

The Role of Early Childhood Education in Delaware's Business Sector Pandemic Recovery and Beyond

Sloane Kaiser, Economic Growth and Mobility Project Associate, Federal Reserve Bank of Philadelphia¹

Introduction

With greater vaccine availability and lower COVID-19 case numbers, the Delaware business community is focused on the road to economic recovery ahead.² However, the effects of the COVID-19 pandemic will persist into the coming months — even years — making the return to work especially difficult for the 48 percent of Delaware's labor force with children.³ The pandemic has exposed the need for innovative public-private solutions to challenges facing working families and has underscored the importance of child care to regional economies. An accessible, high-quality early childhood education (ECE) sector is a critical component of infrastructure needed for the Delaware economy to make a full and sustaining economic recovery for years to come.

The Fragility of the Child Care Sector⁴

A historically vulnerable and undervalued sector, child care providers have been at high risk of closure throughout the pandemic, threatening the permanent loss of nearly 4.5 million child care slots across the United States, and 58 percent of

Delaware's child care supply.⁵ For those providers that have remained open, the Center for American Progress estimates that the cost of providing center-based child care is, on average, 47 percent higher than the cost of meeting pre-pandemic requirements because of additional expenses incurred by providers who are operating under pandemic-related licensing requirements.⁶ With an increase in operational costs to provide the same level of care and the resulting restricted capacity, child care programs may not be as accessible for working families as they were before those pandemic-related regulations went into effect. Working families' child care arrangements may have shifted and might require additional changes or coordination as parents' jobs are phased back into the office. A Center for American Progress report from 2020 suggests that neighborhoods and families categorized as low- and middle-income, Hispanic, or Black may experience greater pandemic-related child care challenges compared with high-income neighborhoods and White families.⁷ Given such effects, businesses have the opportunity to consider

1 The views expressed here are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

2 See coronavirus.delaware.gov, Delaware's official coronavirus website with updated case counts and vaccine effort updates.

3 Author's calculation using CPS basic monthly samples (January 2019–December 2019), retrieved from IPUMS-CPS, University of Minnesota, www.ipums.org.

4 For the purposes of this brief, the terms Early Childhood education and child care are interchangeable. Care options for children under 5 years of age include a variety of program types, such as center-based child care, home-based or family child care, private preschool, public preschool, and Head Start and Early Head Start.

5 Steven Jessen-Howard and Simon Workman, *Coronavirus Pandemic Could Lead to Permanent Loss of Nearly 4.5 Million Child Care Slots*, Washington, D.C.: Center for American Progress, April 24, 2020. Available at www.americanprogress.org/issues/early-childhood/news/2020/04/24/483817/coronavirus-pandemic-lead-permanent-loss-nearly-4-5-million-child-care-slots/.

6 Simon Workman and Steven Jessen-Howard, *The True Cost of Providing Safe Child Care During the Coronavirus Pandemic*, Washington, D.C.: Center for American Progress, September 2020. Available at www.americanprogress.org/issues/early-childhood/reports/2020/09/03/489900/true-cost-providing-safe-child-care-coronavirus-pandemic/.

7 Rasheed Malik, Katie Hamm, Won F. Lee, et al., *The Coronavirus Will Make Child Care Deserts Worse and Exacerbate Inequality*, Washington, D.C.: Center for American Progress, June 2020. Available at www.americanprogress.org/issues/early-childhood/reports/2020/06/22/486433/coronavirus-will-make-child-care-deserts-worse-exacerbate-inequality/.

how supporting child care can serve as a strategy to maintain and grow their workforce and preserve and develop valuable workplace diversity.

Child Care as an Economic Investment

As discussed in an analysis from the Federal Reserve Bank of Boston, a quality, accessible child care sector is a key component to a strong workforce infrastructure.⁸ More specifically, the report compares the U.S. ECE market with that of other countries and regions with more generous child care policies. Included in the comparison is Quebec, where universal low-fee child care has been offered since 1997 and serves as a potential explanation for higher female labor force participation rates compared with the U.S. The analysis emphasizes the need for regional economies to develop and share a deep understanding of how early childhood education impacts the economic and employment opportunities of working parents.

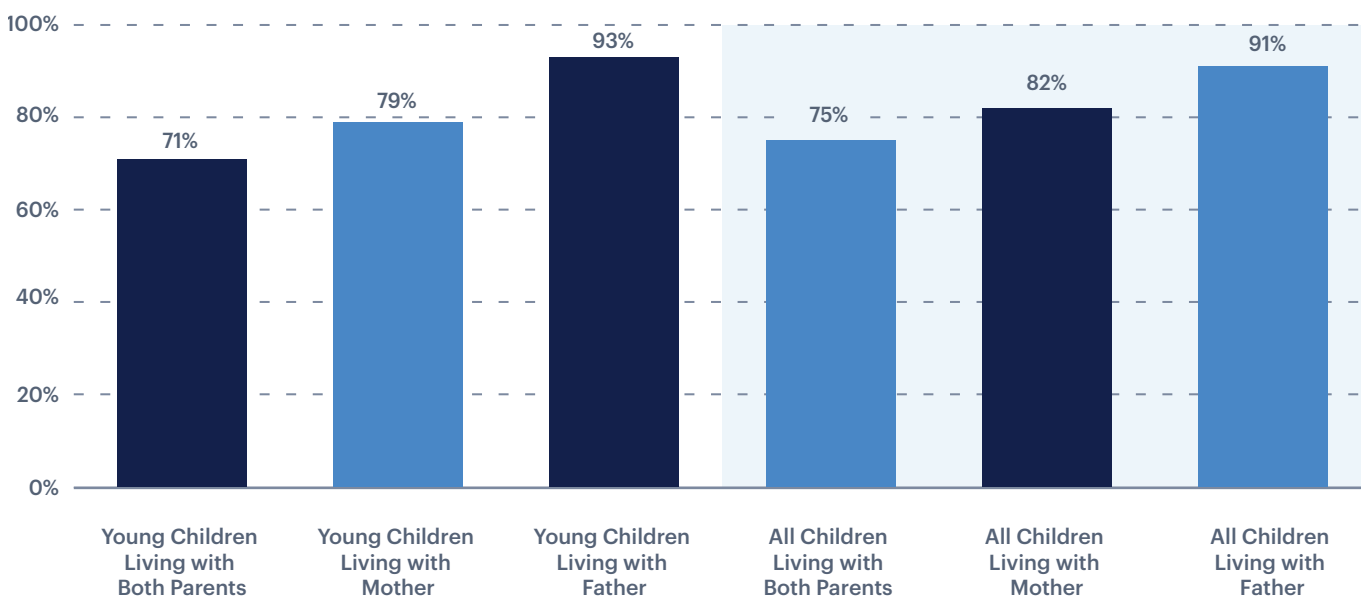
8 Sarah Ann Savage, *High-Quality Early Child Care: A Critical Piece of the Workforce Infrastructure*, Boston: Federal Reserve Bank of Boston, May 2019. Available at www.bostonfed.org/publications/one-time-pubs/high-quality-early-child-care.aspx.

In instances where public and private partners have been able to come together to support an integrated child care infrastructure, the benefits have paid dividends.⁹ A U.S. Chamber of Commerce Foundation report highlights a case study in Minnesota that demonstrates how private sector engagement and advocacy for ECE can result in an increase in public grant funding. Additionally, the report suggests that company-provided child care can decrease employee absences by up to 30 percent and job turnover by as much as 60 percent, while public savings can be as high as \$16 for every \$1 spent on ECE. The report also advises that investing in ECE can result in higher wages later in life, improved personal and public health, and increased tax revenues.

Integration of child care as a valued component of the workforce ecosystem may be especially impactful for Delaware’s economy, given that a majority of Delaware’s children live in a household in which all parents are in the workforce (**Figure 1**).

9 Center for Education and Workforce, *Leading the Way: A Guide for Business Engagement in Early Education*, Washington, D.C.: U.S. Chamber of Commerce Foundation, April 2018. Available at www.uschamberfoundation.org/sites/default/files/Childcare%20Workforce%20Toolkit_April%202018.pdf.

Figure 1: Share of Delaware Children with Parents in the Labor Force



Note: “Young children” are defined as those under the age of 6 who are a son or daughter by birth, a stepchild, or an adopted child of the householder. “All children” expands the definition to those under the age of 18. Labor force participation includes those in the civilian labor force as well as those in the U.S. Armed Forces; only adults 16 and over and identified as parents are included in the calculation.

Source: Author’s analysis of ACS 5-year estimates (2015–2019), table B23008, retrieved from U.S. Census Bureau, data.census.gov.

Access to quality child care can act as a two-generational approach in expanding economic opportunity for working parents, while preparing their children as a region's future workforce.¹⁰ Not surprisingly, children in single-parent households in Delaware are less likely to have a stay-at-home parent than are children living with both parents, which further emphasizes the need for working parents to have access to quality child care options.

Working parents have been forced to make difficult child care decisions throughout the pandemic. According to a 2020 study by the Federal Reserve Bank of Minneapolis, the care burden continues

10 KIDS COUNT, *Creating Opportunity for Families: A Two-Generation Approach*, Baltimore: The Annie E. Casey Foundation, November 2014. Available at peerta.acf.hhs.gov/sites/default/files/public/uploaded_files/MLaracy_AdditionalMaterials_PolicyReportTwoGen.pdf

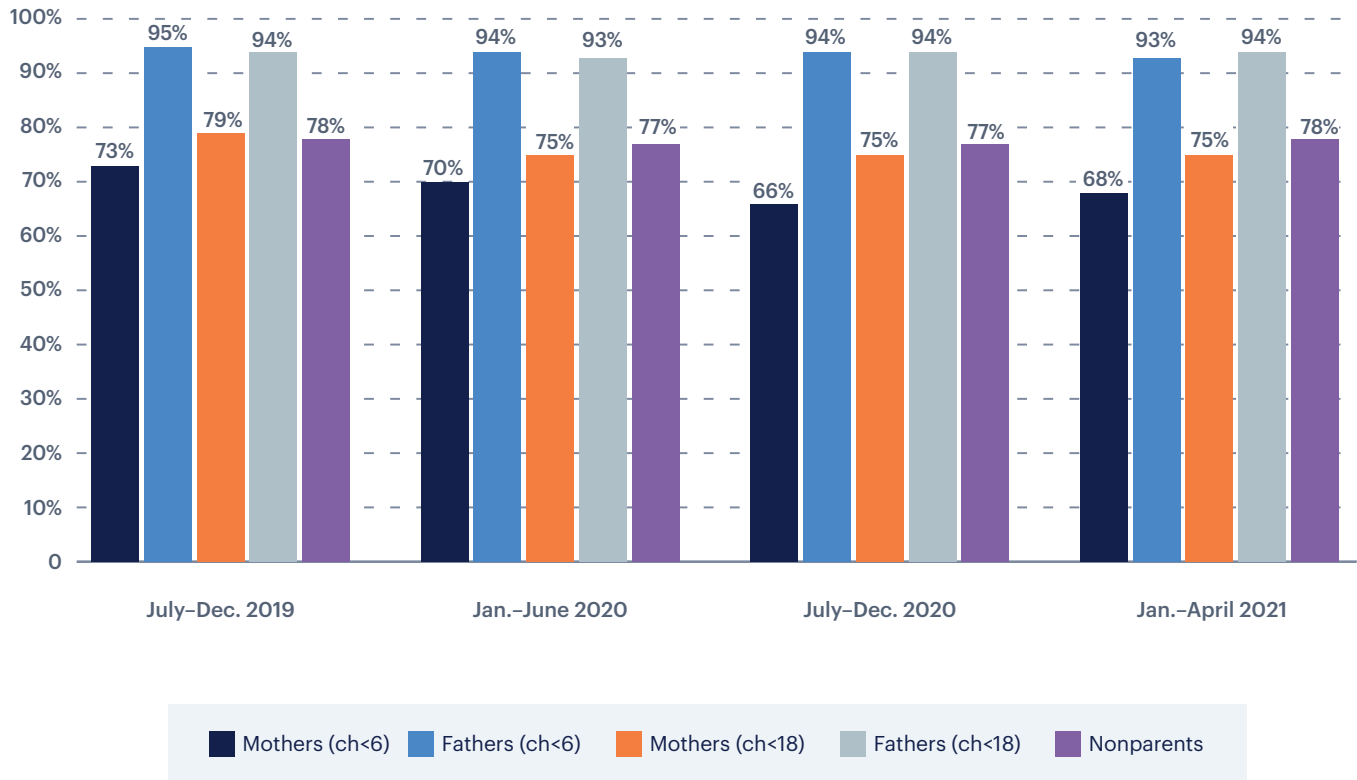
to impact mothers, who are remaining home or leaving the workforce entirely.¹¹ The study finds that although fathers initially left the labor force, male workers with young children were better able to return to work than their female counterparts.

Figure 2 shows how labor force participation rates have changed during the pandemic for different types of households in the Third District states of Pennsylvania, New Jersey, and Delaware.¹²

11 Tyler Boesch, Rob Grunewald, Ryan Nunn, and Vanessa Palmer, *Pandemic Pushes Mothers of Young Children Out of the Labor Force*, Minneapolis: Federal Reserve Bank of Minneapolis, February 2021. Available at www.minneapolisfed.org/article/2021/pandemic-pushes-mothers-of-young-children-out-of-the-labor-force.

12 While the Third District of the Federal Reserve System includes eastern and central Pennsylvania, southern New Jersey, and Delaware, this analysis includes all three states in their entirety.

Figure 2: Labor Force Participation by Parental Status in Third District States



Note: Analysis is restricted to individuals between 18 and 54 years of age. A child is defined as an own child residing with each individual, including biological children, stepchildren, and adopted children. Parents are those of either sex with a child under the age of 18 living in their home. Nonparents are those who do not have children of any age living in their home. To achieve a sufficient sample size for this calculation, the author pooled observations from the Third District states of Pennsylvania, New Jersey, and Delaware.

Source: Author's analysis of CPS basic monthly samples (July 2019–April 2021), retrieved from IPUMS-CPS, University of Minnesota, www.ipums.org.



The graph demonstrates that the labor force participation rates for nonparents and fathers with children under 18 have remained relatively stable throughout the pandemic months, with each group's rate in the first four months of 2021 roughly equivalent to its level before the pandemic. However, the contrast between mothers and fathers is evident, which is consistent with prior research suggesting mothers participate in the labor force at a lower rate than fathers.¹³ Mothers with children under 6 experienced the greatest drop in labor force participation compared with other parent groups, falling from 73 percent in the second half of 2019 to 68 percent in the first four months of 2021. The decline for fathers with young children was more modest.

Although this analysis is descriptive in nature, these findings are consistent with prior research suggesting the responsibilities associated with child care can put certain groups, namely mothers with young children, at risk for more volatile labor force participation rates when faced with disruptions

to child care arrangements.¹⁴ A strengthened child care infrastructure may be able to offset the declines in economic opportunity and labor force participation, particularly for mothers.

Opportunities for Delaware Businesses

An accessible, quality child care sector can make the economic recovery fuller and more equitable for Delaware's economy. As a starting point, businesses in Delaware can use this [PolicyMap data tool](#), developed in partnership with the Federal Reserve Bank of Philadelphia, to begin building an understanding of the child care landscape available to their employees.¹⁵ Users can glean insights into what types of ECE supports, partnerships, or investments may best serve their employees and communities, based on a number of key statistics local to Delaware provided in user-generated reports. Businesses can access information on area conditions and demographics, such as the number of jobs in a report area, the share of families

¹³ Daniella Zessoules, Annie McGrew, and Michael Madowitz, *The State of the U.S. Labor Market for Mothers: Pre-May 2018 Jobs Release*, Washington, D.C.: Center for American Progress, May 2018. Available at www.americanprogress.org/issues/economy/news/2018/05/30/451414/state-u-s-labor-market-mothers-pre-may-2018-jobs-release/.

¹⁴ See Leila Schochet, *The Child Care Crisis Is Keeping Women Out of the Workforce*, Washington, D.C.: Center for American Progress, March 2019. Available at www.americanprogress.org/issues/early-childhood/reports/2019/03/28/467488/child-care-crisis-keeping-women-workforce/.

¹⁵ PolicyMap and Federal Reserve Bank of Philadelphia, "Delaware Child Care Map," PolicyMap, dechildcaremap.policymap.com/newmaps#/.

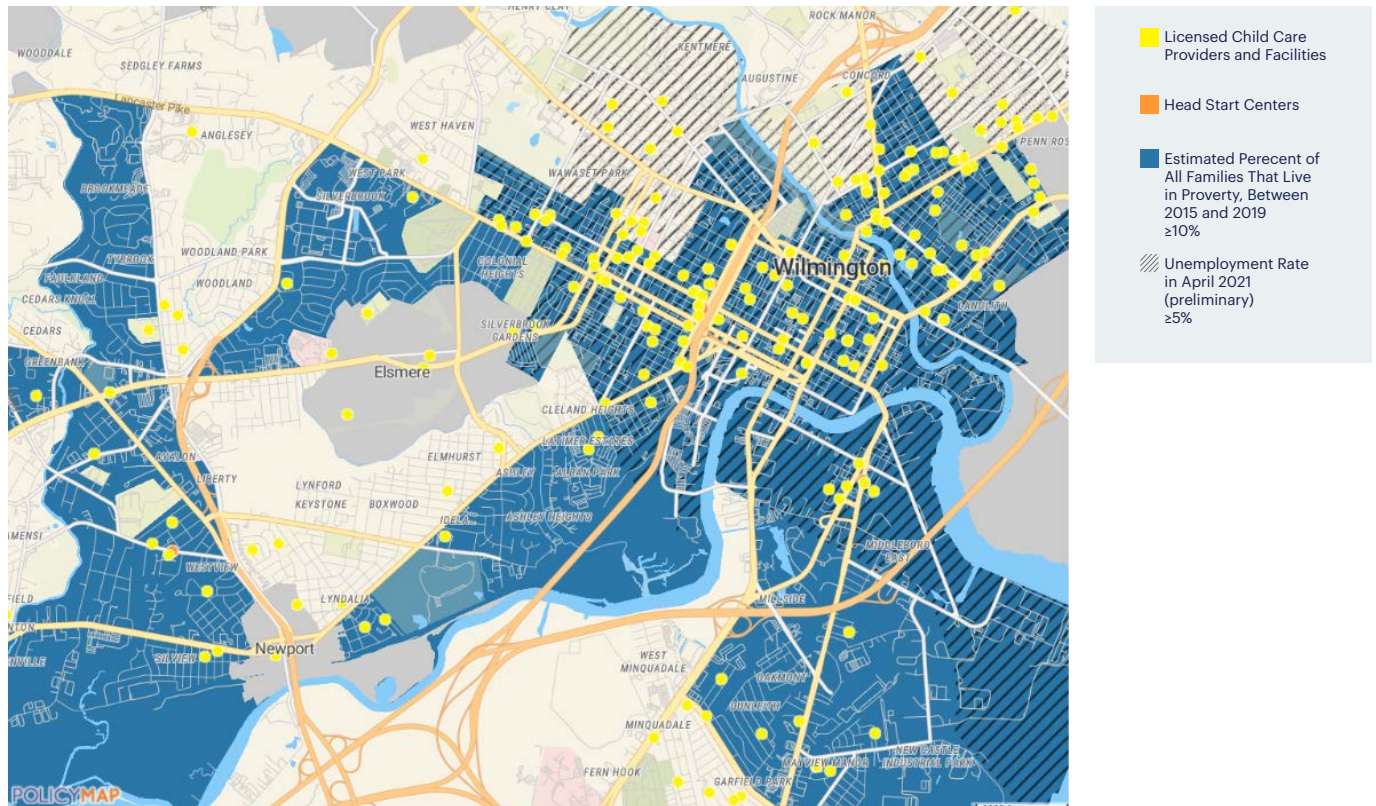
in poverty, educational statistics, and reliance on public transit to get to work. **Figure 3** demonstrates how the tool can be used to identify licensed child care facilities in areas where high levels of poverty and unemployment intersect.

The Delaware State Chamber of Commerce has committed to addressing child care as a workforce issue in its Road to Recovery: Putting Delaware Back to Work plan.¹⁶ The chamber is working in partnership with the [Delaware Department of Education, Rodel](#) and the [Federal Reserve Bank of Philadelphia](#) to better understand and communicate

¹⁶ Delaware State Chamber of Commerce, *Road to Recovery: Putting Delawareans Back to Work*, Wilmington, DE: Delaware State Chamber of Commerce, January 2021. Available at www.dsc.com/priorities.html.

the economic importance of the ECE sector to Delaware’s business community. This unique public-private partnership may serve as a model for communities looking for a holistic approach to removing barriers to employment and preparing the region’s future workforce through accessible and high-quality early childhood education. For more information about the partnership or how to support the effort, please visit the [Philadelphia Fed’s website](#). As labor force participation is a key determinant of economic growth, Delaware businesses are positioned to play a crucial role in easing the care burden to promote a broader, more inclusive labor force that works for mothers, fathers, and nonparents alike.

Figure 3: Where Are Families in Poverty Potentially Seeking Jobs?



Notes: The measure of supply generated in the mapping tool is not inclusive of all slots available in public or private schools. The tool captures those providers who are licensed through the state of Delaware.

Source: “Delaware Child Care Map,” PolicyMap, [dechildcaremap.policymap.com/newmaps#/.](http://dechildcaremap.policymap.com/newmaps#/)