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As Cost of Child Care Rises Sharply, Here's How Some Families Are Coping

Some working parents may view news about surging college tuition with a touch of irony: Many are already paying more than that for their 2-year-old's child care.

The cost of child care has been rising at about 3% to 8% annually for several years, outstripping overall inflation. The average annual cost of a live-in nanny is now \$27,664, according to the International Nanny Association. That's more than one-third higher than a year's tuition at a private college, based on new data from the College Board.

Family child-care homes -- where people take their kids to someone else's home to be watched -- average as high as \$9,100 a year per child, based on interviews with providers. And child-care centers cost over one-third more than a public college, at an average \$7,020 a year, according to soon-to-be-released data from Runzheimer International. That compares with an average \$5,132 for a year's tuition at a public college.

DESPERATE MEASURES

How some parents manage rising child-care costs

- **Share a nanny** with another family
- **Barter** vacation time, flexible schedules and other perks in return for lower salaries
- Take out a **home-equity loan**
- **Eliminate other expenses**, such as new cars or vacations
- Borrow from **college savings**
- Ask for **tax-free gifts** from grandparents
- Start a **sideline business**
- Hire a nanny who lacks a drivers' license, and cover transportation needs by **carpooling**
- Have only **one child**

The trend reflects no less than a revolution in attitudes among parents, who are increasingly willing to pay up for quality child care and to beg or borrow to do so. And the stage is set for continuing cost increases: Growth in child-care centers is stagnating, largely because of stepped-up regulation and quality standards and rising liability-insurance rates.

Parents are going to extremes to cover the costs. Interviews and e-mail exchanges with parents during the past week suggest families are diverting money from college-savings accounts into child care, asking for help from their parents, taking out home-equity loans and starting sideline businesses to pay child-care bills. Others are sharing a nanny, allowing their nannies to bring their own kids to work, or bartering use of a vacation home, a car or even the family riding horse in order to lower salaries.

Anne Brosnahan and her husband started a college-savings fund for their future children right after they were married in 1994. But after touring child-care centers seven years later following the birth of their first child, the couple diverted the money to pay for the best child-care center they could find, a Bright Horizons center in Cupertino, Calif.

"We realized that the first years of life are the foundation" for all the education that follows, Ms. Brosnahan says.

The cost of a child-care center, the most common form of nonfamily care, rose 3.2% last year to an average \$585 a month for a 3-year-old, according to a 140-city survey by Runzheimer. The gains are sharper in some cities; fees surged 15% during the past year in Chicago. Runzheimer, a relocation-consulting firm, projects another increase of about 4% in child-care center costs in 2005.

Family child-care homes average roughly \$80 to \$175 a week, but can rise as high as \$285 to \$300 a week, based on interviews with providers, who typically take children into their own homes. These fees are rising at about 5% a year.

Nannies cost an average \$532 a week for a live-in setup, and \$590 a week for live-out, according to a survey by the International Nanny Association. That reflects average annual increases of roughly 6% to 7.5% for each of the past three years.

Parents are increasingly well-informed about which attributes of child care are worth paying up for. A relationship with caring adults tops the list. Specifically, in child-care centers, parents should be looking for low staff turnover, class size and child-teacher ratios, and a high percentage of teachers with degrees or training. An ideal nanny is experienced and trained, with good references and a clean background check. In family child care, the provider's experience and commitment, as gauged by training and participation in professional groups, are linked to quality of care.

Parents are finding new ways to manage the cost. One single mother, a Philadelphia project manager, says her parents make tax-free gifts to both her and her daughter each year so she can afford to pay a nanny \$14 an hour to care for her baby daughter. James Lange, a Pittsburgh estate-planning attorney and accountant, says a growing number of parents are doing this; grandparents can give a maximum \$11,000 each to each family member without incurring gift tax.

Emily Smith-Lee, of Sharon, Mass., and a neighboring family share the \$600-a-week cost of a nanny for their four children, ages 5 through 8. The nanny and kids go back and forth between the two houses; she spends most of her seven-hour workday with the two kindergarteners, and cares for the other two after school. The hardest part so far has been finding a nanny willing to work for two families, says Ms. Smith-Lee, who turned to an agency to find hers.

In another case, a family was able to hire a nanny for a lower salary by giving her free access to the family riding horse, says Helen Riley-Collins of In-House Staffing at Aunt Ann's, a San Francisco agency. Elizabeth Dameron-Drew, a Redwood City, Calif., recruiter, saves about 20% on child-care costs by allowing the nanny to bring her own little boy to work with her.

Other cost-cutting techniques fall into the category of cheap tricks to avoid. Paying child-care workers under the table not only violates tax laws, but also ultimately cheats the provider out of Social Security benefits, unemployment insurance and other safety nets.