

# Pueblo's Potential

## How Free Child Care Breaks Down Barriers

The high price of child care forces many Coloradans who earn low incomes to choose between their work and family. This barrier to work is especially pronounced for families with young children in Pueblo, many of whom earn lower incomes and have lower levels of employment than parents in other areas of the state.

Pueblo's lower wages and relatively high child care costs compound the issue by dragging down employment and incomes. Affordable or free child care could help apply the same economic benefits of school earlier in a child's life.

An analysis of American Community Survey (ACS) data by the Colorado Fiscal Institute (CFI) determined that parents work more, earn more, and are less likely to live in poverty once their children enter school at age 6.

Our statistical analysis found:

- Once a child of a single parent in Pueblo goes to school, **the parent's weekly work hours increase by 9.3 percent, their household income increases by \$10,000, and their likelihood of employment increases by 15 percent.**
- There are 1,433 single-parent households in Pueblo with children aged 2-5 whose poverty rate is currently 46 percent. If all those single parents received free child care, we'd expect **200 parents would move above the poverty line and each parent would see their incomes grown by \$10,000.** That would be an injection of \$14.3 million annually into the Pueblo economy.
- **For two-parent households, free child care correlates with an increase in household income of \$5,200.** There are 4,073 two-parent households with kids 2-5 in Pueblo. If those parents had access to free or affordable child care, it would inject \$21.2 million a year into Pueblo's economy.
- **A \$35.5 million injection in household income in Pueblo would create 200 jobs.** Our input/output model predicts the biggest industry benefiting from extra household income would be the restaurant industry that would generate 35 jobs as those parents would spend their additional money around Pueblo.
- Many of Pueblo's most common occupations do not pay workers enough to make child care cost-effective. **A worker in Pueblo would need to earn at least \$14.25 an hour to cover the average hourly cost of child care, which is far above the average wage in many jobs.** Occupations like desk clerks and housekeepers, which are overwhelmingly filled by woman, pay even lower wages and help explain the higher percentage of unemployed female spouses in Pueblo.
- Pueblo's poverty rate of 17.3 in 2017 was nearly double the state rate of 9.6 percent, but 46 percent of single parents with kids under 6 are in poverty. **That rate drops to 32 percent once their kids turn 6. Poverty levels also drop for Pueblo's two-parent households when their children reach age 6, falling from 16 to 10 percent.**

## Many of Pueblo's Jobs Don't Pay Enough to Make Child Care Worth it:

Child care is typically determined to be affordable when it is less than 10 percent of a household's budget. Child care costs that exceed 10 percent of household income lead to declining employment and wages. In Colorado, studies have shown that the high cost of child care has kept it out of reach for many families. A March 2020 study showed the average cost of infant child care in Colorado exceeded the average income by 31 percent (\$15,600 in costs vs \$50,960 in income on average)<sup>1</sup>. This puts the cost of early child care out of reach for most Colorado parents.

Instead of household income, CFI compares child care costs to wages. Both cheaper child care and higher wages makes working more valuable. To illustrate the thought process of deciding whether to work and pay for child care or not work at all, we compare hourly child care costs to hourly wages in occupations across Colorado. We wanted to get at a central question parents across the state are asking themselves all the time: "Should I work an hour and pay for child care or should I just be with my kids instead?"

*Some studies have shown that lower child care costs are associated with higher employment among moms with young kids, which helps to boost families' incomes.*

In 2017, caring for a child aged 18-36 months cost an average of \$34 a day or \$4.25 per hour in Pueblo. To ensure a take-home wage of \$10 an hour (the minimum wage in Colorado was \$9.30 in 2017), a worker in Pueblo would need to make at least \$14.25 an hour to cover child care costs. To give this wage threshold some context, the self-sufficiency wage (amount of income required for a family to meet basic needs) for a single parent with a preschooler in Pueblo is \$17.60 an hour (\$37,181 annually). This wage threshold of \$14.25 used a comparison figure to determine which jobs net more than roughly the minimum wage once child care costs are netted out.

Many of the occupations that employ the most Pueblo residents don't pay enough to make child care cost-effective:

- The median wage for a cashier in Pueblo was \$10.05 in 2017. The \$4.25 per hour cost of child care leaves the employee with \$5.80 per hour in wages—far below the minimum wage. There were 1,740 cashiers in Pueblo in 2017 and most of them are women.
- The median hourly wage for a personal care aide—there are 1,340 of them in Pueblo—was only \$9.77 in 2017. If a personal care aide had to pay child care costs in order to work that hour, they'd only net \$5.52 per hour.
- Food Preparation and Serving is one of the biggest occupations in Pueblo with 2,130 workers in 2017, yet their median wage was only \$9.51 per hour. If that food worker had to pay \$4.25 per hour for child care, they would only net \$5.26 per hour.
- There are 2,200 retail workers in Pueblo whose median hourly wage was \$11.33 in 2017. Only the highest-paid 30 percent of retail workers in Pueblo make enough to maintain at least minimum wage after paying for child care.

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<sup>1</sup> "What to Grow Colorado's Economy? Fix the Childcare Crisis" Sandra Bishop-Josef, Michael Cooke, Tom Garrett (March 2020)