

Covid Crisis Morphs Into Childcare Crisis – Where Did Almost 5 Million Workers Go?

By Scott Colbert, CFA®, Commerce Trust Chief Economist

As we continue to work through the economic impacts of the pandemic, a movement known as the "Great Resignation" is gaining momentum. Though not limited to a specific cause, it is clear that one major contributor to the lack of workforce is the high cost of childcare in the United States, according to the Los Angeles Times.¹

In some parts of the country, the cost for caring for an infant at a licensed provider could cost \$2,000, or more, per month. By our own calculations, a working couple or single parent in this case may need an incremental \$30,000 in annual household income to make economic sense in meeting their combined childcare and living expenses.

This issue appears to disproportionately affect working women. Nearly four out of five of the workers who have dropped out of the workforce sometime during the pandemic are women, and it can be said that women are "leading the way" in the Great Resignation.

Besides the adverse societal impact on families, mounting childcare expense adds up to a terrible dampening effect on economic growth in general.

Prior to the pandemic, there were over 152 million U.S. workers, and we are down to about 148 million today. Many of those lost workers are teetering on the decision of whether to rejoin the work force, and childcare costs could be a determining factor for them.

Moreover, it is a challenging environment for childcare providers. They face a multitude of business regulations just to be licensed in the industry.

For childcare workers, many of whom have advanced degrees in their field, wages are low by any comparison. The average hourly wage for a Walmart employee is \$15 to \$16 compared to a national average of about \$8 to \$10 per hour for childcare workers. It's no surprise that the staffing turnover in the childcare industry is 25% per year as workers flock to better paying options.

Prior to the pandemic, the Federal Government has only attempted to create affordable childcare options one time, in an effort to help the families of "Rosie the Riveter" women workers during World War II, but it has been up to local private providers, pre-schools, churches, and others to provide a childcare solution for working families. Even COVID relief bills allocating \$52.5 billion to the childcare industry were not enough as more than half of childcare businesses report they are losing money.²



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Parents feel stranded. "In the 31 years I've been in the industry, I've never seen a shortage as severe as it is right now," said Jo Kirchner, chief executive officer of Primrose Schools, a large chain of early childhood education centers that's headquartered in Atlanta.³

Lack of good childcare options may in fact be keeping the economy from operating as efficiently as it could while we claw our way out of the pandemic. Forcing anyone to take a step back in their career progression to help balance caregiving responsibilities is an economic response that could hold the United States back as our economy transitions.

1 www.latimes.com%2Fbusiness%2Fstory%2F2021-10-10%2F-covid-child-care-crisis-women-in-the-workforce

2 <https://www.bloomberg.com/news/features/2021-11-18/biden-s-build-back-better-wants-to-save-america-s-child-care-business>

3 <https://www.today.com/parents/day-care-centers-can-t-find-enough-people-work-there-t227385>

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