

## **EconoFact Chats: Childcare and Reopening, Alicia Sasser Modestino, Northeastern University**

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Michael Klein:

Hello everyone. Welcome to EconoFact Chats, I'm Michael Klein, founder, and executive editor of EconoFact, a non-partisan web-based publication of the Fletcher School at Tufts University. At EconoFact we bring key thoughts and incisive analysis to the national debate on economic and social policies. Drawing on the contributions from leading economists across the country. You can learn more about us and see our work at [www.econofact.org](http://www.econofact.org).

Michael Klein:

Child care is essential for supporting the parents who comprise one third of the nation's workforce. But preschool care, afterschool programs, as well as summer camps are in danger of permanently shutting down because of the COVID-19 pandemic. This affects not only their employees and the owners of day cares, but also the parents who rely on them. With the biggest hit being taken by women and by those with lower incomes. And ultimately this affects the ability of an overall economic recovery.

Michael Klein:

To discuss this and other issues, I'm very pleased to be speaking with Professor Alicia Sasser Modestino. Along with her appointments in the Economics Department and the School of Public Policy at Northeastern University, Alicia also serves as the Research Director of the Dukakis Center for Urban and Regional Policy. Previously, Alicia was Senior Economist at the Federal Reserve Bank of Boston. Alicia, welcome to EconoFact Chats.

Alicia Sasser Modestino:

Thanks Michael.

Michael Klein:

Alicia, how many pre-kindergarten children were in childcare before the pandemic began?

Alicia Sasser Modestino:

Well, it's a lot. So as of 2016, about 12 million children or almost three out of five preschoolers participated in regular weekly care arrangements with someone who's not their parent, either paid or unpaid. Paid childcare facilities, things like preschools, daycare centers and pre-K programs are the most prevalent source of childcare for this group. And that accounted for about a third of children under the age of five.

Michael Klein:

What about the children who are cared for by relatives?

Alicia Sasser Modestino:

Yeah. About one out of every four preschoolers receive care provided by a relative like a grandparent, aunt, or uncle or a sibling.

Michael Klein:

Older relatives like grandparents, that involves a risk in the COVID-19 era, doesn't it?

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Alicia Sasser Modestino:

Yeah. This has really been a source of angst for parents as there's a lot of uncertainty about whether it's safe to have a grandparent or an older relative to watch your kids, particularly in states where we see a high and rising number of COVID-19 cases.

Michael Klein:

What about school aged children?

Alicia Sasser Modestino:

So, a little less than half of school aged children receive some type of regular childcare, in addition to the free childcare that's provided by schools. A lot of this is informal care. But about 4 million school aged children participate in some type of organized childcare on a regular basis, like at a daycare center or a home-based facility.

Michael Klein:

So Alicia, what you're calling free childcare provided by schools, that's one of the issues with schools reopening, which is of course a very contentious issue.

Alicia Sasser Modestino:

Oh yeah. In fact, my husband and I get the benefits of this free childcare with our kids. And I can tell you that it's really important to my ability to be able to work. I think we always had an appreciation for teachers, but remote learning last year certainly highlighted that teaching your kid is not easy. Moreover, with two full time working parents juggling schedules and remote learning while trying to hold onto their jobs during a recession, it was really stressful.

Michael Klein:

So what's actually going on in your school district?

Alicia Sasser Modestino:

Well, our school district just announced they plan to start with a hybrid model of one week in person and one week remote. And aside from the concerns I have about whether this is developmentally appropriate for younger children, like my daughter who will be starting third grade. I'm utterly exhausted just thinking about how we're going to manage the challenges of remote learning and childcare every other week. I mean, it's not as if parent's jobs can be put on hold every other week. Nor do daycares typically operate on this type of schedule. As a college professor, I'm really fortunate to have a somewhat flexible schedule and I can work from home a lot of the time. But roughly half of all essential workers, about 27 million, are women who are mostly working in person jobs and healthcare and community-based services. And they don't have the option of working remotely.

Michael Klein:

So how many parents besides you and your husband depend on these kinds of childcare services in order to be able to work?

Alicia Sasser Modestino:

Working parents like myself and my husband make up about a third of the US workforce. That's 50 million workers with a child under the age of 14 in their household who might be seeking childcare as the

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economy continues to reopen this summer and into the fall. And about 30% of these working parents have children under the age of six who need even more guidance and care.

Michael Klein:

Wow. 50 million workers. And then of course this affects the people who provide the services as well. How many people work in childcare services?

Alicia Sasser Modestino:

The paid childcare industry employs about 1.5 million workers. And that's across a large network of about 675,000 small businesses.

Michael Klein:

And what about the companies and the people who run these childcare services?

Alicia Sasser Modestino:

So of those there's about 75,000 large childcare centers. That's probably what most people think of. And they operate like an employer. And additionally there's about 600,000 home-based businesses that are operated by just one person as a sole proprietor.

Michael Klein:

I imagine that a lot of these places and a lot of the people who are providing childcare out of their homes, they're going to face going out of business as a result of the shutdown, don't you think?

Alicia Sasser Modestino:

Yeah. Like a lot of other service industries, the childcare industry suffered large job losses due to the pandemic. The profit margins have always been really thin for childcare providers. And there was an enormous loss of revenue in the spring because of mandated closures and plummeting enrollment. There was a survey that was done of 5,000 childcare centers and family daycares in April, and the majority of respondents said that only about 25% of families continued to pay any tuition. And of that about half are paying less than full tuition. Moreover, 11% of the providers reported that they could survive a closure of an indeterminate length of time without government support.

Michael Klein:

Wow. Only one out of nine. And this obviously affects childcare workers as well, right?

Alicia Sasser Modestino:

Yeah. There was massive job loss between March and April, where 350,000 childcare workers lost their jobs. And so far we've only recovered about a third of those jobs in May and June. And these workers don't really make very much, the average employee earned only about \$20,000 a year. So that nearly half of all childcare workers are eligible for public assistance even prior to the pandemic. So that means it's really unlikely that they have sufficient savings to offset the loss of wages from being laid off or furloughed.

Michael Klein:

And childcare providers, do they face special challenges that perhaps even other places don't face as they try to reopen?

Alicia Sasser Modestino:

Yeah. So the healthcare restrictions required for reopening certainly represent some special challenges. There's strict child-staff ratios and space requirements that have been imposed by states like Massachusetts. And that's reduced the capacity of the childcare centers in half. And so too, their revenues. Childcare centers also have to purchase PPE for their staff, additional cleaning materials, as well as new toys because there's no sharing in the COVID-19 world. And there's a lot of concern that this disruption caused by the pandemic could lead to a wave of permanent closures, which would mean losing as many as 450,000 childcare slots nationwide.

Michael Klein:

So that would undermine the ability of parents to return to work and it would hurt efforts to reopen the economy more broadly?

Alicia Sasser Modestino:

Yes. Even before the pandemic, about two million parents made career sacrifices due to problems with childcare as far back as 2016. And now the longer that the pandemic continues to affect the availability of childcare and school openings, the less sustainable these stop gap measures are going to become for working parents. So what was survivable for three weeks or three months or through the summer really looks a lot more difficult into the fall.

Alicia Sasser Modestino:

According to a recent survey done in Massachusetts of parents with young children, 61% say they are struggling to work from home without childcare. And half of the parents surveyed said that they will not be able to return to work without a consistent childcare solution for their child.

Michael Klein:

I can imagine that, my children are out of home, but I remember what it was like when they were home and there was school holidays or whatever, and we couldn't find a way to watch them. So you mentioned Massachusetts, what about nationally, you and two of your Northeastern University colleagues, Jamie Ladge, and Alisa Lincoln, you just conducted a survey and you reported some of the results from this in an EconoFact memo that you published last month.

Alicia Sasser Modestino:

Yes. We recently conducted a survey of working parents between Mother's Day and Father's Day this year.

Michael Klein:

Mother's Day and Father's Day, did you pick those dates for the obvious symbolism involved?

Alicia Sasser Modestino:

No. It just worked out that way. Although I will say my husband gave me a bit of a Mother's Day gift to be able to get this thing off the ground on Mother's Day. And then I consider the conclusion of the survey on Father's Day to be my gift back to him.

Michael Klein:

I guess it saves some shopping which would have been difficult in COVID-19?

Alicia Sasser Modestino:

That's right.

Michael Klein:

Yeah. What did you, Jamie and Alisa find?

Alicia Sasser Modestino:

So our key finding is that 13% of working parents reported that they had lost a job or reduced their hours due to a lack of childcare. On average, parents were losing a full day of work each week to address their children's needs during the pandemic. And then we even found a greater loss of more than 14 hours a week across households. So we asked about the individual as well as their spouse or co-parent. And that means that the loss of hours could really be a significant hit to income.

Michael Klein:

I would guess that this hit women more than men, is that right?

Alicia Sasser Modestino:

Sure. The burden of childcare has always fallen disproportionately on women when their family can't find or afford childcare. And even before the pandemic, women were much more often than men making job decisions based on childcare constraints rather than to benefit their financial situation or their career goals. And it's certainly no coincidence that the expansion of organized childcare over the past several decades closely tracks the labor force participation rate of women with children.

Michael Klein:

Yeah. We have a number of EconoFact memos by some really great economists like Fran Blau talking about what's happened to women's participation in the labor force. But now I guess the situation has really been exacerbated by the pandemic?

Alicia Sasser Modestino:

Yeah. During the pandemic, there've been numerous stories about women quitting their jobs due to a lack of childcare. And according to our survey, among women who became unemployed during the pandemic, 25% said they lost their job due to a lack of childcare. The rate among men was just half that.

Michael Klein:

Wow. So, that's a big differential. As we discussed, the threat to the provision of childcare because of the pandemic with the reduction in the number of available slots, not to mention concerns about schools reopening, is likely to really adversely affect women's ability to work?

Alicia Sasser Modestino:

Yes. And of course that will contribute to greater gender inequality probably for decades to come.

Michael Klein:

And then there are other dimensions of inequality that'll be exacerbated by the loss of childcare during the pandemic as well, won't there be?

Alicia Sasser Modestino:

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Well, daycare was expensive for families even before COVID-19 came on the scene. So this has been a slow moving crisis for decades. Over the past two decades, the cost of childcare has more than doubled while wages have remained mostly stagnant. And daycare is likely to become even more expensive as the number of slots decreases and the cost per child increases due to space constraints, cleaning, inability to share toys and supplies. It's all going to become much more constrained.

Michael Klein:

And this will be an especially big burden on low income families?

Alicia Sasser Modestino:

Yes, even before the pandemic black and Hispanic families were more likely to live in childcare deserts with few options. And in our survey of working parents, we found that the loss of hours due to a lack of childcare was greater for women of color, women without a college degree and women living in low income households.

Michael Klein:

What about looking forward, Alicia?

Alicia Sasser Modestino:

Well, low income families with young children are really going to face some hard choices, especially this fall with many of the schools opening in a remote fashion or with a hybrid schedule. And so they're really going to have to choose between spending a significant portion of their income on childcare, finding a cheaper, but potentially lower quality, care option or leaving the workforce altogether to become a full time caregiver.

Michael Klein:

Well, what is the status of the opening of daycare centers?

Alicia Sasser Modestino:

Although most cities and states have allowed daycares to reopen, many facilities have not been able to do so. Part of this is due to states having waited until June to provide this kind of public health guidance for reopening. And that was simply too late for summer camps to hire and train staff or to make changes to their physical spaces. So we see nearly two out of every three summer camps remain closed as of June. But even for the daycares that have reopened, we know that the capacity is limited to the space constraints. And at the same time, the demand for childcare services is growing with more of the economy reopening and many schools announcing these hybrid schedules. So no one's job is really going to be operating on several days off a week or one week alternating on and off. And so working parents are really going to need to find childcare solutions to fill that gap.

Michael Klein:

Right. Even, as you mentioned, where you have more latitude in your position as a professor, it's going to become very difficult. What's the government done to help with this?

Alicia Sasser Modestino:

So really to date federal recovery efforts have done very little to shore up the childcare industry or to support working parents. In terms of the industry, the PPP program provided some temporary relief, but not for much of the industry. So over about half of childcare centers and about a quarter of the family

daycares applied for a PPP loan to start with. And then of those, only half got approved for a loan. So, that means that PPP really only covered about a quarter of the childcare market.

Michael Klein:

Why do you think the take up was so sparse?

Alicia Sasser Modestino:

So actually there was a survey that was done that revealed many childcare directors and owners of the family daycares were concerned about the risks related to the loans, they were wary about taking on debt, they were skeptical about the potential for forgiveness. For the summer camps, they really didn't even have the opportunity to apply for PPP. And that was definitely one of the factors in reopening. But the survey also found that even though PPP enabled some providers to pay their employees and cover their costs, others were completely unable to access the program. Particularly the family daycare providers, for reasons that really shouldn't have occurred. So in addition to being told that there was a lack of funding, providers were also denied due to problems with their credit scores or not having a business checking account, which were things that were not required to get one of these loans.

Michael Klein:

But some federal funds were made available, right?

Alicia Sasser Modestino:

That's right. So there was a federal relief package in March, and that provided about 3.5 billion for the Child Care & Development Block Grant Program for emergency support. But this funding really was not enough to keep childcare programs afloat for long. And it also didn't go to all types of providers. So in Massachusetts, it did not go to private daycare providers at all, even though they make up most of the daycare that gets provided in Massachusetts. And then in the absence of any new funding, states are really going to have to make some tough decisions about how to allocate these limited dollars. And in fact, the emergency aid for all of the childcare industry was less than the bailout received by each of the three major airlines.

Michael Klein:

Each of the airlines, huh. Well, maybe there's a solution there, maybe we could just buy plane tickets for the kids and send them off on flights.

Alicia Sasser Modestino:

That would certainly be an innovative solution. I'm sure there's some parents that will come to a point where they would definitely think about putting their kid on a plane.

Michael Klein:

Yeah. Well, it's good to think outside the box, what happened to the Family Leave Policy, Alicia?

Alicia Sasser Modestino:

So Congress did enact a temporary national paid leave program along with a new reason for taking paid leave. So under the Families First Coronavirus Response Act, workers could receive up to 10 weeks of paid family leave in 2020 through their employer at two thirds of their salary to care for a child who's home due to school or daycare closures. But few parents really seem to know about it or have accessed it.

Michael Klein:

Why do you think that might've happened?

Alicia Sasser Modestino:

Well, the benefit only applies to parents working at employers with less than 500 people. And also employers have to set up a mechanism for this to happen and also let their employees know that this is available. But in addition to that, small businesses with fewer than 50 employees or employers of healthcare providers and emergency responders could choose not to provide paid leave. And not surprisingly, our survey of working parents finds that only 4% of working parents have used paid leave at all during the pandemic. And imagine that, at a time where if you could think about when you might need paid leave the most, this is it.

Michael Klein:

But yeah, you might need it the most, but you might also be most worried about, at a time of spiraling unemployment, might not be a good time for your long term career goals to ask for leave. It's something like the kind of supercharged mommy track effect, right?

Alicia Sasser Modestino:

Yes, that's right. And we actually interviewed over 50 individuals, along with 17 couples, and we heard a lot of concerns about not working enough hours or not being productive enough at home. And interestingly, this actually seemed to be a greater source of stress, particularly for white collar men working from home who in fact were put on the mommy track during the pandemic with no warning whatsoever. For the first time they're juggling Zoom calls, making lunches for kids or having to take kids on bike rides. And they had not yet developed, what me and my colleagues call the mom brain, where you multitask between work and family back and forth all day long. And while the men were acknowledging this cognitive overload in the interviews, women sitting next to them were saying, yeah, welcome to my world.

Michael Klein:

Yeah. Karma. Well, Alicia, I would like to close by quoting the last sentence of your EconoFact memo with Jamie and Alisa, you wrote, "A full economic recovery simply cannot happen without adequate childcare." And I think that's so true. Alicia, thanks so much for your insights on this really important issue that touches on the welfare of children, of their parents and of the ability of the economy to recover from the economic hardship imposed by the pandemic.

Alicia Sasser Modestino:

You're most welcome.

Michael Klein:

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