

# Early Childhood Education's Role in Strengthening the Economy and Families

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\*These are my own views and not necessarily those of the Federal Reserve Bank of St. Louis, the Federal Reserve System, or the Board of Governors.

# Executive Summary

1

Child care is a necessary service for many working parents, especially mothers.

2

Yet, it is largely unaffordable and faces various challenges, including accessibility.

3

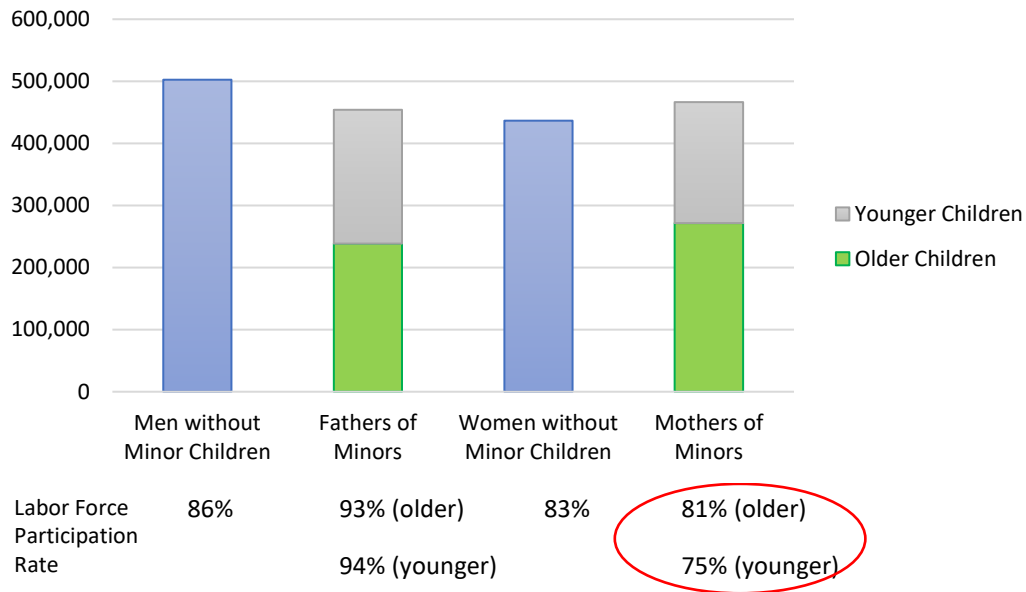
COVID-19 exacerbated many issues in the early care and education sector.

4

Child care is an economic imperative and has widespread social and economic benefits.

# Economic Fact Base

Prime-Age Missourian Workers



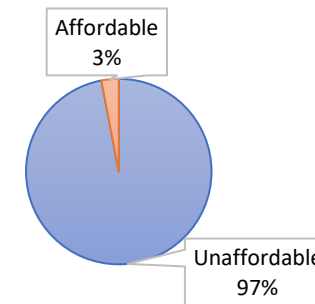
## 1. Child care is a key support for Missouri's workforce

- Half of Missouri's prime-age workforce are parents of minors
  - 45% of them have young children (ages 0-5)

## 2. Child care is especially critical for mothers

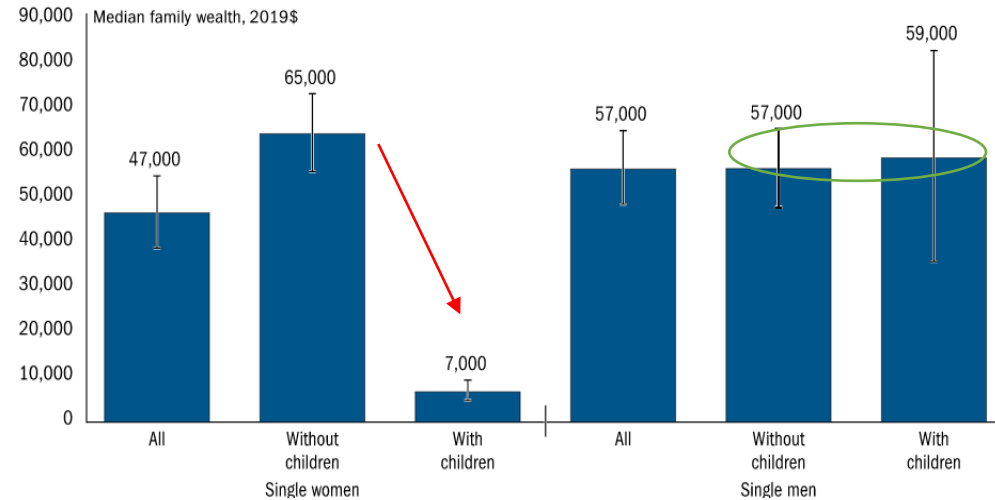
- Yet it is unaffordable for many

Single moms



Sources: Current Population Survey, 2021, IPUMS microdata and Kent's calculations; Survey of Consumer Finances 2019 and Kent's calculations.

Figure 1. Wealth for single mothers was very low in 2019



## Income and Wealth

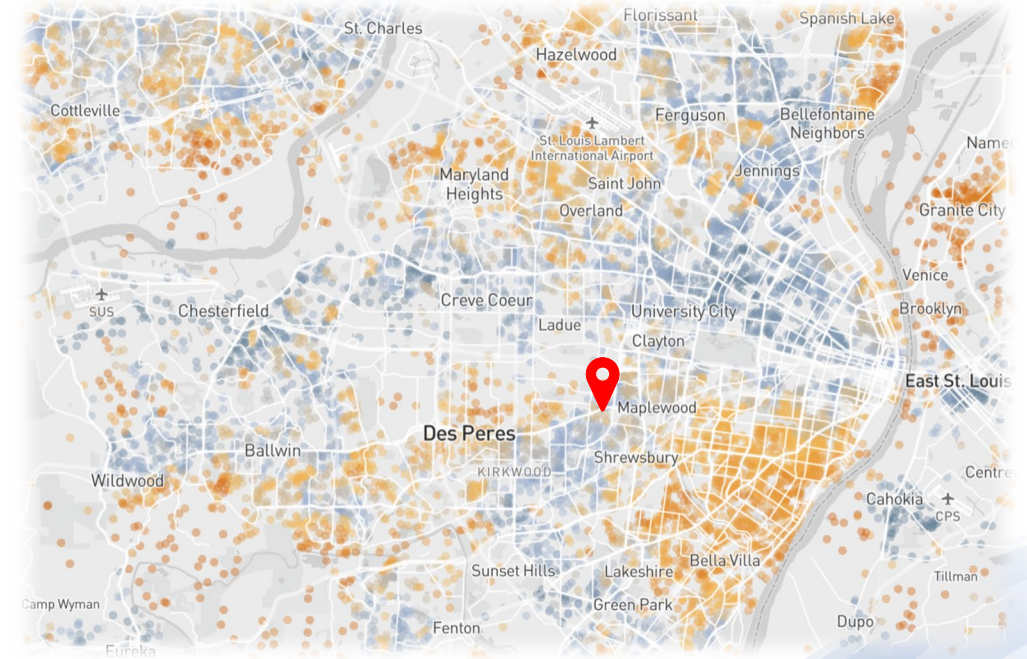
- **Motherhood wage and wealth penalty**
  - Mothers (working full-time) earn \$0.75 cents per dollar earned by fathers
  - Single mothers have ~11 cents per every \$1 of wealth held by single women without children
- Mothers are overrepresented in low-wage jobs with less access to wealth-building workplace benefits
- Financially insecure – 1/3 of single mothers wouldn't have been able to handle a \$400 emergency expense in 2019



# 54%

*“A lot of times with the hours with most of the daycares just doesn't fit for the type of work that I do.” – Suburban Black parent, one child under 5, Federal Reserve study*

## Child Care is Hard to Find



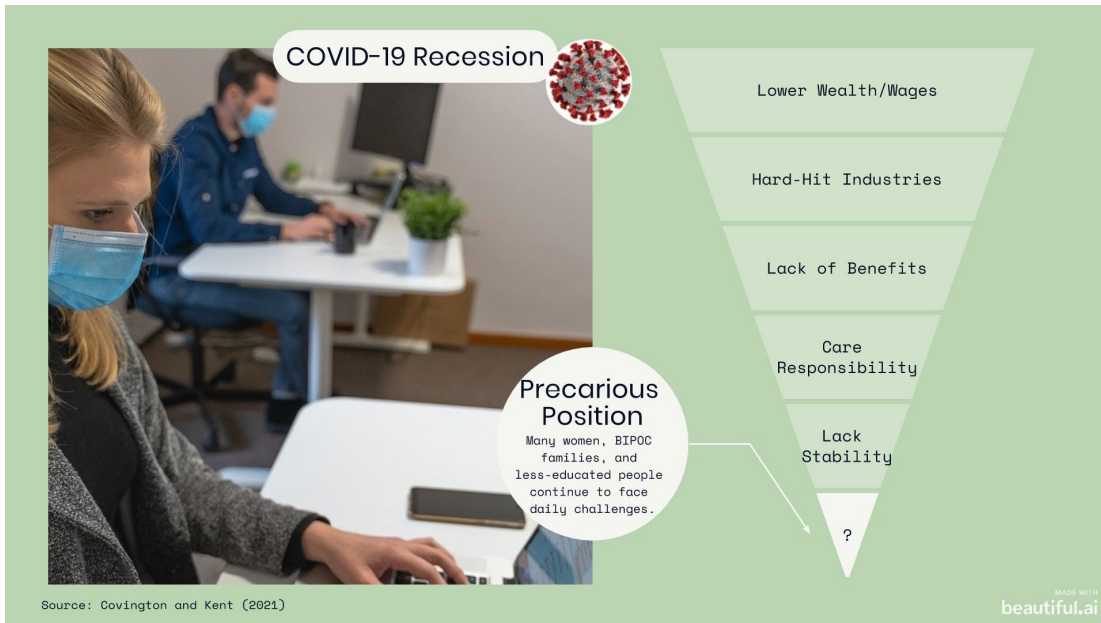
- Over half of Missourians live in a **childcare desert**
  - An area that either has no child care providers or so few options that there are more than three times as many children as licensed child care slots.
- Especially true of rural and low-income areas
- Only 9% of four-year olds served by public preschool

# Child Care is Unaffordable

*“First thing I look at honestly is the price. All of those things as far as ratings and all of those things matter to me but those are kind of like secondary.” – Suburban Black parent with two kids under 5, Federal Reserve study*

- Market rates are unaffordable for most families (7% of family income is considered affordable)
- In Missouri, the average center-based childcare for infants is 11.6-17.2% of the median income
- Single mothers are especially vulnerable
  - St. Louis city: \$9,456, or 40.4% of county median income
  - St. Louis county: \$12,605, or 37.8% of county median income

# COVID-19's Effects



- “Mom-cession”
  - Mothers more likely than fathers to be out of a job
  - A larger share of mothers left the labor force than did women w/o children
- 1 in 5 single moms who experienced child/schooling disruptions were no longer working (as measured in Nov. 2020)
- ~16,000, or 9%, of child care providers permanently shut down and the ECE workforce is down 10%

# Why including mothers fully benefits us all

- International competitiveness
- Economic growth and vibrant businesses
- Thriving families

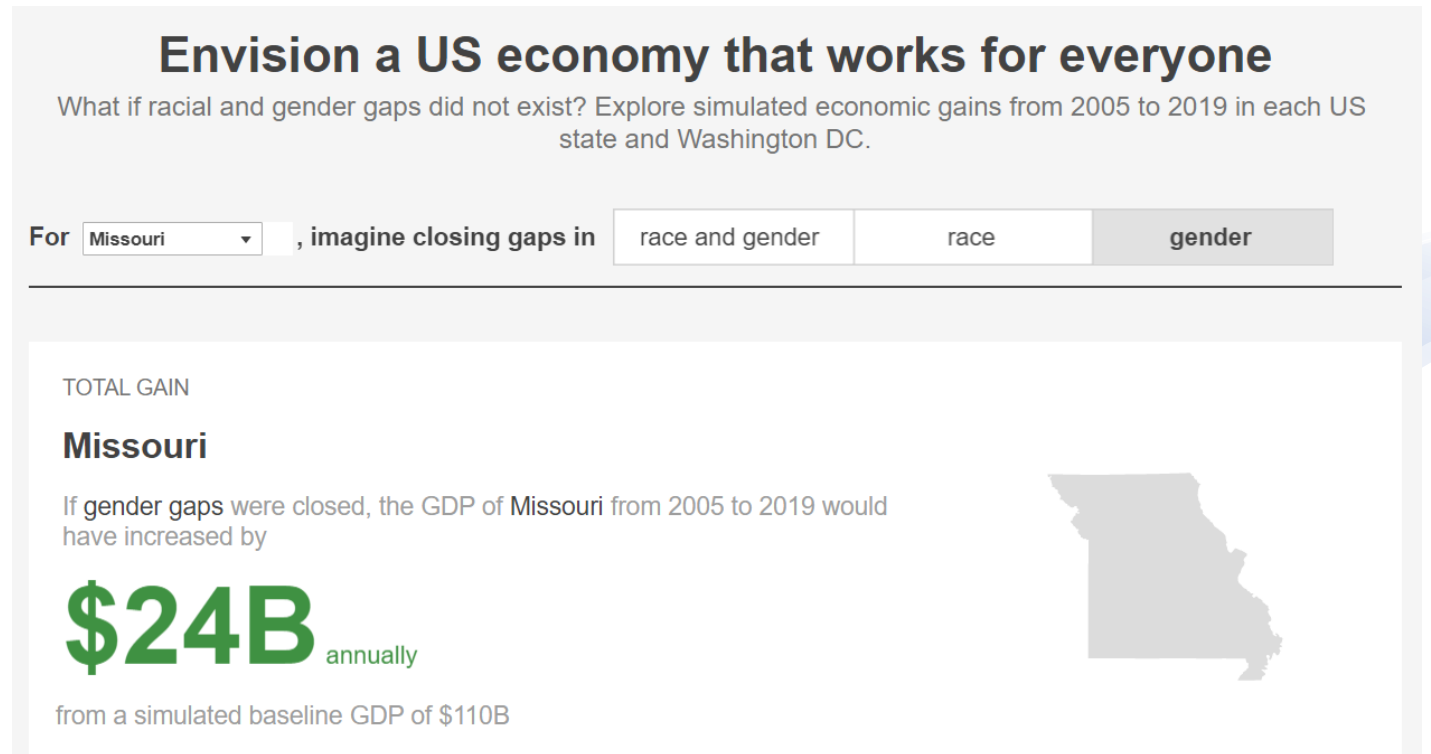
*“They’re been very well paying jobs where I just had to say no because I didn't have sufficient care.” – Urban Black parent, one child under 5, Federal Reserve study*





# Potential Economic Gains in Missouri

- Imagine if gender gaps in the labor market didn't exist
- Gross domestic product a broad measure of how well everyone is doing
- Potential gain of \$24 billion/ year



Source: [FedCommunities.org/data/closesthegaps/](https://FedCommunities.org/data/closesthegaps/)

# Investing in Child Care

- Supporting organizations devoted to the ECE space
- Focusing on early childhood education (birth to 5 years) that is high-quality
- Targeting those that have biggest barriers to access (in Missouri, rural, low-income, Hispanic)
- Investing in workforce development and retention
- Bottom line: Addressing issues in affordability and access to quality childcare strengthens the broader economy, and can have lasting impact





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