

How the child care crisis will distort the economy for a generation ^[1]

The economic toll of the collapse of the child system will be felt for 20-30 years, says Betsey Stevenson.

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EXCERPTS

Schools across the U.S. are closed because of the coronavirus, and unlikely to reopen safely anytime soon. Parents are exhausted from constant, round-the-clock care while trying to work from home; some have chosen to leave their jobs, or switch to part-time work, just to take care of their kids. And kids themselves are slipping behind academically.

Now comes the bad news: We haven't seen the worst of it yet.

When the economist Betsey Stevenson looks at the pandemic-era economic crisis, she sees a long-simmering child care crisis that has suddenly surged to the foreground of people's lives—and whose true scope we've barely begun to reckon with. Its potential to inflict lasting damage to the economy is enormous, and it's getting short shrift in the recovery plans coming out of Washington.

"The work of recovering from it will not end just because we have a vaccine," says Stevenson, a labor economist at the University of Michigan and former member of President Barack Obama's Council of Economic Advisers. "We are making choices right now about where we will be as an economy in 20 years, in 30 years, based on what we do with these kids."

Among those most likely to be affected are working mothers, who shoulder an outsize share of child care responsibilities, and have suddenly had far more work dropped in their laps. Women already need to make difficult choices between work advancement and their family roles, which can bring down their incomes over time; Stevenson expects the crisis to make that conflict sharply worse: "The impact of the child care crisis on women's outcomes is going to be felt over the next decade."

The Bureau of Labor Statistics estimates that both parents work in two-thirds of families in which married parents have children — as do the majority of America's 13.6 million single parents. For all of them, there are major long-term financial repercussions of dropping out of the labor market, even temporarily.

"When you talk about upward mobility," she says, "this puts families on just a completely different trajectory that's not about losing two or three years of income; it's about being on a lower earnings trajectory for the rest of your life."

And for anyone hoping a vaccine will allow a quick, healthy reopening sometime next year, she says: Don't count on it. "We are letting the whole child care system erode in such a way that it's not going to be there for us when we are fully ready to go back. You're seeing child care centers that can't stay in business. They can't figure out how to reopen. They can't keep their employees on staff. They're letting people go," Stevenson says.

"Once we are ready to have all the jobs come back and we're really ready to recover, even though we'll have opened the schools, opened the child care centers, the workers aren't going to be there, the slots aren't going to be there."

What can we do to avoid that outcome? On Wednesday, Stevenson spoke to POLITICO about all that and more. A transcript of the conversation is below, edited for length and clarity.

Zack Stanton: Let's start here: Are we in a child care crisis as a country?

Betsey Stevenson: I actually think we've been in a child care crisis for a long time. The pandemic has just pulled the lid off it, so we're all staring at that crisis right now. And, of course, it is exacerbated and much worse in the current period for two reasons.

First, schools may or may not be open, child care centers may or may not be open — that's formal care — but even the other many different types of care that people have often relied on, like grandparents, involve making some really difficult choices right now. You have to decide, are you going to quarantine so that you're not exposing those grandparents, or are you going to risk exposing the grandparents? Grandparents want to see their grandchildren. The idea that you might not see grandchildren for a couple years or even a year is really rough. But at the same time, even if parents are keeping kids home from school, the risk is still there.

Second, families are facing really difficult short-run challenges, but the long-run issue is that we still haven't fully balanced child care and adult care responsibilities among men and women. If you're working from home, as kids see both parents trying to work, do they go to mommy or daddy first? You know, if the kids are biased and run to mom more, that's going to have a bigger impact on her career. Why would the kids be biased? Well, the kids are biased because of patterns of behavior in the household that mean even when spouses try to share responsibilities, inequality means that mom's picking up more than her share. Women, for a very long time, have been doing more than their share of caregiving. And now, during the pandemic, the amount of caregiving has just gone up enormously.

Stanton: There has been a cascade of crises caused by the pandemic — unemployment, PPE, rent/mortgage payments, schools, etc. — that have elicited policy prescriptions in response. Policymakers haven't reacted to the child care crisis with that same sense of urgency. Why?

Stevenson: I've been really struck by how much the federal government scrambled to save the airlines — “Oh, wouldn't it be terrible for our economy if we lost all our airlines?” I guess it wouldn't be great. But how terrible would it be for our economy if we lost all our child care and our schools? That would be way worse than losing our airlines! That would leave not only the current working generation unable to go back to work in the same way, it would mean that we are not preparing the next generation so that they have skills. I mean, it is so substantially worse than losing your airlines. And yet we gave less money to the entire child care sector than we gave to one single airline, Delta. I don't mean to pick on Delta, but it seems crazy that we care more about saving Delta Airlines than we do about the entire child care industry.

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Child care is one of those issues where we still really think it's a personal problem: ‘You made the choice to have those little rugrats. You deal with them.’ Compare that with elder care. We recognized it was a social issue. We built a series of nursing homes and institutional care, and we have societal grants to cover some of that through Medicaid. But with child care, we've said this isn't a social issue. And I think the pandemic has revealed that it is a social issue.

Child care is not a personal issue, it's not a women's issue; it's actually an economic issue. It's an economic issue because we need to invest in children. We know early childhood education is one of the most effective investments a taxpayer could ever make. Every dollar we put into it comes back to us many, many times over in terms of higher earnings — which means that they pay for higher future taxes — and fewer negative social effects. They're less likely to engage in crime, less likely to have learning disability issues that then taxpayers are on the hook to cover. Investing in children, making sure they get that right start, is worth it. No question.

What I find particularly worrisome is we're sort of leaving parents on their own to figure it out. You see highly educated households with a lot of income saying, ‘OK, well, I've got to hire somebody. I'm going to spend money.’ And then you have people very upset about the inequality that comes from high-income people spending a lot on the problem. But leaving an entire generation of children behind is not a great solution either. We really need to say this is our first priority. And I hope everybody blows up the phones of their members of Congress and says, ‘If this is not the most important issue in your next stimulus bill, then your priorities are out of whack.’

Stanton: There are all sorts of long-term implications for dropping out of the labor market or switching to part time in order to take care of a child. Do we have any numbers to quantify that? What does that look like?

Stevenson: If you look at how caregiving responsibilities erode a woman's career, it takes a long time. It's about not accepting the job that's going to push you further in your career, because it's going to conflict with your family. It's about taking part-time work so that you get more time at home. It's about choosing the job that has the most flexibility. It's about choosing the job with the shortest commute. Those are the trade-offs. And those trade-offs end up giving them less opportunity, fewer opportunities for promotions or raises. That's why you see much bigger gender gaps for women by age 50 than you saw at age 30. These things just happen slowly over time. Even though the pandemic has come as a big crisis and we saw the labor market crater, I think the impact of the child care crisis on women's outcomes is going to be felt over the next decade.

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What we're seeing, particularly as we turn to the fall, is that a lot of companies don't want to cut parents any further slack. And I think a lot of women are going to be reevaluating whether they'd be better off maybe taking a period out of the labor force. We're going to see what happens as women choose to take time out, as they scale back their hours, as they get sidelined in their jobs. All of those things will mean they're in a worse position in four and five years' time than they would have been without the pandemic.

We have an opportunity to avoid some of that damage. How do we do that? One, we need men to step up and do more work at home. If the amount of work has gotten bigger now that the kids are home, we need to balance the shares more. That way, employers will recognize that they have to cut parents slack if it's not just the female parents, but all parents who need a bit more slack. And the other thing is public policy: I think we're going to need a set of tax incentives and other policies that encourage employers to hire back women who took time

out of the labor force to deal with schools being closed. We can shout 'the schools need to open' as much as we want. They're not all going to open. So given that, what else do we do? I think we need to be providing emergency child care grants to make sure there's child care in every community for workers who have to do in-person jobs. For lower-earning households, we could expand Head Start in a socially distanced way: If the high schools are closed, turn them all into Head Start rooms, and let's provide care for smaller children. Let's make sure that lower-income households have the care that they need, that people who must do in-person work have the care that they need, and then let's do what we can to help reroute people back into the labor force as we get past this. We will get past this pandemic. But the work of recovering from it will not end just because we have a vaccine.

Stanton: People talk about reopening the economy. Is there any way that that happens without the child care system up and running?

Stevenson: Come September, I don't think that the pandemic is enough behind us that every job would be back anyhow. Can we get every job back without child care? Absolutely not. The question is, how much is a lack of child care holding us back, versus how much are people still staying at home because they don't want to get Covid?

Even if child care is not holding us back in September or October, we are letting the whole child care system erode in such a way that it's not going to be there for us when we are fully ready to go back. You're seeing child care centers that can't stay in business. They can't figure out how to reopen. They can't keep their employees on staff. They're letting people go. I see a world where we're all vaccinated by next spring, and we're ready to have every kid back in child care, back in school, back at camp — but now they're starting from scratch, recruiting workers because all their workers have sort of disappeared or moved on. Some of them have gotten other jobs and are never coming back. Others have decided that they're retiring early. Others have moved physically — 'Yeah, maybe I worked with children before, and I'm ready to do that again. But I've never worked with this employer.' So how do they make that match? That's a slow process.

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Where I really see the child care crisis holding us back is once we are ready to have all the jobs come back and we're really ready to recover, even though we'll have opened the schools, opened the child care centers, the workers aren't going to be there, the slots aren't going to be there. At the state level, we saw this in the 2008 recession: The states ran out of money, the revenues weren't coming in because incomes were so low. What did the states do when they ran out of money in the 2008 recession? They let teachers go. So this isn't just at the private-sector level, like private child care. It's also at the public level: There's just not going to be the money, and they're going to let these teachers go. And that is going to mean that as you try to get your kids back in school, classrooms are going to be extra crowded — it's gonna be extra crowded at a time when people would feel much more comfortable if it wasn't extra crowded. I'm very concerned at how few policymakers seem to understand the potential for long-term damage.

Stanton: In terms of long-term damage, two-income households have become key to upward mobility in this country. So if one parent has to drop out of the labor market, or earns substantially less over a lifetime because of that, what does that look like?

Betsey Stevenson: In some sense, some of our inequality comes from the fact that there are some kids raised in two-parent families with two incomes, and other kids raised in single-parent families with one income. And this sounds really awful to say, but it might reduce inequality: No kid gets two earners; they only get one.

Really, the transition will be very difficult because many families have made plans around having two earners. They bought a house they might not be able to maintain housing payments on. They made plans for how they want to live their lives thinking, 'Well, we'll have these two incomes coming in.' And that's going to cause a big reshuffling.

But the bigger issue is actually, again, how hard it will be for that one parent who stays home. If one person in the family stays home, and the kids end up going back to school — and you blink your eyes and they're going to college, right? Five, 10 years down the road, your kids start moving out of the house, and you're like, 'OK, now I can go back to work,' you're going to have a really hard time getting a job.

In the long run of things, over the last 50 years — though the last 5-10 years have not been good for this — we've had a really large increase in life expectancy. That means you have the potential to work from, say, age 22 to 72. That's 50 years in which you could earn a living, contribute financially to your life and your family's life. And if you take five or 10 of those years out of the labor market, it has an enormous implication for how much you can earn in the 25 years on the other side of it. When you talk about upward mobility, this puts families on just a completely different trajectory that's not about losing two or three years of income; it's about being on a lower earnings trajectory for the rest of your life.

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What I think is so difficult for so many people is they're looking at what they're earning today and saying, 'I can give up my income today to look after my kids, but how do I get it back?' You know, if you think about your career as a highway, there are lots of offramps, but we really haven't built any on-ramps. I don't want to see a lot of women taking offramps, but the reality is they're going to take offramps because of

the pandemic. I want us to build the on-ramps so we can get them back on track. And that will mean that for those families that have come to rely on two incomes, there will still be a financial hit, but it'll be a hit of one to two years of earnings, not a hit of one to two years of earnings plus 20 percent of your annual earnings for the rest of your life.

Stanton: Do you see this is an inflection point for child care, after which we will think about these issues differently? And if so, is that because upper-middle-class people, especially wealthier white people, are struggling with these issues in a way that they may not have had do in the past?

Stevenson: [Laughs] I'm only laughing because Stephanie Coontz commented on this, and she quoted the very beautiful poem, 'John Brown's Body.' I don't know if you've seen this, but it really ... it just sat with me for such a long time, this idea that 'sometimes there comes a crack in Time itself ... That suddenly will not have it anymore.' I think maybe we have had our crack in time itself, and suddenly we will not have it anymore. I've certainly heard more people upset about the child care problem than I've ever heard before. And I've heard people finally moving away from discussing it as a personal issue.

I have spent time thinking about other societal issues we've often thought of as personal issues — even health care, something that really is a personal, private issue. Then we created Medicare, and we made health care for the elderly a social issue. And then we started thinking maybe we need to make health care for the non-elderly a social issue. A K-12 education became a social issue, but somehow, we just have had a hard time getting traction around early childhood education.

If we had learned more about early childhood education before the last 50 years — if there had been a movement for early childhood education before there was a movement for high school — maybe we would have public education that went from ages 2-13, and you and I would be arguing about whether it's time for universal public high school. It's kind of crazy that we just sort of said, 'Yeah, kindergarten makes sense, but not a year before that.'

We need to reconsider what issues are social issues. And hopefully, we're going to learn that investing in children is really one of the most important things we can do, both for the sake of parents, but also for the sake of the next generation. We are making choices right now about where we will be as an economy in 20 years, in 30 years, based on what we do with these kids. My hope is we've now exposed this problem that had been living in a box. We've taken the lid off, and now we're all staring at it, thinking, 'Why are we living with this problem?'

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Stanton: Final question: You were an economic adviser to President Obama. If you were advising President Trump on this topic, what would you say?

Stevenson: We have been having a national conversation for 20 years about how can parents pay for college. And yet, we're expecting them to shell out basically in-state college tuition for four or five years for early childhood education and child care. And nobody's talking about how parents come up with four years' worth of tuition as the kid is coming out of the uterus — and that is much harder than taking 18 years to plan for it.

That, to me, seems like a much bigger problem than paying for college. I mean, I have a lot of empathy for college, so I don't want to sound like I'm dunking on that. The other thing is that when you're 18 years old, you can take some of that responsibility on yourself. That's why we have student loans, and the students make decisions, and out of their earnings, they'll pay some of that back.

But we've got parents who are facing their own student loans, who are then in a position where in order to keep working — in order to have made college worth it, and in order to pay back their student loans — they've got to come up with another four years of tuition, or if you have two kids, eight years of tuition, in order to get their kids child care. That, to me, seems completely backwards.

The solution isn't to pay child care workers less. I don't think we could. The solution has got to be government spending on child care. It's going to have to be government encouraging and rewarding businesses that provide employees with the flexibility they need in order to balance work and child care. The policymakers debating legislation right now need to realize that caregiving is an essential part of our economy. And it's an investment that when they make that, they are going to see benefits in terms of economic growth.

The same folks who are happy to cut corporate taxes because they think that's going to unleash a wave of growth, I want them to realize that if they want to unleash a wave of growth, they need to invest in the next generation so that the current generation can do their work and the next generation is prepared to do it even better.

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