Insight

Childcare and Returning to Work

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Executive Summary

- Many parts of the United States faced a shortage in childcare before the pandemic, but the drop in demand for childcare services during the pandemic and capacity constraints as childcare centers reopen are creating a childcare crunch that threatens the ability of many workers to re-enter the labor force.
- The policy responses to childcare capacity constraints during the pandemic have involved paid family leave and cash infusions to childcare businesses, but these policies do not increase the childcare capacity in the United States and offer only short-term solutions.
- Policymakers should ensure that any childcare policy offers maximum flexibility to parents and businesses as they look for creative ways to address the childcare shortage.

Introduction

While states are reopening their economies and many individuals are returning to work, many parents are facing a particular challenge: childcare. Prior to the COVID-19 pandemic, there was already a shortage of childcare in parts of the United States, but the lockdowns have created added strain for care providers and families. In the early months of the pandemic, the workers who could were working from home and others were furloughed or laid off, leading to a drop in demand for childcare services that has cause some childcare businesses to close. As more individuals go back to on-site work, the demand for childcare will increase, but government restrictions and business closures over the last several months mean that the necessary supply may not exist immediately. Further, some schools could remain closed for the fall and many typical summer care options are unavailable, further limiting parents' ability to return to work. The result of the childcare crunch will be

a hampered economic recovery.

Policymakers are aware of these problems, and a combination of longstanding policies and new policies in response to the pandemic promise to help alleviate the problem. But the fundamental challenge is a mismatch between constrained supply and now-rising demand, and more government spending cannot solve this problem. Instead, policymakers should aim to provide parents the greatest amount of flexibility possible to find the best childcare to meet their needs.

Demand for Childcare

Estimating the demand for childcare is challenging under normal circumstances. Many families use a patchwork of options such as childcare centers, home-based care, informal care from other family members, and caring for their own children. The ongoing pandemic only complicates any efforts to calculate demand, although with the widespread layoffs and remote work, the current demand is likely lower than when the economy was fully open. 2019 data on working families can provide an idea of the scope of the potential demand for childcare as more businesses reopen and individuals return to work.

Dual-earner households and single-parent households where the parent is employed are likely to need childcare of some form. According to 2019 Bureau of Labor Statistics and Census survey data, 9 million households that fit these characteristics have children under the age of six, and 21 million have children under 12.[1] In other words, the typical demand for non-parental childcare could number between 9 million and 21 million households, or 15 to 30.6 million people, once all businesses begin to reopen.

Due to job losses, remote work, cut hours, and the general public health crisis, demand for childcare dropped off drastically during the pandemic. A survey by the Bipartisan Policy Center between March 21st and April 4th found that about 54 percent of households with children under 5 years old did not need childcare support because there was a parent at home or family member who could care for the child.[2] Only 7 percent of respondents said that they did not need child care because their situation had not changed.

The pandemic has led a significant portion of these individuals to stop sending their children to childcare, but the economic uncertainty is also likely depressing demand in another way: prohibitive costs. The average cost of care ranges state by state, with the monthly cost of care for a four year old in Mississippi being $399 and $1,593 in the District of Columbia.[3] According to Census data, the average number of children under 12 per household is 1.35.[4] The average annual cost for formal child care in the United States is around $9,600 per child, meaning that the average family can expect to pay around $12,960 a year, or

$1,080 a month.[5] These costs are almost certainly prohibitive in a time of economic contraction, particularly for those on the lower end of the income spectrum. According to a report by the Federal Reserve, as of early April around 40 percent of Americans making under $40,000 lost work due to the pandemic.[6]

Supply

Childcare supply was already limited prior to the pandemic. In 2018, over 50 percent of families lived in an area where the ratio of children under 5 years old to cumulative childcare capacity was 3 to 1. The lack of reliable care creates a serious labor force problem, particularly for women who are more likely to take on care responsibilities.

The COVID-19 pandemic is only exacerbating this problem. Due to significantly lower demand, many care centers have had to close, some permanently. The National Association for the Education of Young Children reported that 63 percent of respondents could not survive a closure for more than a month.[7] As of May 1st, The National Association for the Education of Young Children and the Early Care and Education Consortium found that daily childcare attendance went down by more than 70 percent and that several providers could only remain open for one more week before needing to close, some permanently.[8]

The few places that have started to reopen or haven't closed and are particularly well equipped for the current moment are small localized home-based childcare. This specific style of care, however, is not widespread and has been declining over the past several years. Nearly half of home-based childcare businesses in the United States have closed since 2005, and the pandemic is likely putting additional strain on these small businesses.[9]

Now with the pandemic, parents are likely unwilling to have their children at a center or another person's home with other children and adults given the pandemic. Access to more personalized care is also a challenge. Nannies and babysitters may not be comfortable returning to a job where they are regularly in and out of people's houses. Local and state governments are also limiting the number of children that childcare centers can hold, as well, further constricting supply. Florida, for example, is limiting the number of people in a classroom group to 10.[10]

The other supply avenue for care comes from schools. Having children in school significantly relieves the childcare burden. Due to the pandemic and state stay-at-home orders, however, most schools across the country closed before the end of the academic year with only a handful reopening in select counties of Idaho, Nebraska, Montana, and Wyoming.

Looking forward, there is still uncertainty surrounding whether schools will be open for the

fall. Many states have either not made a definitive decision on school reopening or are beginning to explore how opening could be done safely alongside developing remote learning options. Continued school closures in the fall could be a serious problem that would disproportionally affect workers who need to work but may not be able to afford childcare. Low-wage workers may not be able to afford a typical childcare center so are faced with providing care on their own at the expense of work. [11]

Policy Interventions

A range of policies, from longstanding leave policies to new paid leave and cash infusions in response to the pandemic, do offer some help, particularly in the short term. These policies, however, are likely not sufficient for the longer-term childcare crunch that this country is facing.

Some of the childcare shortfall could be addressed through pre-pandemic employer-provided paid leave policies, but these are only a short-term solution. Even the most generous policy cannot replace regular, consistent, and reliable care or replace what schools provide. Further, given that only 60 percent of workers can receive (unpaid) leave under the Family and Medical Leave Act and even fewer are inclined to take that unpaid leave, many families need to rely on non-parental care options, which range in cost and quality.

Anticipating the financial and enrollment problems that schools and care centers would face as a result of the pandemic, legislators included financial support for childcare centers in the third coronavirus relief bill. The Coronavirus Aid, Relief, and Economic Security (CARES) Act offered funding through a $3.5 billion Child Care and Development Block Grant (CCDBG). The majority of those funds have been allocated, but childcare centers, advocacy groups, and legislators argue that more support is needed, with some suggesting a childcare stabilization fund to provide immediate and ongoing assistance for providers.[12] Senators on both sides of the aisle recognize the childcare challenge and have introduced legislation to address it.

The problem, however, is that the current proposed plans would put more federal money into childcare without tackling the capacity issue. Additional funding cannot fix the persistent and now worsened supply problems—funding the existing centers that can now hold fewer children will not increase supply. To be sure, stabilizing the existing centers does have some virtue—it could prevent an even sharper drop in supply. But simply providing additional funding without structural system changes does not solve the capacity and supply problem.

What will almost certainly happen as a consequence of the childcare problem is an increase in the use of expanded paid family leave. The second coronavirus aid bill, the Families First Coronavirus Relief Act, granted expanded paid leave to all workers in firms with under 500 employees to be used for family leave, medical leave, and childcare leave. While the passage of the legislation was touted as a success, it remains largely untested. As states begin to reopen and parents struggle to find childcare, the system could see a spike in uptake. While paid leave could reduce some of the stress on working parents, it is still a temporary solution that would only provide a maximum of 12 weeks of relief. Further, the first two weeks would be at full wage replacement and the subsequent 10 at two-thirds pay, which may not be enough for low-wage workers.

The Need for Flexibility

Simply funding existing centers will not solve the underlying supply problem, and the federal government is not likely to create more childcare, no matter how much money it spends. While direct policy levers cannot fix this threat to the labor force, policymakers should not underestimate the capacity of civil society and the market. The challenge for policymakers will be to ensure that individuals and businesses have the flexibility they need to meet this challenge.

With formal childcare centers and schools struggling to recover, there has likely been a movement in many places toward informal care systems that rely on the help of relatives and friends for childcare. Given that many families are struggling financially and that childcare is rarely optional, especially in single-parent and dual-earner households, policies that allow families to have many childcare options would enable a smoother transition back into the work force and ensure that children are safe. To provide those options, policies should be designed cautiously so as not to crowd out either small formal care centers or informal care networks. That way families can look to cost-effective, community-based care if they prefer that style of caregiving.

Looking beyond the next few months, the market will adapt to this new reality. The mismatch between supply and demand will draw new entrants into the market, although these new entrants could take a very different form. Any new policies need to make space for that recovery to happen by not favoring one kind of childcare over another.

[1] https://www.bls.gov/news.release/famee.nr0.htm, https://www2.census.gov/programs-surveys/demo/tables/families/2019/cps-2019/tabf1-all.xls

[2] https://bipartisanpolicy.org/blog/nationwide-survey-child-care-in-the-time-of-coronavirus/

[3] https://www.epi.org/child-care-costs-in-the-united-states/#/DC

[4] https://www.census.gov/data/tables/time-series/demo/families/families.html

https://www2.census.gov/programs-surveys/demo/tables/families/2019/cps-2019/tabf1-all.xls

[5] https://www.marketwatch.com/story/child-care-costs-just-hit-a-new-high-2018-10-22

[6] https://www.federalreserve.gov/newsevents/pressreleases/other20200514a.htm

[7] https://www.usatoday.com/story/news/education/2020/04/05/coronavirus-daycare-child-care-center-essential-cares-act-unemployment/2946710001/

https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/effects_of_coronavirus_on_child_care.final.pdf

[8] https://www.naeyc.org/about-us/news/press-releases/without-immediate-relief

[9] https://www.citylab.com/equity/2020/03/coronavirus-daycare-closed-home-child-care-business-covid-19/608956/

[10] https://www.abcactionnews.com/news/region-pinellas/florida-childcare-providers-say-theyre-struggling-to-remain-open-amid-new-reopening-restrictions

[11] http://www.pewresearch.org/fact-tank/2015/10/01/women-more-than-men-adjust-their-careers-for-family-life

[12] https://childcarerelief.org/child-care-recommendations-for-congress/