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Putting a Spotlight on Childcare and the Labor Market—A Fed Staff Q&A

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Interview | Childcare | Community Development

The Federal Reserve Bank of Chicago is launching a targeted effort to understand the ways in which the lack of access to childcare is a barrier to employment in the Bank's Seventh District, which covers much of the Midwest. Members of the Regional Analysis and Community Development team are looking closely at how employers and workers are experiencing childcare challenges, what they are doing about it, and what else can be done. We spoke with Susan Longworth, a Chicago Fed policy advisor who is helping to lead this effort.

Q. So what is the Spotlight on Childcare and the Labor Market?

A. The Chicago Fed serves the Seventh Federal Reserve District, made up of Iowa and most of Illinois, Indiana, Michigan, and Wisconsin. Our District has large urban areas with extensive suburbs, small towns, and expanses of rural geographies. We have been hearing from people living and working across the Seventh District about how the lack of access to childcare is impacting the ability of employers to find and retain the workers they need and the ability of workers to access the opportunities they need to provide for their families. In many ways, this is not a new problem, but it is also one that the disruptions caused by the Covid-19 pandemic brought to the forefront.

This project is a targeted effort with involvement from colleagues across the Chicago Fed's research teams to better understand how employers and workers are experiencing this childcare challenge. We are putting a spotlight on this issue by sharing publicly a process we frequently follow internally: listening to the narratives people are sharing, looking at the data that are available, and exploring current policy trends.

We have a lot to learn. We hope that by sharing our learning, we can put a spotlight on what our contacts tell us is an important economic issue in our region.

Q. So, this effort will amplify the perspectives of both employers and employees, among others, about access to childcare. Why? How does that further the mission and impact of the Chicago Fed?

A. From the conversations we have been having, we understand that people come to the issue of access to childcare from many (often multiple) perspectives: as parents, grandparents, childcare providers, employers, employees, etc. What is so compelling is how pervasive this challenge is. This is an issue that touches so many people across our District.

The Federal Reserve, however, has a dual mandate: to maintain price stability and maximize employment. This effort falls squarely within the employment mandate, as we are focusing on the care that is needed for very young children, from birth to ages three or four, to enable their parents or carers to work. Our contacts, including employers, frequently cite a lack of childcare as one of the major barriers to employment. Understanding this barrier and what is being done to remove it is closely connected to our maximum employment mandate.

Q. Is this a Seventh District problem or a U.S. problem? What can the Chicago Fed bring to this conversation about childcare?

A. This challenge is not unique to the Seventh District. And there are colleagues across the Federal Reserve System—economists, researchers, and engagement and policy professionals—who are focused on understanding this issue nationally and within their own districts.

Because our District has unique industrial as well as agricultural concentrations, some aspects of this challenge may be more salient in our District than in others. Perhaps we'll dig into what childcare looks like for shift workers. Has there been anything about childcare in the recent labor agreements? What does access to childcare look like in our rural geographies and agricultural industries? Are there challenges unique to these Seventh District contexts that people are trying to solve? We have a lot to learn, and at the end of this spotlight effort, we'll have a better sense of how we might be able to contribute deeper insights going forward.

Q. Can the Chicago Fed solve some of these challenges?

A. While the Fed is an influential institution, that's not our role. We aren't the experts in this; we aren't policymakers in this space nor advocates nor funders. And we're not focusing this effort on a search for a solution. Childcare is a very complex issue. In conversations we're having, childcare has been described as being a "failed market" or as having a "flawed business model," especially for the segment that we're looking at, which is that zero-to-three or -four age range. Those powerful descriptors really point to the magnitude of the challenge.

So, any solution is going to be very complex. It's going to require multiple partners. It's not going to fall uniquely on the shoulders of employers or any other single party. And it's unlikely to be one-size-fits-all. Again, we're very much at a listening and learning stage, and we want to hear from experts on the ground about how they are approaching these challenges.

Q. So how do you even start on something like this?

A. As I mentioned earlier, we started by listening to what are our contacts have been telling us is important to them or is affecting how they are experiencing the economy. Childcare is an issue that has been coming up time and again. Within those conversations, we listen particularly for issues that are related to our dual mandate of price stability and maximum employment. From there, we look for ways in which our capacities around engagement, research, and policy review can be brought to bear. We are just getting started, and we will share what we learn.

Obviously, people are doing something to address this problem for themselves and their families and firms on a daily basis. So, we start there and listen for those things that are currently being done, even if they are very "one-off" or "case-by-case." We're hearing about communities coming together in coalitions to work toward solutions; we're hearing about isolated innovations; and we're hearing a lot about grandparents! So, there are all of these little "starbursts of solutions." However, these bright spots are often tempered by concerns about costs, liabilities, or limitations. And we listen for those as well.

There certainly is no silver bullet, and I think we need to be very cognizant and thoughtful about that. Our conversations with members of our District communities—business owners, organizational and institutional leaders, and others—are such a vital part of our information and data gathering, I'm excited to see what we can learn on this important topic.

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