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Challenging Childcare Landscape to Be Focus of Chicago Fed Public Event

By Chicago Fed Staff Writer

Interview Labor and Demographic Economics Childcare Community Development Regional Economy

Since the beginning of this year, the Federal Reserve Bank of Chicago's Spotlight on Childcare and the Labor Market has been exploring how people in its District approach childcare, a service that is essential, and often a challenge, for working parents and employers alike.

On July 10, an event at the Bank entitled Fed Listens: Exploring Challenges Facing the Childcare Industry, Working Parents, and Employers will bring together some of the Chicago Fed's researchers and experts on the topic for in-depth discussions. Ahead of that event, Suchi Saxena, the Bank's vice president of community development policy and engagement and one of the leaders of the Spotlight on Childcare and the Labor Market effort, talked about what her team has learned so far.

Q: Please tell us why, in a nutshell, the Chicago Fed wanted to explore the issue of childcare.

A: We have a dual mandate here at the Fed: to maintain price stability and maximize employment. We're constantly talking to folks on the ground about how they're experiencing the economy, and we've been hearing from our contacts that access to childcare was affecting their ability to attract and retain workers and also people's ability to take and keep jobs. And so, we wanted to dive deeper and learn more about what this challenge looks like in the Seventh Federal Reserve District, which is made up of Iowa and most of Illinois, Indiana, Michigan, and Wisconsin.

Q: What are the key things that you've been learning throughout this work?

A: One is that we see some very interesting innovations happening at the very local level. In some ways, there's a common grammar, or set of considerations, that people who are getting together to try to solve these challenges for themselves must navigate. But those local solutions ultimately look really different because the needs and the available resources in each community are really different.

Q: You said, "common grammar." Tell me more about that.

A: For instance, folks have been trying to stand up a childcare facility or to expand the number of seats available in a facility. We heard that the ability to retain or attract childcare workers is a common challenge and that facilities that could serve more kids aren't able to because they can't find enough workers. We also heard that childcare facilities operate as small businesses, typically, and they operate in a very regulated, labor-intensive industry that really challenges their financial sustainability.

Q: What has surprised you and your team?

A: In one piece that looked at just the childcare labor workforce, our researchers found that childcare is one of the lowest-wage occupations and that workers' wages haven't increased at the same rate as other low-wage jobs coming out of the pandemic. This sheds light on the complexity of the childcare workforce challenge, as providers are competing with the retail or other service sectors for workers.

And so, it's interesting to ask, if you're trying to attract people into childcare and they could go work in retail and make more money than working in childcare, why is that, and what can be done about it?

It was also interesting to see that women's labor force participation has actually increased since the pandemic, particularly for working mothers of young children. And we're hearing about the need for more childcare and that access to childcare is a real challenge. So this puts pressure on the supply of childcare to expand to meet the increase in demand due to more mothers working.

Q: Are you reaching the end of the Spotlight on Childcare and the Labor Market effort?

A: We will continue to do research and engagement that allows us to study and learn about how access to childcare affects our economy. But already this has been a really great, intensive effort by a large set of folks in the Chicago Fed. This work has really been focused on learning and understanding the dimensions of this challenge in the states the Chicago Fed serves. Because of the emphasis that was being placed on childcare coming out of our community conversations, we wanted to figuratively put a spotlight on it by sharing our research and the efforts and innovations taking place within our communities.

Q: And the Chicago Fed has an event coming up that will share some of what you have learned, correct?

A: Yes, we're bringing together folks for a Fed Listens event at the Bank and online on July 10 to share what we have learned with a bigger audience directly. We're really excited for childcare practitioners and policy experts to come to the Bank and share their insights and for the audience to also hear from some of the Chicago Fed economists who contributed to this work.

Q: Lately, I've been seeing just a whole lot of conversation about childcare more broadly. I wonder whether you all were anticipating that, whether you've been seeing it, and how your effort relates to this broader conversation?

A: To me, it speaks to the fact that probably this is not uniquely a Seventh District challenge, that it seems to be something that is felt nationwide. So it's not surprising that there's a lot of discussion about it.

Q: Your team looked at specific childcare programs across the District, and you wrote about ones in Green Bay and Milwaukee, across Michigan, in Iowa, and in the automotive industry. What stood out for you from these examples?

A: So these pieces were interesting to me because we're always trying to understand what problem people are trying to solve for. And some of those problems were unique. For example, in Milwaukee, the program we wrote about is trying to solve for the needs of women construction workers: If you need to be on a construction site at 5:00 am, how do you find childcare that's near a construction site that might be changing over the months? Similarly, in the automotive industry, if you're working second or third shifts in a factory, how do you accommodate people with nonstandard schedules?

And then you had folks in Iowa and Wisconsin taking this very community-level coalition approach between public and private organizations, civic organizations, and businesses—all of them working diligently to find the will and resources to make a solution happen for a local community, though it's unknown if their approaches could work at a wider scale.

Q: The pandemic and its impacts keep coming up in the Spotlight on Childcare and the Labor Market work. Talking to employers, you heard that coming out of the pandemic, "childcare access is likely to continue to be on the list of labor force challenges for some time." Why is that?

A: To be clear, the challenge of finding childcare for working parents is not new. However, currently we're seeing that women's labor force participation has increased, and at the same time the childcare industry has not recovered from its losses due to Covid. And we're seeing that these two factors are just creating additional stress on the supply of childcare and the access to childcare. So until there is some relief to that additional stress, it could remain an issue for workers and employers alike.

Our Spotlight includes a piece by Leslie McGranahan and Dan Hartley that showed where people are getting their childcare. And we see in certain parts of our District folks rely much more heavily on family to provide that.

Q: One of your team's articles says that the federal government classifies childcare as unaffordable for more than half of families in the five states in the Seventh District. That's got to be another stressor on the system—or on the people trying to work within the system.

A: Right. People tend to need the most extensive childcare when they are still early in their careers and don't have the incomes that would support that significant expense. And so I think childcare operators understand that they can't really go above a certain price point and still serve families in their communities. And so, again, the margins are very tight. It's a very difficult situation.

Q: Has anything else struck you amid this effort?

A: I think the other thing that’s interesting is that childcare seems, in our District, at least, to be a very broad issue. For example, elected leadership in Iowa has done a lot of work to try to support childcare. And similarly in Michigan, they’ve also done a lot to innovate and do things at the state level to support childcare. We’ll be sharing some of these examples at the event on July 10. The reality is that this is an issue that touches everyone.

To learn more

Please see the [Spotlight on Childcare and the Labor Market](#) page, which links to all the articles produced to date and also to the Fed Listens event.

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