase consumer spending, which would help stimulate the economy and spur greater business activity and job growth.[20] In fact, a study from UC Berkeley Labor Center found that the poverty-level wages paid by employers cost U.S. taxpayers $152.8 billion each year in public support for working families who otherwise would not be able to put food on the table.

In addition, by raising workers' wages, fewer people will have to depend on programs like SNAP and fewer children would go hungry.[21] This is critically important because 11 million children in the U.S. face hunger right now, impeding their ability to grow and thrive.[22]

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[12] "Characteristics of Minimum Wage Workers, 2016," BLS Reports, Bureau of Labor Statistics, U.S. Department of Labor, updated April 2017, *https://www.bls.gov/opub/reports/minimum-wage/2016/home.htm*.

[13] "May 2016 National Occupational Employment and Wage Estimates United States," Bureau of Labor Statistics, U.S. Department of Labor, updated March 31, 2017, *https://www.bls.gov/oes/current/oes_nat.htm#00-0000*.

[14] Wendy Wang, Kim Parker, and Paul Taylor, "Breadwinner Moms: Mothers Are the Sole or Primary Provider in Four-in-Ten Households with Children; Public Conflicted about the Growing Trend," Pew Research Center, May 29, 2013, *http://www.pewsocialtrends.org/2013/05/29/breadwinner-moms*. Sarah Jane Glynn, "Breadwinning Mothers Are Increasingly the U.S. Norm," Center for American Progress, December 19, 2016, *https://www.americanprogress.org/issues/women/reports/2016/12/19/295203/breadwinning-mothers-are-increasingly-the-u-s-norm*.

[15] "Characteristics of Minimum Wage Workers, 2016," BLS Reports, Bureau of Labor Statistics, U.S. Department of Labor, April 2017, *https://www.bls.gov/opub/reports/minimum-wage/2016/home.htm*.

[16] "On 25th Anniversary of Last Tipped Minimum Wage Increase, Prominent National Advocacy and Research Groups Call for Nation to Adopt One Fair Wage for All Workers," ROC United, March 31, 2016, *http://rocunited.org/25th-anniversary-2-13*.

[17] "Labor Force Projections to 2024: The Labor Force is Growing, But Slowly," Monthly Labor Review, Bureau of Labor Statistics, U.S. Department of Labor, December 2015, *https://www.bls.gov/opub/mlr/2015/article/labor-force-projections-to-2024.htm*.

[18] David Cooper, "Raising the Minimum Wage to $15 By 2024 Would Lift Wages for 41 Million American Workers," Economic Policy Institute, April 26, 2017, *http://www.epi.org/publication/15-by-2024-would-lift-wages-for-41-million*.

[19] Economic Policy Institute, "It's Time to Raise the Wage," April 23, 2015, *http://www.epi.org/publication/its-time-to-raise-the-minimum-wage*.

[20] David Cooper, "Raising the Minimum Wage to $15 By 2024 Would Lift Wages for 41 Million American Workers," Economic Policy Institute, April 26, 2017, *http://www.epi.org/publication/15-by-2024-would-lift-wages-for-41-million*.

[21] Ken Jacobs, Ian Perry, and Jenifer MacGillvary, "The High Public Cost of Low Wages," UC Berkeley Center for Labor Research and Education, April 2015, *http://laborcenter.berkeley.edu/pdf/2015/the-high-public-cost-of-low-wages.pdf*.

[22] *https://www.feedingamerica.org/hunger-in-america/child-hunger-facts*.

One study showed that raising the minimum wage would create 140,000 new jobs (or more).[23] The Federal Reserve Bank of Chicago says a raise in the minimum wage would help our economy by increasing household spending nationwide by roughly $48 billion. That's enough to move the needle on our gross domestic product.[24] It's clear that raising the minimum wage boosts children, families and our economy. (It's no coincidence that Seattle, the city with the highest minimum wage in the country—approaching $15 per hour—also has the Nation's highest job growth. And that with Maine's voter-approved minimum wage increase in 2017, 10,000 Maine children were lifted out of poverty.[25])

It's long past time to raise the minimum wage. Millions of children have parents who would benefit if the Federal minimum wage was raised[26]—and those children would benefit significantly too. The evidence is strong that child development outcomes would improve with a higher minimum wage. Now is clearly the time to act.

Thank you.

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[23] David Cooper and Douglas Hall, "Raising the Federal Minimum Wage to $10.10 Would Give Working Families, and the Overall Economy, a Much-Needed Boost," Economic Policy Institute, March 13, 2013, *http://www.epi.org/publication/bp357-federal-minimum-wage-increase*.

[24] Cameron Davis, "Study: A Minimum Wage Hike Would Stimulate the Economy," Think Progress, July 8, 2013, *https://thinkprogress.org/study-a-minimum-wage-hike-would-stimulate-the-economy-f02ca75732fc*.

[25] *https://www.mecep.org/wp-content/uploads/2018/09/Minimum-Wage-Child-Poverty-092418.pdf*.

[26] *https://www.epi.org/publication/raising-the-federal-minimum-wage-to-15-by-2024-would-lift-pay-for-nearly-40-million-workers/*.