



Chicago Fed Insights, February 2024

How Is the Challenge of Finding Childcare Affecting Labor Force Participation? Perspectives from Employers Across the Seventh District

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Article | Childcare | Community Development | Regional Economy

Through the *Chicago Fed Survey of Economic Conditions* (CFSEC) and during roundtable discussions with business, nonprofit, and government leaders, the Chicago Fed asked employers from a variety of sectors for their perspectives on how childcare access has affected labor force availability.¹ These survey and roundtable findings contribute to the Chicago Fed's Spotlight on Childcare and the Labor Market—an effort to increase our understanding of how the lack of access to childcare impedes labor force participation in the Seventh Federal Reserve District. In this article, we summarize the responses from over 100 survey and roundtable participants to provide insights on how childcare access has impacted labor force participation in the aftermath of the Covid-19 pandemic from employers' perspectives.

Over the past couple of years, the U.S. labor market has been particularly tight, with the unemployment rate sitting below 4%. So, finding workers has been a frequently mentioned business concern. In the CFSEC and at our roundtables, employers consistently cited the inability to access childcare as a persistent barrier to meeting their labor needs (although it was not the only one²). According to employers, many of their employees shared the same frustration over trying to find childcare in the wake of the pandemic: Employees found that in the aftermath of the Covid crisis, their childcare arrangements no longer existed, their childcare needs were altered because of different (hybrid) work arrangements, or they simply thought differently about how they wanted to manage care for their youngest, non-school-age children. Employers were quick to point out that the lack of childcare availability is not a new issue affecting employment, but one that has been pushed to the forefront as communities, families, and workers have emerged from the pandemic.

Employers who responded to the CFSEC and participated in roundtables stated that the childcare sector faces significant challenges in meeting the needs of their current and potential employees who are parents of small children.

The childcare business model: Local, labor-intensive, and highly regulated

Employers commented frequently that because childcare is an inherently local, neighborhood business, local market conditions determine the costs and how much parents are willing or able to pay for this service. In most communities, childcare costs represent a significant portion of the family budget. Although some parents may have unpaid options for getting childcare—for instance, calling on grandparents (which employers often mentioned)—others do not. In evaluating the childcare business model, employers observed that its labor-intensive nature and high regulatory hurdles, combined with the fact that demand for childcare is quite price-sensitive, made its viability very challenging.

Limited options for childcare

Employers noted that many childcare centers had closed during the Covid-19 pandemic and did not reopen. Even in pre-pandemic times, workers were challenged to find care that was conveniently located near home or work. Options were further limited for shift workers (who might require overnight care, for instance); for retail workers or others who had

irregular schedules (as one roundtable participant observed, “banquet staff must refuse jobs because it is impossible to find childcare on weekends until 2 am”); and for workers who required only two or three days of on-site childcare. Overall, employers stated that there were not enough childcare facilities available in the right places and at the right times to meet the needs of their workers.

Loss of childcare professionals during the pandemic

Employers shared that during the pandemic the number of people employed as childcare professionals decreased significantly.³ Our respondents attributed this to the temporary or permanent closures of many childcare facilities early in the pandemic that led childcare professionals to seek employment elsewhere. Even as facilities began to reopen, employers told us that a very tight labor market meant that many of these workers had other options—some offering higher wages and easier working conditions than those found in the childcare industry.

Looking for childcare solutions

Many employers recognized a benefit to addressing the childcare challenges employees face. One employer reflected they would lose “10% to 15%” of their workers if they didn’t strive to make accommodations to enable their workers to “manage their lives.” Flexibility—to adjust schedules, to work from home, or to bring children occasionally to the workplace—was a frequently mentioned low-cost approach to addressing employees’ childcare needs. Other solutions employers brought up included providing tax credits or expanding the use of flexible spending account dollars to offset childcare costs; providing a “childcare navigator” to help with sourcing support; and simply working on a case-by-case basis to accommodate the employee’s needs. Some large employers shared that they had decided to create their own childcare facilities, and one contact mentioned the case of an employer that had bought a day care facility to give priority to their employees’ children. But other than these isolated examples, creating on-site childcare facilities or purchasing nearby ones was not frequently mentioned because of the high costs and liabilities. A few employers acknowledged that the scope of the problem went beyond the capacities of individual employers—especially smaller business owners—to address, and thus, they had joined employer coalitions to identify a childcare solution of scale.

Others posited that the solution to childcare is not necessarily in increasing the availability of childcare centers or expanding the number of open spots at a particular center. Rather, practices and policies that could support childcare by a grandparent (or other relative) or enable parents to stay home longer with infants would help address the supply constraints and alleviate pressure on the parts of the childcare business model that are the most expensive, such as labor.

Conclusion

Our survey findings and roundtable conversations with employers made it clear that childcare access is likely to continue to be on the list of labor force challenges for some time. The childcare industry is labor-intensive and highly regulated, making its expansion difficult without raising prices. While employers told us they would welcome a major expansion in childcare access for employees with young children, they shared their concerns that it would be costly.

Notes

¹ Roundtables were held in Michigan, Illinois, and Wisconsin in November and December 2023 and in Iowa in January 2024. Special questions were included in the CFSEC fielded in November 2023.

² Employers also cited lack of affordable housing in proximity to jobs and the lack of viable transportation options as other persistent barriers.

³ See the [childcare statistics from the Federal Reserve Bank of St. Louis](#).

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