

Impact of Childcare on the Economy

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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.



She-cession, “Mother-cession”

- Covid-19 recession lasted 2 months, though economic effects have lingered for various groups
 - School and daycare closures
 - Virtual schooling
 - Quarantines
 - Shorter hours
 - Staffing issues
- Unemployment and labor force participation
 - Mothers with children under age 6 made up roughly 10% of the pre-pandemic workforce, but accounted for nearly 25% of employment loss

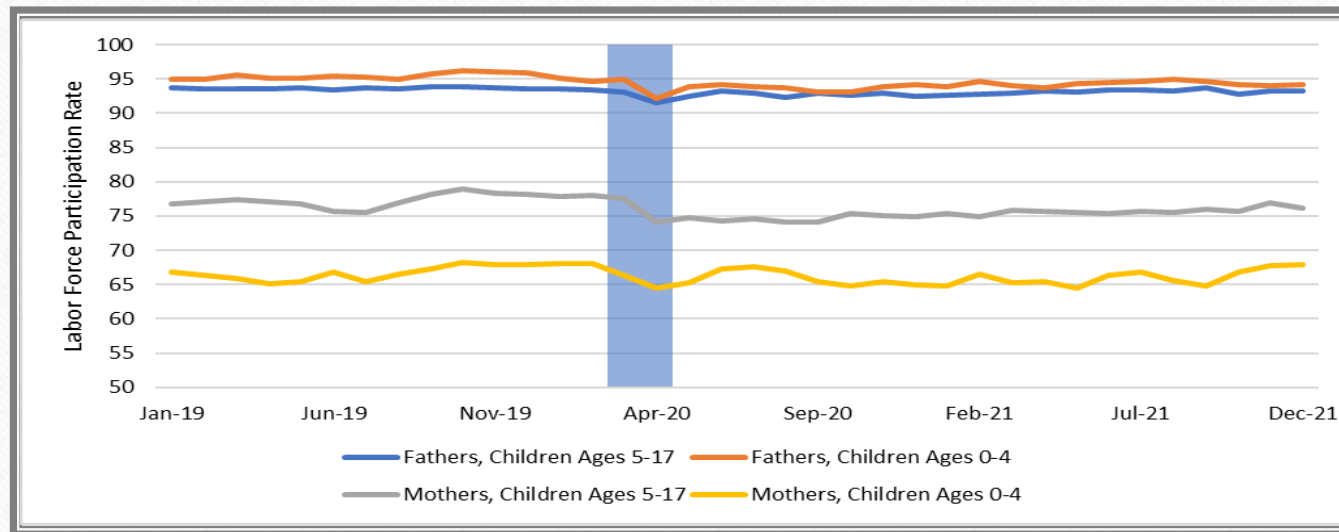


“But with the COVID protocols, even just the slightest runny nose and we were out for a full week. So that's been really hard for me to get into a solid routine.” – Urban white parent with two kids under 5, Federal Reserve study

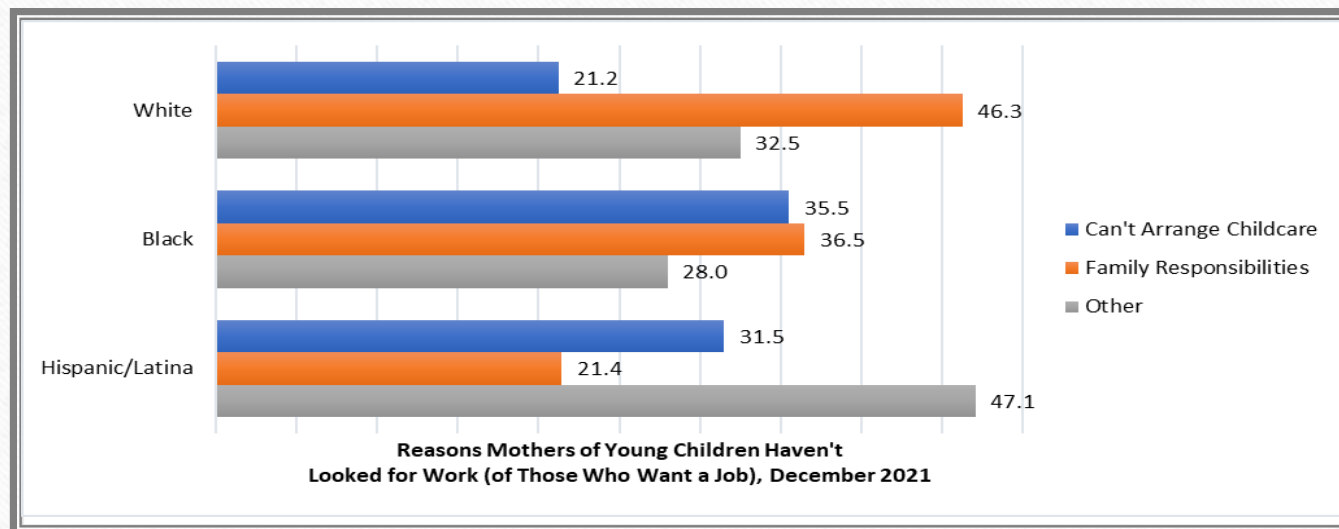
Childcare is Key, Especially for Mothers

- Parents with young children (under 6) make up 14% of the labor force in MO
- In over 2/3 of households with children under age 6 in MO, all present parents are in the labor force
- Lack of a supportive care system in the United States is an important explanation for mothers' lower labor force participation rates
- In 2021, family responsibilities and the inability to arrange childcare were the top two reasons mothers of young children who wanted jobs weren't looking for work

Gender and Racial Equity Issues



- Prime-age mothers of young (ages 0-4) kids consistently have LFP rates that are about 10 percentage points lower than mothers of older kids
- Black and Hispanic/Latina mothers particularly impacted by lack of childcare

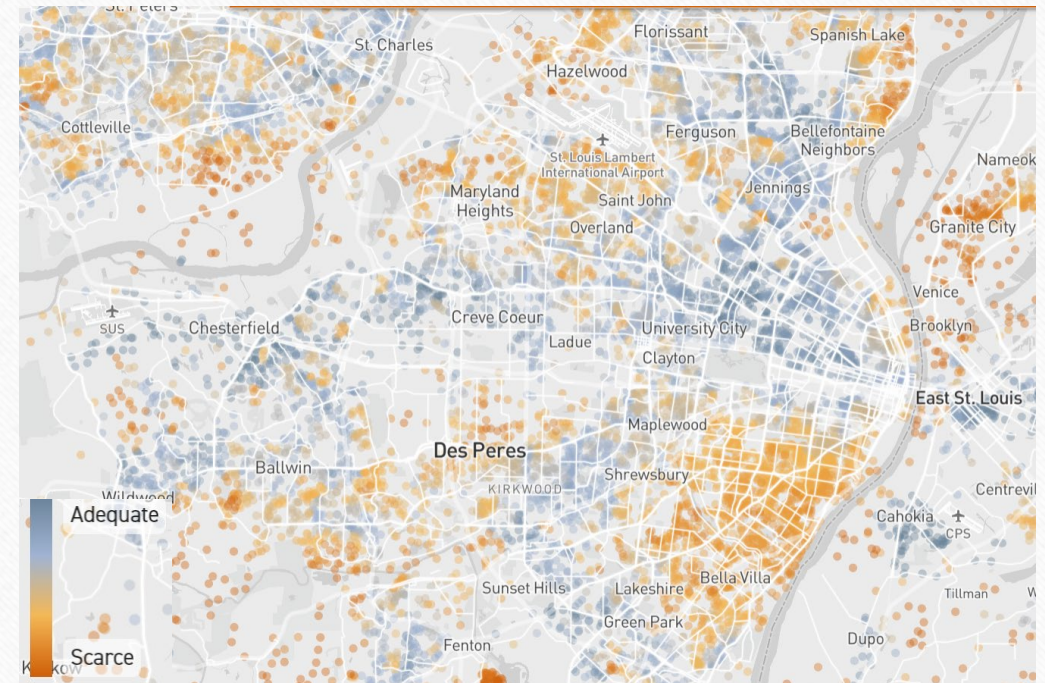


Childcare is Hard to Find

54%

- 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

“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



Childcare is Unaffordable

- 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

“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

“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

Economic Imperative

- Childcare access and affordability influences parents’ workforce decisions
 - Engagement in the labor force, hours worked, jobs taken, promotions accepted
- Broad benefits: per-worker GDP is relatively constant and economy is a function of labor force
- Increase in tax revenue, decrease in reliance on public benefits
- Increase of \$2.8B in Missouri’s economy by capping childcare expenditures at 7% median income
- Investment in our children is an investment in the future
 - Early child development programs have long-term economic and societal benefits

What Can Be Done?

MO Government's Show Me Strong Recovery Task Force recommends improving childcare availability and affordability to support small business recovery across the state. (January 18, 2022)

- Public Investment
 - Subsidies fall short and don't reach all who qualify (e.g., Child Care and Development fund reached only 1 out of 6 eligible children in 2018)
 - Promote livable wages for childcare workers to improve retention
 - Benefits cliffs hinder economic mobility
 - Improve access to public pre-kindergarten programs
- Private Investment
 - Stay intentional
 - Focus on early childhood education (birth to 5 years) that is high-quality
 - Target those that have biggest barriers to access (in Missouri, rural, low-income, Hispanic)
- Employer Strategies
 - Offering childcare at work
 - Payroll deduction toward care for tax-advantages
 - Flexible schedules
- Bottom line: Addressing issues in affordability and access to quality childcare is important for the broader economy, and can impact gender and racial equity

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